FOR IMMEDIATE RELEASE
10 March 2015

Matomy Media Group | 2014 Final Results

Final results for the year ended 31 December 2014

Matomy Media Group Ltd., one of the world's leading digital performance-based advertising companies, announces its final results for the year ended 31 December 2014.

Strong operational and financial performance — poised for further growth

Non-GAAP Financial Highlights

Overview of results ($ millions)	2014PF*	2013PF*	Change PF
Revenue	258.9	216.8	19%
Adjusted gross profit	72.8	62.5	16%
Adjusted EBITDA	24.1	17.2	40%

**PF – Consolidated full Group numbers, including Team Internet, only on a full-year pro-forma basis, as if the acquisition of Team Internet had occurred on 1 January 2013.*

GAAP Financial Highlights

Overview of results ($ millions except EPS)	2014 GAAP	2013 GAAP	Change GAAP
Revenue	237.4	193.5	23%
Gross profit	59.0	51.5	14%
Operating profit	8.6	9.7	(11)%
Pre-tax profit	4.6	8.8	(48)%
Net income	9.8	7.2	37%
Earnings per share	$0.10	$0.09	9%

Business highlights

- Strong revenue growth across the Group, increasing 19% on a pro-forma basis (19% organic), driven by identified strategic growth areas of mobile, video and social advertising.
- Aggregate mobile traffic across all media channels increased 195%, contributing approximately 20% of Group revenue on a pro-forma basis (including MobFox).
- Display and video activity increased 15% to $139.3 million.
- Adjusted EBITDA rose 40% at a 9.3% adjusted EBITDA margin, representing a 140 basis point improvement in margin.
- Good trading performance from Matomy US business due to enhanced integration with Group activity and strong demand for email marketing services.
- Strong balance sheet maintained, with net cash increasing to $28.9 million (FY2013: $2.4 million).

- Formed a strategic affiliation with Publicis Groupe.
- Acquired mobile advertising platform MobFox, bringing new programmatic and real-time bidding (RTB) capabilities to the Group; initial integration completed.
- Operating profit and pre-tax profit increased 81% and 53%, respectively, excluding: one-time IPO bonuses; increased amortisation following acquisitions of Team Internet and MobFox; and first-time public company-related expenses.
- Initiated a corporate restructuring that will sharpen focus of Matomy's business units as part of a plan to improve the Group's service offering, customer experience, efficiency and innovation in support of its overall growth strategy.

Ofer Druker, Chief Executive Officer of Matomy, said:
"I am pleased to report excellent progress across Matomy in 2014 with pro-forma Group revenues up 19% and adjusted EBITDA up 40%.

"During 2014 we made significant strides towards achieving our goal of becoming the recognised global leader in digital performance-based advertising. Through strategic acquisitions and partnerships, as well as investment in our core growth activities of mobile, social and video advertising, and in other areas of the business, we have laid a solid foundation to pursue this important goal.

"These business developments, together with the planned additional investments in 2015 in our media capabilities, partnerships and acquisitions, will strengthen our market position and drive our long-term profitability and sustainable growth."

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A copy of this announcement will be available on the Matomy website, www.Matomy.com, today from 7.00am GMT.

Matomy will host an analyst presentation at 10.00am GMT Tuesday 10 March 2015 at the offices of Tulchan Communications, 85 Fleet Street, EC4 Y1AE.

Forthcoming dates
Annual Report to be published by 30 April 2015

CHAIRMAN and CHIEF EXECUTIVE OFFICER'S STATEMENT

Introduction

We are delighted to report that 2014 was another year of significant progress and growth for Matomy.

Throughout 2014 we made significant investments in all areas of our business, in particular within our strategic growth activities of mobile, social and video advertising. In doing so, we have laid a strong foundation for achieving our goal of becoming the recognised global leader in digital performance-based advertising.

We were delighted to announce the strategic affiliation we formed in October 2014 with Publicis Groupe. By working collaboratively with the Publicis Groupe management team and its digital advertising and media buying agencies, we aim to offer compelling performance-based advertising solutions to its stable of blue-chip international advertisers, thus increasing our geographic reach with budgets from those clients. We are already recognising benefits from this collaboration following the February 2015 election of Publicis Groupe Chief Strategist Rishad Tobaccowala to the Matomy Board of Directors.

Mobile has become a growth driver across all of Matomy's activities, particularly in the areas of search, social, email and domain monetisation. We believe that the company that leads mobile performance will lead the market. It is our intention to lead mobile performance-based advertising, and we are making strategic investments in this activity to achieve this goal.

Our acquisition in October 2014 of MobFox has enabled us to expand our capabilities in mobile, RTB and programmatic advertising. Importantly, we expect that MobFox's bespoke technology will enable us to set a goal of generating 50% of revenues from mobile activity within three years.

We are pleased with the progress we have made thus far as a public company. We look forward to further strengthening our global performance-based advertising capabilities as we seek additional growth and expansion, as well as a strong increase in shareholder value.

2014 Trading performance

Our core businesses have continued to deliver a strong performance and, in some cases, such as our mobile and video activity, have been exceptional, helping us grow our worldwide market share.

For 2014 we reported a 23% increase in revenue to $237.4 million on a GAAP basis (FY2013: $193.5 million), driven primarily by our identified strategic growth areas of mobile, social and video activity. On a pro-forma basis, revenue and adjusted EBITDA increased by 19% and 40%, respectively, delivering a 9.3% adjusted EBITDA margin, representing a 140 basis point improvement in margin. Earnings per share increased by 9% to $0.10 (FY2013: $0.09).

We gained significant market share in 2014 as measured by the growth of active customers, which reached 5,157 (FY2013: 1,557), mainly driven by the acquisitions of Team Internet and MobFox.

Geographically, Matomy is seeing the strongest growth in the Americas (including North and South America), with revenue in that region increasing 29% ($33.4 million) to $149.2 million (FY2013: $115.8 million). This was driven by a marked increase in video advertising revenues, most of which is generated in the United States; new capabilities added to the Group, including email marketing following the January 2013 acquisition of Matomy US; and from domain monetisation revenues following the June 2014 acquisition of a majority stake in Team Internet.

European revenues rebounded in the second half of 2014 to increase 7% from the year prior, to $67.2 million (FY2013: $62.6 million). This growth offset a challenging first half in European activity, particularly in Spain, where a change in user registration requirements for additional mobile media services by certain mobile operators affected our activity in that region for a period of time in the first half of 2014.

Matomy's display and video activity continued to contribute the largest share of overall Group revenue, growing 15.1% in 2014, to $139.3 million (FY2013: $121.0 million). The Group's mobile activity experienced the largest percentage revenue growth in 2014. Aggregate mobile traffic across all media channels increased 195%, contributing approximately 20% of Group revenue on a pro-forma basis (including MobFox). This increase was driven by strong organic growth in Matomy's mobile activity, as well as by the inclusion of $2.2 million of revenues from the acquired MobFox business during the last two months of 2014.

Group operating profit decreased 10.8% for the year due, in part, to one of Matomy's advertising customers in the United States, American Laser Centers LLC, filing for bankruptcy protection, as reported in a November 2014 trading update.

2015 Priorities

Our key priorities for 2015 are as follows:

1. **Leverage the MobFox acquisition, and Matomy's existing mobile activity, to become the global leader in mobile performance-based advertising.** In order to achieve this, we intend to invest resources around our mobile activity in the following areas: mobile video, mobile performance, social and the expansion of our mobile offer wall service.
2. **Gain wider access and build upon the affiliation with Publicis Groupe.** We are working collaboratively towards establishing Matomy as a compelling performance-based advertising solution available to international advertising customers of Publicis Groupe.
3. **Additional advancements in our proprietary performance-based advertising technology.** We will maintain our technological focus on programmatic media buying for mobile and web with the integration of big data capabilities. We also intend to enhance the mobile programmatic advertising technology we acquired from MobFox by adding new capabilities, such as video and performance algorithms.
4. **Expand into the Asia-Pacific market.** The Asia-Pacific market represents one of the largest and fastest-growing sectors of digital advertising. We intends to strategically increase Matomy's presence in Asia, for example, by partnering with a local leader.
5. **Continue to seek value-enhancing opportunities**. We intend to seek more value-enhancing mergers or acquisitions in one or more of our strategic growth areas to further build the growth and value of our business.
6. **Strengthen corporate structure and complete key employee retention plan.** We intend to strengthen the corporate structure to reflect the needs of a publicly traded company and allow our CEO to concentrate on strategic value, enhancing new and existing activities and ensuring retention of our key operational and business leaders.

Outlook

Matomy has good momentum behind it at the start of 2015 and is poised to take advantage of the continued growth in worldwide advertiser spend on performance-based advertising campaigns. Current trading in 2015 is in line with our expectations, with notable growth in our mobile video, social, email and domain monetisation activities.

We continue to increase our capabilities in mobile, RTB and programmatic advertising and expect further progress in these areas of our business, in line with our overall growth strategy. Our acquisition of MobFox has enabled us to enhance and expedite mobile integration across all of Matomy's global performance-based advertising capabilities.

We are also increasing collaboration with the Publicis Groupe management team and its companies, which will enable us to further strengthen our client base, expand into new verticals and geographies, further enhancing our revenue growth.

Our operations in the Americas, which now comprise 63%, in aggregate, of Group revenue, continue to benefit from increased advertiser demand for video and mobile advertising solutions. Also driving growth in the Americas is the resurgence of our Matomy US business, which is benefitting from deeper integration with the Group's global activities and is performing well at the start of 2015. Similarly, our European business is performing well at the start of 2015 benefiting among other from greater access to MobFox's and Team Internet's clients and media partners, which are based in Europe.

The Group made excellent progress throughout 2014, increasing revenue and profits whilst also investing in new capabilities and geographies. We would like to thank all of Matomy's employees for the substantial efforts they have made to deliver these results, in what was a very exciting and productive year. Looking ahead, Matomy will continue to build the business for the long term and remains confident of delivering its plan.

Ilan Shiloah
Chairman

Ofer Druker
Chief Executive Officer

KEY PERFORMANCE INDICATORS

Non-GAAP measures (unaudited)

	Year ended 31 December			
Audited	**2014PF**	**2013PF**	**2014**	**2013**
Active customers (#)	N/A	N/A	5,157	1,557
Adjusted gross profit ($ million)	72.8	62.5	67.6	56.7
Adjusted gross margin (%)	28.1%	28.9%	28.5%	29.3%
Adjusted EBITDA ($ million)	24.1	17.2	20.3	13.0
Adjusted EBITDA margin (%)	9.3%	7.9%	8.5%	6.7%
Adjusted EBITDA less capex ($ million)	22.6	16.2	18.9	12.0
Adjusted net income ($ million)	9.6	11.1	7.2	8.4

GAAP measures (audited)

	Year ended 31 December	
Audited	**2014**	**2013**
Revenues ($ million)	237.4	193.5
Gross profit ($ million)	59.0	51.5
Gross margin (%)	24.8%	26.6%
Net income ($ million)	9.8	7.2
Basic EPS ($)	0.10	0.09

Reconciliation of non-GAAP measures to GAAP measures

The following table presents a reconciliation of adjusted gross profit to gross profit and to revenues, the most directly comparable financial measures calculated in accordance with US GAAP, for the periods indicated:

	Year ended 31 December			
Unaudited, $ million	**2014PF**	**2013PF**	**2014**	**2013**
Revenues	258.9	216.8	237.4	193.5
Direct media costs	(186.1)	(154.2)	(169.8)	(136.8)
Adjusted gross profit	**72.8**	**62.6**	**67.6**	**56.7**
Adjusted gross margin (%)	28.1%	28.9%	28.5%	29.3%
Other cost of revenues	(9.1)	(5.5)	(8.6)	(5.2)
Gross profit	63.7	57.1	59.0	51.5

The following table presents a reconciliation of adjusted EBITDA to net income, the most directly comparable financial measure calculated in accordance with US GAAP, for the periods indicated:

	Year ended 31 December			
Unaudited, $ million	**2014PF**	**2013PF**	**2014**	**2013**
Net income	12.3	9.9	9.8	7.2

Taxes on income	2.9	2.8	1.8	1.5
Financial expenses (income), net	4.2	1.0	4.1	0.9
Equity (gains)/ losses of affiliated companies, net	(7.0)	(0.1)	(7.0)	0.1
Other income	—	(0.2)	—	—
Depreciation and amortization	7.0	2.5	6.9	2.1
Share-based compensation expenses	1.4	1.2	1.4	1.2
Exceptional items	3.3	—	3.3	—
Adjusted EBITDA	**24.1**	**17.1**	**20.3**	**13.0**

The following table presents a reconciliation of adjusted net income to net income, the most directly comparable financial measure calculated in accordance with US GAAP, for the periods indicated:

	Year ended 31 December			
Unaudited, $ million	**2014PF**	**2013PF**	**2014**	**2013**
Net income	12.3	9.9	9.8	7.2
Gain on re-measurement to fair value	(7.3)	—	(7.3)	—
Exceptional items	3.3	—	3.3	—
Share-based compensation expenses	1.4	1.2	1.4	1.2
Adjusted net income	**9.6**	**11.1**	**7.2**	**8.4**

The following table presents a reconciliation of adjusted EBITDA less capex to adjusted EBITDA for the periods indicated:

	Year ended 31 December			
Unaudited, $ million	**2014PF**	**2013PF**	**2014**	**2013**
Adjusted EBITDA	24.1	17.2	20.3	13.0
Purchase of property and equipment	(1.5)	(1.0)	(1.4)	(1.0)
Adjusted EBITDA less capex	**22.6**	**16.2**	**18.9**	**12.0**

OPERATIONAL REVIEW*

Revenues by media channel

The following table sets out Matomy's revenues by media channel for the years ended 31 December 2014 and 2013.

	Year ended 31 December	
($ millions)	**2014**	**2013**
Display and video	139.3	121.0
Search	7.8	20.1
Social media and virtual currency	20.1	19.8
Mobile[(1)]	25.7	13.2
Domain monetisation	22.6	-
Other[(2)]	22.1	19.4
Total	**237.4**	**193.5**

**Based on consolidated financials, not including the consolidation of Team Internet on a pro-forma basis.*

(1) Aggregate mobile traffic across all media channels (including MobFox) increased 195% in FY2013, contributing approximately 20% of Group revenue on a pro-forma basis (FY2014: $53.0 million; FY2013: $18.0 million).
(2) Primarily comprised of revenues from the email media channel.

Display and video

Display and video media channel revenues increased by $18.3 million, or 15%, to $139.3 million for the year ended 31 December 2014 (FY2013: $121 million), primarily due to increased demand for video advertisements.

Search

Search media channel revenues decreased by $12.3 million, or 61%, to $7.8 million for the year ended 31 December 2014 (FY2013: $20.1 million), mainly due to the anticipated trend by advertisers to reduce outsourcing services related to search activity, as well as technological tracking adaptations required as a result of a shift by users in the gaming vertical from personal computers to mobile devices.

Social media and virtual currency

Social media and virtual currency media channel revenues increased by $0.3 million, or 1%, to $20.1 million for the year ended 31 December 2014 (FY2013: $19.8 million). This increase reflects the first full year of revenues contributed by the 2013 acquisition of Adotomi (now known as 'Matomy Social').

The increase in social media revenues reflected even stronger underlying revenue growth, which were accounted for on a net basis, due to the maturing social media advertising market driven by Facebook's agency policy, which encourages advertisers to increasingly make direct payment of media costs. The revenues which were accounted for on a net basis would have contributed a further $3.6 million to this media channel if they had been reported gross.

Mobile

Mobile media channel revenues increased by $12.5 million, or 94%, to $25.7 million for the year ended 31 December 2014 (FY2013: $13.2 million), mainly due to strong organic growth in Matomy's mobile activity, as well as the inclusion of $2.2 million of revenues from the acquired MobFox business in the last two months of 2014.

Domain monetisation

Domain monetisation media channel revenues commenced only in H2 2014, following the Team Internet acquisition.

Other media channels

Other media channel revenues increased by $2.7 million, or 14%, to $22.1 million for the year ended 31 December 2014 (FY2013: $19.4 million). This increase reflects a 26% increase in revenues from the email media channel, offset by a decrease mainly in other media channels that were not in line with Matomy's core business.

Revenues by geography

The following table sets out Matomy's revenues by geographical region for the years ended 31 December 2014 and 2013.

	Year ended 31 December	
($ millions)	**2014**	**2013**
United States	123.2	95.0
Europe	67.2	62.6
Rest of Americas	26.0	20.8

Israel	0.2	0.3
Other	20.8	14.7
Total	**237.4**	**193.5**

Americas
Americas revenues increased by $33.4 million, or 29%, to $149.2 million for the year ended 31 December 2014 (FY2013: $115.8 million). This increase primarily reflects the increase in video advertising revenues, and also due to domain monetisation revenues following the June 2014 acquisition of a majority stake in Team Internet.

Europe
Europe revenues increased by $4.6 million, or 7%, to $67.2 million for the year ended 31 December 2014 (FY2013: $62.6 million), mainly due to organic growth in existing markets, as well as new markets Matomy entered via the Team Internet and MobFox acquisitions.

FINANCIAL REVIEW

Revenue
Matomy had a strong 2014, with revenue improving by 23%, to $237.4 million (FY2013: $193.5 million). This growth was driven by increased activity in Matomy's identified strategic growth drivers of mobile, social and video advertising, as well as organic growth driven by an increase in active customers and average spend per active customer. In addition, $24.8 million of revenues were contributed by Team Internet and MobFox.

Cost of revenues

$ millions, except as otherwise indicated	2014	2013
Direct media costs	169.8	136.8
Other cost of revenues	8.6	5.2
Cost of revenues	**178.4**	**142.0**
Gross margin (%)	25%	27%

Cost of revenues increased by $36.4 million, or 26%, to $178.4 million (75% of total revenues) for the year ended 31 December 2014 from $142 million (73% of total revenues) the year prior. Since Matomy's cost of revenues primarily consists of direct media costs, the majority of the growth in cost of revenues in 2014 was driven by revenue growth, but also reflected an increase in allocated costs, which led to a decrease in gross margin. Increased activity in social media advertising, which is a highly competitive and regulated media channel, also resulted in higher direct media costs and lower gross margin than Matomy's historical average.

Operating expenses

$ millions	2014	2013
Research and development	7.8	7.6
Sales and marketing	23.4	17.9
General and administrative	19.1	16.3
Total operating expenses	**50.3**	**41.8**
Total operating expenses as a percentage of revenues	21%	22%

Operating expenses increased by $8.5 million, or 20%, to $50.3 million for the year ended 31 December 2014 (FY2013: $41.8 million). Operating expenses as a percentage of revenues were 21% (FY2013: 22%). Excluding

Matomy's 2013 acquisitions, operating expenses as a percentage of revenues for the year ended 31 December 2013 would have decreased to 17.3%.

Research and development expenses increased by $0.2 million, or 3%, to $7.8 million (FY2013: $7.6 million). This increase primarily reflects the additional costs of the R&D team acquired in the Team Internet acquisition.

Sales and marketing expenses increased by $5.5 million, or 30%, to $23.4 million (FY2013: $17.9 million). This increase represents additional investment in headcount, both organic and from the Team Internet and MobFox acquisitions, leading to increased salary costs and related allocated costs; increased sales commissions payable attributable to the growth in revenues; and increased amortisation costs from the acquisitions made in 2013 and 2014.

General and administrative expenses increased by $2.8 million, or 17%, to $19.1 million (FY2013: $16.3 million), due to several factors, including:

- One-time IPO bonuses of $3.1 million paid during 2014;
- Increased costs attributable to Matomy becoming a publicly traded company, including non-executive directors' remuneration, key advisors' and corporate brokers' engagements, corporate governance compliance costs and investor relations costs; and
- An increase in salary and allocated costs following Matomy's 2013 and 2014 acquisitions.

These incremental expenses were offset by cost savings and efficiencies made, in particular from the Matomy US business.

Financial expenses

Financial expenses, net, increased by $3.2 million to $4.1 million for the year ended 31 December 2014 (FY2013: $0.9 million). This increase reflects revaluations recorded on assets and liabilities not denominated in dollars, caused by significant movements in foreign exchange rates, in particular the USD–ILS and USD–EUR rates. In relation to these movements, Matomy recorded an increase in financial expenses of $2.1 million arising from the use of hedging instruments. These expenses arose due to the average hedge rate being significantly lower than the actual exchange rate on 31 December 2014.

Equity gains

Equity gains (losses) of affiliated companies, net, changed to a gain of $7.0 million for the year ended 31 December 2014 from a loss of $0.1 million the year prior. This change primarily reflects the one-off gain of $7.3 million resulting from revaluing the prior equity interest in Team Internet held before Matomy acquired a controlling 70% stake in June 2014. In addition, an impairment of $0.5 million in the Uppsite investment was recorded due to Uppsite's intention to enter liquidation, as well as various smaller gains and losses from the other affiliated companies. Other than acquiring the controlling shareholding in Team Internet, there were no other changes to Matomy's shareholdings in affiliated companies.

Taxes on income

Taxes on income increased by $0.3 million to $1.8 million for the year ended 31 December 2014 (FY2013: $1.5 million), reflecting the increased effective corporate tax rate.

Matomy is subject to corporation tax on its income, principally in Israel, the United States and Germany, as well as other jurisdictions in which Matomy has operations. Matomy's effective corporate tax rate was 38.9% in the year ended 31 December 2014, and 16.9% in the year ended 31 December 2013.

Matomy's effective corporate tax rate was significantly higher in 2014 compared to 2013 due to exchange rate movements between the Israeli shekel and other currencies, which increased finance expenses and reduced pre-tax income in the consolidated results when presented in the Group reporting currency of US

dollars. Matomy's results in Israeli shekels were not affected by these currency movements, and since the tax expenses of Israeli companies are calculated in Israeli shekels as required by local regulations, the consolidated tax expenses and effective corporate tax rate increased accordingly. The effective corporate tax rate without taking account of these finance expenses would have been 17.7%.

The Israeli statutory corporate tax rate was 26.5% in 2014 and 25% in 2013. Matomy's effective corporate tax rate is lower than the Israeli statutory corporate tax rate because Matomy benefits from a reduced corporate tax rate under the Israeli privileged enterprise programme. Under this programme, a portion of Matomy's income is subject to reduced corporate tax rates in Israel as long as Matomy continues to meet various conditions.

Matomy's US operations are subject to US federal, state and foreign income taxes. To date, Matomy has not been required to pay US federal income taxes because its US operations have current and accumulated net operating losses. Matomy's US operations incurred minimal state and foreign income tax liabilities for the years ended 31 December 2014 and 2013. However, Matomy expects to be required to pay US federal, state and foreign income taxes as its US operations grow in the mid- to long-term, which is likely to increase Matomy's effective corporate tax rate in the future.

Team Internet is subject to German corporate and trade taxes. The effective tax rate of Team Internet on a standalone basis was 33.0% in 2014.

Net income

Net income increased by $2.6 million to $9.8 million for the year ended 31 December 2014 (FY2013: $7.2 million).

Revaluation of redeemable non-controlling interests

As of 31 December 2014, Matomy's $34.1 million in redeemable non-controlling interests consisted of:

- $1.7 million relating to Matomy Social; and
- $32.4 million relating to Team Internet.

The statements of income for the years ended 31 December 2014 and 31 December 2013 also reflect previously existing non-controlling interests in Matomy Mexico, Intermedia Sheva and Matomy Latam.

Amortisation of intangible assets

Amortisation expenses amounted to $5.8 million for the year ended 31 December 2014, an increase of $4.6 million from amortisation expenses of $1.2 million for the year ended 31 December 2013. Of this increase, $3.1 million was due to amortisation of the intangible assets Matomy acquired in the Team Internet acquisition, whilst the rest of the increase reflected the first full year of amortisation of the Matomy US and Adotomi acquisitions.

Exceptional items

The following exceptional items were recorded in profit and loss in 2014. Matomy views these items as exceptional as they are material to the financial statements and non-recurring and therefore were excluded from non-GAAP measures:

- IPO-related bonuses amounting to $3.1 million; and
- Transaction costs associated with M&A activity amounting to $165 thousand.

Liquidity and cash flows

The following table sets out selected cash flow information for Matomy for the years ended 31 December 2014 and 2013.

	Year ended 31 December	
$ millions	**2014**	**2013**
Net cash provided by (used in) operating activities...........	(0.4)	6.5
Net cash used in investing activities	(34.4)	(15.1)
Net cash provided by financing activities	71.8	7.7
Effect of exchange rate differences on cash	(0.6)	—
Increase (decrease) in cash and cash equivalents	36.4	(0.9)
Cash and cash equivalents at beginning of period	11.6	12.5
Cash and cash equivalents at end of period	48.0	11.6

* Represents amounts less than $0.1 million.

(A) *Net cash provided by (used in) operating activities*

Matomy's net cash provided by (used in) operating activities decreased by $6.9 million to a $0.4 million outflow for the year ended 31 December 2014 (FY2013: $6.5 million inflow).

Net cash used in operating activities consisted of $9.8 million in net income, less $1.0 million relating to non-cash expenses, less $9.2 million used to fund net changes in working capital. Non-cash expenses were primarily depreciation and amortisation of $6.9 million, significantly higher from prior years due to the 2013 and 2014 acquisitions, stock-based compensation expense of $1.4 million, less decreases in deferred taxes of $2.4 million, as well as the gain on achieving a controlling stake in Team Internet of $7.3 million.

Net changes in working capital in 2014 were mainly driven by increases of $10.6 million in trade receivables and $1.0 million in other receivables, in addition to a decrease of $2.2 million in accrued expenses, less an increase of $4.5 million in trade payables. The remaining amount consisted of smaller movements in various other assets and liabilities.

Several key factors contributed to the negative cash flow from operating activities in 2014, including: the one-time IPO bonuses of $3.1 million; investments in working capital relating to the acquisitions of Team Internet and MobFox ($1.5 million and $2.6 million, respectively); and the significant increase in video activity, which typically has longer payment terms for customers, causing trade receivables to increase. Excluding the effect of these items, Matomy continued to generate positive cash flow from its operations.

For the year ended 31 December 2013, Matomy's net cash provided by operating activities consisted of $7.2 million in net income, $1.9 million relating to non-cash expenses, less $2.6 million used to fund net changes in working capital. Non-cash expenses were primarily depreciation and amortisation of $2.1 million, stock-based compensation expense of $1.2 million, less decreases in deferred taxes of $1.8 million.

Net changes in working capital in 2013 were mainly driven by increases of $6.3 million in trade receivables and $0.7 million in other receivables, less increases of $3.2 million in trade payables and $1.9 million increase in accrued expenses and other liabilities. The remaining $0.7 million cash outflows consisted of smaller movements in various other assets and liabilities.

(B) *Net cash used in investing activities*

Net cash used in investing activities increased by $19.3 million to $34.4 million for the year ended 31 December 2014 (FY2013: $15.1 million). This included a $22.4 million investment in Team Internet, a $10.0 million investment in MobFox, $0.5 million payment of the deferred consideration for Adotomi and a $1.4 million investment in property and equipment.

For the year ended 31 December 2013, net cash used in investing activities included a $10.0 million investment in Matomy US, a $0.8 million investment in MobAff, a $2.9 million investment in Adotomi and a $1.0 million investment in property and equipment.

(C) *Net cash provided by financing activities*

As of 31 December 2014, Matomy had $19.1 million in term loans. Of those, $6.7 million are due within one year.

Net cash provided by financing activities increased by $64.1 million to $71.8 million for the year ended 31 December 2014 (FY2013: $7.7 million). This related primarily to $61.5 million IPO proceeds, net of expenses, a $10.0 million net increase in outstanding term loans, and $1.7 million proceeds from sale of treasury shares, less $1.7 million of short-term bank credit repaid during the year.

For the year ended 31 December 2013, net cash used in financing activities related primarily to $1.1 million of short-term bank credit received, a $9.0 million term loan, less $1.0 million repaid during the year, and $1.0 million relating to purchase of additional shares in a subsidiary.

(D) *Effect of exchange rate differences in cash*

Effect of exchange rate differences derive from the differences between Matomy’s functional currency of US dollars, and the functional foreign currency of euro used by certain of Matomy’s affiliated companies. For the period under review, exchange rate differences did not have a material effect on Matomy’s cash flow, but this may not remain the case in the future.

NOTES TO FINANCIAL STATEMENTS

Goodwill

Goodwill represents the excess of the purchase price in a business combination over the fair value of the net tangible and intangible assets acquired.

Matomy's goodwill was acquired mainly through the 2013 and 2014 acquisitions.

Matomy performs an annual impairment test during the fourth quarter of each fiscal year, or more frequently if indicators of potential impairment exist, to determine whether the net book value of a reporting unit exceeds its estimated fair value. During the years ended 31 December 2014 and 2013, no impairment losses were identified.

Segments

Our chief operating decision-maker is our Chief Executive Officer. On a monthly basis, the CEO reviews revenue and adjusted EBITDA at Group level, as well as revenue at the level of media channels, for the purposes of allocating resources and evaluating financial performance.

As a result, Matomy operates in a single reportable segment as a provider of marketing services.

Acquisitions

Matomy acquired an additional 50% of the issued and outstanding shares of Team Internet AG (‘Team

Internet') on 19 June 2014 for a consideration of €19.7 million ($26.8 million). Team Internet is a direct search navigation and domain monetisation company based in Munich, Germany. Following the acquisition, Matomy holds 70% of the issued and outstanding shares of Team Internet.

On 31 October 2014, Matomy completed the acquisition of the assets and liabilities of MobFox Mobile Advertising GmbH ('MobFox') for a total consideration of $19.7 million. MobFox offers a one-stop, integrated mobile programmatic advertising solution for publishers and advertisers through its technology platform which facilitates online trading of advertising in multiple formats for mobile devices.

Earnings per share

Matomy's basic earnings per share increased by $0.01, or 9%, to $0.10 for the year ended 31 December 2014 (FY2013: $0.09 EPS). This change was influenced by a 22% increase in after-tax profit and a 12% increase in the weighted average number of outstanding shares, mainly due to Matomy's July 2014 IPO and the issuance of shares related to the MobFox acquisition.

Treasury shares

As part of the acquisition of Team Internet in July 2014, 1,625,659 ordinary shares of Matomy, which were owned by Team Internet and acquired through the transaction, were reclassified as treasury shares and valued at $6.9 million. Team Internet's minority shareholders are entitled to an 80% share in gains derived from these shares, amounting to $3.2 million, which is classified as a redeemable non-controlling interest.

In October 2014, 414,423 of these treasury shares were sold and 80% of the gain was allocated to Team Internet's minority shareholders.

Financial obligations and covenants

Matomy's financial obligations and commitments as at 31 December 2014 were as follows:

$ million	**Due within 1 year**	**Due >1 year**	**Total**
Term loans..	6.7	12.4	19.1
Operating lease obligations	2.1	4.9	7.0
Total	8.8	17.3	26.1

To date, Matomy has primarily financed its operations from cash flows from operating activities, the private sale of preferred shares to Viola Group (one of Matomy's shareholders), term loans, lines of credit and IPO proceeds.

The line of credit and the term loans are secured by a fixed charge over the unpaid equity of Matomy and its 100%-owned subsidiary Matomy Media Ltd. and a floating charge on all of the assets of Matomy and Matomy Media Ltd. In June 2014, Matomy entered into a further $21.6 million term loan. The term loans are also subject to certain restrictive covenants, including restrictions on dividends and the transfer of Ordinary Shares.

In June 2014, Matomy opened a further $4.0 million line of credit, which is secured by a floating charge over all of the assets of Matomy USA Inc. and an unlimited guarantee by Matomy.

As of 31 December 2014, Matomy complied with all of its financial covenants, except for a minor noncompliance with the net income covenant due to the accounting treatment of the one-time exceptional IPO bonuses and accounting treatment of redeemable non-controlling interest, for which it received a written waiver from the lending bank until 31 December 2015.

Financial reporting

This financial information has been prepared under US GAAP principles and in accordance with Matomy's accounting policies. There have been no changes to Matomy's accounting policies during the year ended 31 December 2014.

Sagi Niri
Chief Financial Officer

DEFINITIONS

Active customers

Matomy defines an 'active customer' as a customer from whom Matomy has recognised revenues during the previous 12 months. Matomy defines a customer as a legal entity and/or an entity that has a unique invoicing relationship with Matomy, expressly excluding direct with advertising exchanges. Where Matomy has separate invoicing relationships with multiple brands, branches or divisions within an organisation, Matomy typically counts all such entities as a single customer. Matomy also counts a customer who runs campaigns in multiple media channels or geographic regions as a single customer. Matomy considers each advertising agency as a single customer, although such agency may have multiple clients for whom Matomy manages digital marketing campaigns. Matomy believes these criteria best identify customers that are actively using its solutions. Matomy believes that the growth of its active customers is an important indicator of its ability to grow its business overall, and that reporting its active customers based on the previous twelve-month period is more representative of its business because it takes into account seasonality.

Adjusted gross profit

Adjusted gross profit is a non-GAAP financial measure that Matomy defines as revenues less direct media costs, which are the direct costs associated with the purchase of digital media. These costs include: payments for digital media based on the revenues Matomy generates from its customers on a revenue-sharing basis; payments for digital media on a non-revenue-sharing basis (CPC or CPM); and serving fees for third-party platforms.

Matomy believes that adjusted gross profit is a meaningful measure of operating performance because it is frequently used for internal management purposes, indicates the performance of Matomy's solutions in balancing the goals of delivering results to its customers whilst meeting margin objectives, and facilitates a more complete understanding of factors and trends affecting Matomy's underlying revenues performance.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure that Matomy defines as net income before taxes on income, financial expenses (income), net, equity losses of affiliated companies, net, depreciation and amortization, share-based compensation expenses and exceptional items. Adjusted EBITDA is a key measure Matomy uses to understand and evaluate its core operating performance and trends, to prepare and approve its annual budget, to develop short- and long-term operating plans and to determine bonus payments to management. In particular, Matomy believes that by excluding share-based compensation expenses, adjusted EBITDA provides a useful measure for period-to-period comparisons of Matomy's core business.

Adjusted net income

Adjusted net income is a non-GAAP financial measure that Matomy defines as net income before share based compensation expenses and any non-recurring items.

Going concern

The Group continues to meet its day-to-day working capital and other funding requirements through a combination of long-term funding and cash deposits.

After making due enquiry, the Directors fully expect Matomy and its subsidiaries have adequate resources to continue operational existence for the foreseeable future and therefore adopt the going concern principle.

Principal risks

The Directors assess and monitor the key risks of the business on an ongoing basis. The principal risks and uncertainties that could have a material effect on the Group's performance have not changed from those which are set out in detail in the section entitled 'Risk Factors' of the Group's IPO prospectus (the 'Prospectus') dated 9 July 2014. These include, *inter alia*, the following:

- certain internet and technology companies may intentionally or unintentionally adversely affect Matomy's operations, mainly, due to announced or unannounced changes and restrictions by such companies
- the delivery of digital ads and the recording of the performance of digital ads are subject to complex regulations, legal requirements and industry standards
- Matomy relies largely on performance-based revenues
- the digital advertising industry is highly competitive and fragmented and currently experiencing consolidation, resulting in increasing competition
- Matomy is dependent on relationships with certain third parties with significant market positions
- Matomy relies on the continued compatibility of the Matomy Performance Platform with third-party operating systems, software and content distribution channels, as well as newly-acquired systems
- Matomy may be subject to third-party claims brought against it
- Matomy has historically derived the majority of its revenues from customers that use its solutions for display marketing campaigns
- a key part of Matomy's growth strategy relates to acquisitions and the ability to effectively integrate and manage them
- the digital advertising industry, particularly display and virtual currency media channels, remains susceptible to fraud
- Matomy is an Israeli-domiciled company and as such the rights and obligations of shareholders are governed by Israeli law and differ in some respects from English law

Forward-looking statements

Certain statements in this full-year report are forward looking. Although the Group believes that the expectations reflected in these forward looking statements are reasonable, we can give no assurance that these expectations will be fulfilled. Because these statements contain risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Directors' responsibility

The Directors confirm that to the best of their knowledge that the condensed set of final audited financial statements, which has been prepared in accordance with US GAAP principles, gives a true and fair view of the assets, liabilities, financial position and profit of the undertakings included in the consolidation as a whole as required by DTR 4.2.4.

CONSOLIDATED BALANCE SHEETS

US dollars in thousands

	31 December	
	2014	**2013**
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 47,988	$ 11,632
Trade receivables	49,316	32,165
Other receivables and prepaid expenses	7,562	4,253
Total current assets	104,866	48,050
LONG-TERM ASSETS:		
Property and equipment, net	2,859	2,433
Other long-term assets	2,492	1,818
Investment in affiliated companies	2,051	6,254
Other intangible assets, net	26,916	5,526
Goodwill	75,094	12,686
Total long-term assets	109,412	28,717
Total assets	$ 214,278	$ 76,767

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

CONSOLIDATED BALANCE SHEETS

US dollars in thousands

	31 December	
	2014	2013
CURRENT LIABILITIES:		
Short-term bank credit and current maturities of bank loan	$ 6,697	$ 4,743
Trade payables	34,938	23,522
Accrued expenses and other liabilities	10,013	8,392
Deferred revenues	2,900	2,582
Total current liabilities	54,548	39,239
LONG-TERM LIABILITIES:		
Deferred tax liability	8,403	338
Accrued expenses and other liabilities	5,402	1,035
Bank loan	12,420	4,530
Total long-term liabilities	26,225	5,903
REDEEMABLE NON-CONTROLLING INTEREST	34,062	2,502
EQUITY:		
Matomy Media Group Ltd. shareholders' equity:		
Ordinary shares	236	138
Preferred A shares	-	40
Additional paid-in capital	93,977	23,698
Accumulated other comprehensive income (loss)	(3,165)	380
Retained earnings	13,915	5,989
Treasury shares	(6,231)	(1,115)
Total Matomy Media Group Ltd. shareholders' equity	98,732	29,130
Non-controlling interests	711	(7)
Total equity	99,443	29,123
Total liabilities and equity	$ 214,278	$ 76,767

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

2015			
Date of approval of the financial statements	Ilan Shiloah Chairman of the Board	Ofer Druker Chief Executive Officer	Sagi Niri Chief Financial Officer

CONSOLIDATED STATEMENTS OF INCOME

US dollars in thousands except earnings per share data

	Year ended 31 December	
	2014	**2013**
Revenues	$ 237,443	$ 193,493
Cost of revenues	178,479	141,958
Gross profit	58,964	51,535
Operating expenses		
Research and development	7,823	7,607
Selling and marketing	23,356	17,920
General and administrative	19,151	16,327
Total operating expenses	50,330	41,854
Operating income	8,634	9,681
Financial expenses, net	4,051	875
Income before taxes on income	4,583	8,806
Taxes on income	1,766	1,491
Gain on remeasurement to fair value and equity gains (equity losses and impairment) of affiliated companies, net	6,969	(144)
Net income	9,786	7,171
Revaluation of redeemable non-controlling interest in subsidiaries	(1,820)	(617)
Net loss (income) attributable to redeemable non-controlling interests in subsidiaries	(65)	42
Net loss (income) attributable to other non-controlling interests in subsidiaries	102	(32)
Net income attributable to Matomy Media Group Ltd.	$ 8,003	$ 6,564
Basic earnings per ordinary and preferred share	$ 0.10	$ 0.09
Diluted earnings per ordinary preferred share	$ 0.09	$ 0.07

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

US dollars in thousands

	Year ended 31 December	
	2014	2013
Net income	$ 9,786	$ 7,171
Foreign currency translation adjustments	(3,545)	122
Comprehensive income	6,241	7,293
Revaluation of redeemable non-controlling interest in subsidiaries	(1,820)	(617)
Comprehensive loss (income) attributable to redeemable non-controlling interests in subsidiaries	(65)	42
Comprehensive loss (income) attributable to other non-controlling interests in subsidiaries	102	(31)
Comprehensive income attributable to Matomy Media Group Ltd	$ 4,458	$ 6,687

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

US dollars in thousands, except share data

	Ordinary shares		Preferred A shares		Additional paid-in capital	Accumulated other comprehensive income	Retained earnings / (accumulated deficit)	Treasury shares	Total Matomy Media Group Ltd. shareholders' equity	Non-controlling interests	Total equity
	Number	Amount	Number	Amount							
Balance as of 1 January 2013	55,725,908	$ 137	15,267,119	$ 40	$ 22,342	$ 257	$ (575)	$ (1,086)	$ 21,115	$ 34	$ 21,149
Stock-based compensation	-	-	-	-	1,221	-	-	-	1,221	-	1,221
Exercise of options	234,262	1	-	-	135	-	-	-	136	-	136
Repurchase of treasury shares	(26,761)	*)	-	-	-	-	-	(29)	(29)	-	(29)
Change in parent's ownership interest in a subsidiary	-	-	-	-	-	-	-	-	-	(72)	(72)
Comprehensive income:											
Foreign currency translation adjustments	-	-	-	-	-	123	-	-	123	(1)	122
Net income	-	-	-	-	-	-	6,564	-	6,564	32	6,596
Balance as of 31 December 2013	55,933,409	$ 138	15,267,119	$ 40	$ 23,698	$ 380	$ 5,989	$ (1,115)	$ 29,130	$ (7)	$ 29,123

*) Represents an amount lower than $ 1 thousand.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

US dollars in thousands, except share data

	Ordinary shares		Preferred A shares		Additional paid-in capital	Accumulated other comprehensive income / (loss)	Retained earnings	Treasury shares	Total Matomy Media Group Ltd. shareholders' equity	Non-controlling interests	Total equity
	Number	Amount	Number	Amount							
Balance as of 1 January 2014	55,933,409	$ 138	15,267,119	$ 40	$ 23,698	$ 380	$ 5,989	$ (1,115)	$ 29,130	$ (7)	$ 29,123
Stock-based compensation	-	-	-	-	1,400	-	-	-	1,400	-	1,400
Exercise of options	438,362	1	-	-	255	-	-	-	256	-	256
Treasury shares upon acquisition of subsidiary	(1,625,659)	-	-	-	-	-	-	(6,866)	(6,866)	-	(6,866)
Reissuance of treasury shares	414,423				(31)			1,750	1,719	-	1,719
Issuance of shares upon acquisition of MobFox	1,804,942	5	-	-	6,702	-	-	-	6,707	-	6,707
Issuance of shares upon public offering, net of offering expenses of $ 7,279	18,058,000	52	-	-	60,861	-	-	-	60,913	-	60,913
Tax benefit in respect of offering expenses	-	-	-	-	1,092	-	-	-	1,092	-	1,092
Conversion of Preferred A shares to Ordinary shares upon IPO	15,267,119	40	(15,267,119)	(40)	-	-	-	-	-	-	-
Payment to previous non-controlling interest	-	-	-	-	-	-	(77)	-	(77)	-	(77)
Sale of interest in subsidiary	-	-	-	-	-	-	-	-	-	80	80
Classification of redeemable non-controlling interest	-	-	-	-	-	-	-	-	-	740	740
Comprehensive income:											
Foreign currency translation adjustments	-	-	-	-	-	(3,545)	-	-	(3,545)	-	(3,545)
Net income	-	-	-	-	-	-	8,003	-	8,003	(102)	7,901
Balance as of 31 December 2014	90,290,596	$ 236	-	$ -	$ 93,977	$ (3,165)	$ 13,915	$ (6,231)	$ 98,732	$ 711	$ 99,443

*) Represents an amount lower than $ 1 thousand.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

US dollars in thousands

	Year ended 31 December	
	2014	2013
Cash flows from operating activities:		
Net income	$ 9,786	$ 7,171
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortisation	6,856	2,148
Stock-based compensation	1,400	1,221
Accrued severance pay, net	92	14
Deferred tax, net	(2,365)	(1,750)
Increase (decrease) in accrued interest on long term loan	(111)	140
Equity losses and impairment of affiliated companies, net	400	144
Gain upon obtaining control, net of taxes	(7,263)	-
Increase in trade receivables	(10,591)	(6,301)
Increase in other receivables and prepaid expenses	(1,036)	(734)
Decrease (increase) in long-term lease deposits	194	(145)
Increase in trade payables	4,471	3,227
Increase (decrease) in accrued expenses and other liabilities	(2,151)	1,934
Decrease in deferred revenues	(80)	(505)
Other	6	(16)
Net cash provided by (used in) operating activities	(392)	6,548
Cash flows from investing activities:		
Purchase of property and equipment	(1,405)	(1,003)
Sale of property and equipment	-	14
Capitalisation of technology	(199)	-
Decrease (increase) in indemnification asset	200	(200)
Decrease in restricted cash	-	16
Acquisition of MediaWhiz (c)	-	(10,030)
Sale of interests in subsidiaries (d)	(32)	(200)
Acquisition of MobAff (e)	-	(775)
Acquisition of Adotomi (f)	(500)	(2,940)
Acquisition of Team Internet (g)	(22,383)	-
Acquisition of MobFox (h)	(10,006)	-
Net cash used in investing activities	$ (34,325)	$ (15,118)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

US dollars in thousands

	Year ended 31 December	
	2014	**2013**
Cash flows from financing activities:		
Short-term bank credit, net	$ (1,710)	$ 1,133
Receipt of bank loan	21,600	9,000
Repayment of bank loan	(11,060)	(1,000)
IPO proceeds, net	61,519	(381)
Purchase of shares from redeemable non-controlling interest	-	(987)
Reissuance of treasury shares	1,715	-
Dividend paid to redeemable non-controlling interest	(498)	(115)
Payment to previous non-controlling interest	(77)	-
Treasury shares	-	(29)
Exercise of options	256	136
Net cash provided by financing activities	71,745	7,757
Effect of exchange rate differences on cash	(672)	(33)
Increase (decrease) in cash and cash equivalents	36,356	(846)
Cash and cash equivalents at beginning of period	11,632	12,478
Cash and cash equivalents at end of period	$ 47,988	$ 11,632

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

US dollars in thousands

		Year ended 31 December	
		2014	**2013**
(a)	Supplemental information and disclosures of non-cash investing and financing activities		
	Classification of redeemable non-controlling interest into accrued expenses and other liabilities	$ 701	$ -
	Accrued issuance expenses	$ 139	$ -
	Classification of redeemable non-controlling interest into non-controlling interest	$ 740	$ -
(b)	Supplemental disclosure of cash flow activities		
	Cash paid during the year for:		
	Income taxes	$ 4,865	$ 1,980
	Interest received	$ 142	$ 9
	Interest paid	$ 974	$ 315
(c)	Acquisition of MediaWhiz assets and liabilities		
	Fair value of assets acquired and liabilities assumed at the acquisition date:		
	Working capital	$ -	$ 1,292
	Property and equipment	-	653
	Other intangible assets	-	4,666
	Goodwill	-	4,270
	Long term liability	-	(851)
		$ -	$ 10,030
(d)	Sale of interests in subsidiaries		
	Working capital	$ (32)	$ (53)
	Non-controlling interest	-	(72)
	Loss from sale of subsidiary	-	(75)
		$ (32)	$ (200)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

US dollars in thousands

	Year ended 31 December	
	2014	2013
(e) Acquisition of MobAff assets		
Fair value of assets acquired at the acquisition date:		
Other intangible assets	$ -	$ 272
Goodwill	-	503
	$ -	$ 775
(f) Acquisition of Adotomi Ltd.		
Fair value of assets acquired and liabilities assumed at the acquisition date:		
Working capital	$ -	$ (562)
Property and equipment	-	41
Other intangible assets	-	1,457
Goodwill	-	4,682
Long term deferred tax liability	-	(383)
Redeemable non-controlling interest	-	(1,695)
	-	3,540
Additional payment (accrued consideration) to selling shareholders	500	(600)
	$ 500	$ 2,940
(g) Acquisition of Team Internet AG		
Fair value of assets acquired and liabilities assumed at the acquisition date:		
Working capital	$ (1,535)	$ -
Property and equipment	134	-
Other long term assets	146	-
Investment in affiliated companies	91	-
Other intangible assets	22,981	-
Goodwill	52,627	-
Long term deferred tax liability	(10,370)	-
Long term liability	(3,492)	-
Redeemable non-controlling interest	(34,963)	-
Treasury shares	6,866	-
Carrying amount of investment prior to achieving control	(2,839)	-
Gain on remeasurement to fair value, net	(7,263)	-
	$ 22,383	$ -

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
US dollars in thousands

	Year ended 31 December	
	2014	2013
(h) Acquisition of MobFox assets and liabilities		
Estimated fair value of assets acquired and liabilities assumed at the acquisition date:		
Working capital	$ (2,103)	$ -
Other intangible assets	6,313	-
Goodwill	15,533	-
	19,743	
Less - contingent consideration to selling shareholder	(3,030)	-
Less – amount acquired by issuance of shares	(6,707)	-
	$ 10,006	$ -

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

NOTE 1:- GENERAL

a. General:

Matomy Media Group Ltd together with its subsidiaries (collectively - "the Company") provides digital performance-based marketing services to customers which include primarily advertisers, advertising agencies and other businesses around the world that promote or sell products and/or services to consumers through digital media, such as websites, mobile apps and social media networks. The Company offers its customers a solution for reaching and acquiring their target digital consumer audience. Matomy Media Group Ltd. was incorporated in 2006. The Company's markets are located primarily in the United States and Europe.

The Company provides its customers with the ability to achieve pre-defined, measurable and validated results, such as conversions into service, customer acquisitions, software and mobile app installations, qualified leads for value-added services and products and verified video views, with their digital marketing campaigns.

The Company manages and optimises its customers' digital marketing campaigns using its proprietary technology, the Matomy Performance Platform, to maximise their accessibility to their target audience. The Matomy Performance Platform records and analyses consumer responses to digital marketing campaigns, allowing the Company to refine the campaigns to optimise their performance. Since the Matomy Performance Platform is integrated or linked with the systems of the Company's digital media suppliers, it can manage digital media demand with greater automation and efficiency.

The Company currently operates across eight media channels: display, video, search, social, virtual currency, mobile, email and domain monetisation.

In July 2014 the Company completed an Initial Public Offering ("IPO") and was admitted to trading on the high growth segment of the main market of the "London Stock Exchange" and issued 18,058,000 ordinary shares at a price of 2.27 GBP per share, for a total consideration of $68,192 before underwriting and issuance expenses. Total net proceeds from the issuance amounted to $60,913.

b. Acquisitions:

1. Acquisition of MediaWhiz's assets and liabilities:

On 1 January 2013, the Company, through its subsidiary Matomy USA, completed the acquisition of substantially all of the assets and certain liabilities of Interactive Marketing Holdings, LLC ("MediaWhiz") for a total consideration of $ 10,030 in cash. MediaWhiz is a leading North American digital performance-based marketing company.

NOTE 1:- GENERAL (Cont.)

MediaWhiz operates in different media channels, which include: display, search and email. The acquisition was accounted for by the acquisition method and accordingly, the purchase price has been allocated according to the fair value of the assets of MediaWhiz acquired and the liabilities assumed. The goodwill is attributed to MediaWhiz's position in the North American digital performance advertising market and the expected synergies between the Company and MediaWhiz. In performing the purchase price allocation, management has considered, inter alia, MediaWhiz's business model and its value drivers, its historical financial performance and estimates of future performance. The fair value of the intangible assets was assessed assuming a market participant acquirer utilizing the income approach. The results of MediaWhiz's operations have been included in the consolidated financial statements commencing 1 January 2013. Acquisition-related costs in the amount of $ 140 were recognised as an expense as incurred.

The following table summarises the fair values of the assets acquired and liabilities assumed:

Trade receivables	$ 5,649
Other receivables and prepaid expenses	607
Property and equipment	653
Customer relationships	2,292
Technology	2,374
Goodwill	4,270
Total assets acquired	15,845
Trade payables	(2,709)
Accrued expenses and other liabilities	(1,378)
Deferred revenues *)	(877)
Long term liability	(851)
Total liabilities assumed	(5,815)
Net assets acquired	$ 10,030

*) Deferred revenues were adjusted to fair value at the acquisition date and the adjustment in the amount of $ 37 was fully amortised in 2013.

2. Acquisition of MobAff:

On 1 July 2013, the Company completed the acquisition of MobAff LLC's ("MobAff") intangible assets for a total consideration of $ 775 in cash. MobAff is an American affiliate network specialising in mobile.

The acquisition was accounted for by the acquisition method and accordingly, the purchase price has been allocated according to the fair value of the assets of MobAff acquired. The results of MobAff's operations have been included in the consolidated financial statements commencing 1 July 2013.

NOTE 1:- GENERAL (Cont.)

The following table summarises the fair values of the assets acquired:

Customer relationships	$	160
Technology		112
Goodwill		503
Total assets acquired	$	775

3. Acquisition of Adotomi Ltd:

On 15 October 2013, the Company completed the acquisition of 70% of the issued and outstanding shares of Adotomi Ltd. ("Adotomi") for a total consideration of $ 4,124. Adotomi is a digital performance-based marketing company specialising in social, and is incorporated under the laws of the state of Israel. According to the agreement, after 24 months, the sellers will have the right to sell their minority interests to the Company via three subsequent put options in a period of 36 months, and the Company will have corresponding call options. The acquisition was accounted for by the acquisition method and accordingly, the purchase price has been allocated according to the estimated fair value of the assets of Adotomi acquired and the liabilities assumed. In performing the purchase price allocation, management has considered, inter alia, Adotomi's business model and its value drivers, its historical financial performance and estimates of future performance. The fair value of the intangible assets was assessed assuming a market participant acquirer utilising the income approach.

The results of Adotomi's operations have been included in the consolidated financial statements commencing 1 October 2013 in order to align with the accounting close date. Management estimates that the difference between the consolidation date and the acquisition date has an immaterial effect on its results of operations.

NOTE 1:- GENERAL (Cont.)

The following table summarises the fair values of the assets acquired and liabilities assumed:

Cash and cash equivalents	$ 584
Restricted cash	16
Trade receivables	955
Other receivables and prepaid expenses	19
Property and equipment	41
Customer relationships	1,457
Goodwill	4,682
Total assets acquired	7,754
Trade payables	(854)
Accrued expenses and other liabilities	(455)
Short term deferred tax liability	(8)
Deferred revenues *)	(235)
Long term deferred tax liability	(383)
Total liabilities assumed	(1,935)
Net assets acquired	5,819
Redeemable non-controlling interests	(1,695)
	$ 4,124

*) Deferred revenues were adjusted to fair value at the acquisition date and the adjustment in the amount of $32 was fully amortised in 2013.

4. Acquisition of Team Internet AG:

On 19 June 2014, the Company acquired an additional 50% of the issued and outstanding shares of Team Internet AG ("Team Internet") for a consideration of EUR 19.7 million ($26,843). Following the acquisition, the Company holds 70% of the issued and outstanding shares of Team Internet. Pursuant to the agreement, Team Internet's shareholders have the right to individually transfer all of their remaining shareholding (being 30% in aggregate) to the Company in equal instalments of 10% in each of the periods between 1 September 2016 and 31 August 2017, 1 September 2017 and 31 August 2018 and 1 September 2018 and 31 August 2019 ("the Put Options). The Put Options' exercise prices are calculated based on Team Internet's preceding 12 months EBITDA multiplied by a certain percentage of Matomy's effective EBITDA multiple of the preceding four quarters (which will be no less than 8). In addition the Company is granted a corresponding call option according to which it may require the remaining shareholders to individually transfer all of their remaining shareholding (being 30% in aggregate) to the Company according to a purchase price with is similar to the calculation of the Put Option.

NOTE 1:- GENERAL (Cont.)

Team Internet is a domain monetisation company based in Munich, Germany. As a result of the acquisition, the Company is a leading provider in the domain monetisation media channel. The Company accounted for the acquisition using the acquisition method and accordingly has allocated the purchase price according to the fair value of the assets of Team Internet it acquired and the liabilities it assumed. In performing the purchase price allocation, management has considered, among other things, Team Internet's business model and its value drivers, its historical financial performance and estimates of future performance. The fair value of the intangible assets was assessed assuming a market participant acquirer utilising the income approach.

The results of Team Internet's operations have been included in the consolidated financial statements commencing 30 June 2014 in order to align with the accounting close date. Management estimates that the difference between the consolidation date and the acquisition date has an immaterial effect on its results of operations.

The following table summarises the fair values of the assets acquired and liabilities assumed:

Cash and cash equivalents	$ 4,460
Trade receivables	4,277
Other receivables and prepaid expenses	2,010
Property and equipment	134
Other long term assets	146
Investments in affiliated companies	91
Customer relationships	16,069
Technology	6,913
Goodwill	52,626
Total assets acquired	86,726
Trade payables	(2,905)
Accrued expenses and other liabilities	(4,147)
Deferred revenues	(155)
Short term bank credit	(615)
Long term deferred tax liability	(7,752)
Long term accrued expenses and other liabilities	(3,492)
Total liabilities assumed	(19,066)
Net assets acquired	67,660
Treasury shares	6,866
Redeemable non-controlling interest	(34,963)
Fair value of previous investment	(12,720)
Cash consideration	$ 26,843

NOTE 1:- GENERAL (Cont.)

The acquired customer relationships are amortised over their estimated useful lives in proportion to the economic benefits realised (5 year weighted-average useful life). Technology is amortised over its estimated useful life of 4 years on a straight-line basis.

The purchase price of Team Internet's shares is composed as follows:

	Amount
Cash consideration	$ 26,843
Fair value of previous investment (20% equity) *)	12,720
Redeemable non-controlling interest **)	34,963
Total net assets acquired	$ 74,526

*) Prior to the acquisition date, the Company accounted for its 20% interest in Team Internet as an equity method investment. The acquisition date fair value of the previous equity interest was $12,720 and is included in the measurement of the consideration transferred. The Company recognised a gain, net of taxes, in the amount of $7,263 as a result of remeasuring its prior equity interest in Team Internet held before the business combination. The gain, net of taxes, is included in the line item "Gain on remeasurement to fair value and equity gains (equity losses of affiliated companies), net" in the consolidated statements of income.

**) A redeemable non-controlling interest was created, presented in mezzanine equity separate from other shareholders' equity, relating to Team Internet's minority shareholders' interests. At the date of achieving control it was valued at $ 34,963. The redeemable non-controlling interest includes the following components: (1) 30% of the fair value excluding 20% lack of control, (2) option to sell their remaining shares to the Group (the Put Option) and (3) 80% of the gains derived from the Group's shares held by Team Internet.

Unaudited pro forma condensed results of operations:

The following represents the unaudited pro forma condensed results of operations for the years ended on 31 December 2014 and 2013, assuming that the acquisition of Team Internet occurred on 1 January 2013. The pro forma information is not necessarily indicative of the results of operations that would have actually occurred had the acquisitions been consummated on those dates, nor does it purport to represent the results of operations for future periods.

NOTE 1:- GENERAL (Cont.)

	Year ended 31 December	
	2014	2013
	Unaudited	
Revenues	$ 258,940	$ 216,768
Net income attributable to Matomy Media Group Ltd.	$ 1,570	$ 12,177
Basic net earnings per share	$ 0.02	$ 0.17
Diluted net earnings per share	$ 0.01	$ 0.15

5. Acquisition of MobFox:

On 31 October 2014, the Company completed the acquisition of the assets and liabilities of MobFox Mobile Advertising GmbH ("MobFox") for a total consideration of $ 19,743. The purchase price is composed of the following: (1) cash consideration of $ 10,006, (2) issuance of Company shares valued at $ 6,707 and (3) contingent consideration valued at $ 3,030 as of the acquisition date to be paid upon achieving certain milestones over a period of 2 to 5 years following the acquisition date.

MobFox offers a one-stop, integrated mobile ad solution for publishers and advertisers through its technology platform which facilitates online trading of advertising in multiple formats for mobile devices.

The acquisition was accounted for by the acquisition method and accordingly, the purchase price has been allocated according to the estimated fair value of the assets of MobFox acquired and the liabilities assumed. In performing the purchase price allocation, management has considered, inter alia, MobFox's business model and its value drivers, its historical financial performance and estimates of future performance. The fair value of the intangible assets was assessed assuming a market participant acquirer utilising the income approach.

NOTE 1:- GENERAL (Cont.)

The following table summarises the estimated fair values of the assets acquired and liabilities assumed:

Trade receivables	$ 2,298
Other receivables and prepaid expenses	501
Customer relationships	1,150
Technology	5,163
Goodwill	15,533
Total assets acquired	24,645
Trade payables	(4,573)
Accrued expenses and other liabilities	(69)
Deferred revenues	(260)
Total liabilities assumed	(4,902)
Net assets acquired	19,743
Contingent consideration to selling shareholders	(3,030)
	$ 16,713

The acquired customer relationships are amortised over their estimated useful lives in proportion to the economic benefits realised (5 year weighted-average useful life). Technology is amortised over its estimated useful life of 4 years on a straight-line basis.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United Sates ("US GAAP"). The significant accounting policies are applied in the preparation of the consolidated financial statements on a consistent basis, as follows:

a. Principles of consolidation:

The consolidated financial statements include the accounts of Matomy Media Group Ltd and its subsidiaries. Intercompany transactions and balances have been eliminated upon consolidation.

Changes in the parent's ownership interest in a subsidiary with no change of control are treated as equity transactions, with any difference between the amount of consideration paid and the change in the carrying amount of the non-controlling interest recognised in equity.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Non-controlling interests of subsidiaries represent the non-controlling shareholders' share of the total comprehensive income (loss) of the subsidiaries and fair value of the net assets upon the acquisition of the subsidiaries. The non-controlling interests are presented in equity separately from the equity attributable to the equity holders of the Company.

Redeemable non-controlling interests are classified as mezzanine equity, separate from permanent equity, on the consolidated balance sheets and measured at each reporting period at the higher of their redemption amount or the non-controlling interest book value, in accordance with the requirements of Accounting Standards Codification ("ASC") 810 "Consolidation" and ASC 480-10-S99-3A, "Distinguishing Liabilities from Equity".

The following table provides the movement in the redeemable non-controlling interests:

	Year ended 31 December	
	2014	2013
Redeemable non-controlling interest at beginning of year	$ 2,502	$ 1,335
Increase in redeemable non-controlling interests due to new subsidiary	34,963	1,695
Decrease in redeemable non-controlling interests due to change in ownership in subsidiaries	-	(988)
Revaluation of redeemable non-controlling interest in subsidiaries	1,820	617
Net income (loss) attributable to redeemable non-controlling interests	65	(42)
Dividend distributed to redeemable non-controlling interests	-	(115)
Classification of redeemable non-controlling interest into accrued expenses and other liabilities	(701)	-
Classification to non-controlling interest upon expiration of put option	(740)	-
Functional currency translation adjustments	(3,847)	-
	$ 34,062	$ 2,502

b. Use of estimates:

The preparation of the consolidated financial statements in conformity with US GAAP requires management to make estimates, judgments and assumptions. The Company's management believes that the estimates, judgments and assumptions used are reasonable based upon information available at the time they are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

On an ongoing basis, the Company's management evaluates estimates, including those related to accounts receivable, fair values of financial instruments, fair values and useful lives of intangible assets, fair values of stock-based awards, deferred taxes and income tax uncertainties, and contingent liabilities. Such estimates are based on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

c. Financial statements in US dollars:

The Company's management believes that the US dollar is the currency of the primary economic environment in which Matomy Media Group and most of its subsidiaries operate.

A substantial portion of the revenues and expenses of the Company are generated in US dollars. In addition, financing activities including equity transactions and cash investments are made in dollars, as well as the Company's forecasted budget which is prepared in dollars. Thus, the functional and reporting currency of the Company is the dollar. Accordingly, monetary accounts maintained in currencies other than the dollar are remeasured into dollars in accordance with ASC 830, "Foreign Currency Matters". All transaction gains and losses of the remeasured monetary balance sheet items are reflected in the statements of income as financial income or expenses, as appropriate.

For subsidiaries whose functional currency has been determined to be their local currency, assets and liabilities are translated at year-end exchange rates and statement of income items are translated at exchange rates at the dates of the transactions. Such translation adjustments are recorded as a separate component of accumulated other comprehensive income in shareholders' equity.

d. Cash and cash equivalents:

Cash equivalents are short-term highly liquid investments that are readily convertible into cash with original maturities of three months or less at acquisition.

e. Accounts receivable and allowance for doubtful accounts:

Accounts receivable are stated at realisable value, net of an allowance for doubtful accounts and sales credits. The Company evaluates specific accounts where information indicates the Company's customers may have an inability to meet financial obligations. Allowance for doubtful accounts as of 31 December 2014 and 2013 were $ 2,792 and $ 1,216, respectively.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

f. Property and equipment, net:

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, at the following annual rates:

	%
Computers and software	33
Office furniture and equipment	6-10
Electronic equipment	10-15
Leasehold improvements	Over the shorter of related lease period or the life of the asset

g. Other intangible assets, net:

Other intangible assets consist primarily of customer relationships and technology. Customer relationships are amortised over their estimated useful lives in proportion to the economic benefits realised. This accounting policy results in accelerated amortisation of such customer arrangements. Technology costs are amortised over their estimated useful lives on a straight-line basis.

Amortisation is calculated using the following annual rates:

	Weighted average %
Customer relationships	19
Technology	26

h. Goodwill:

Goodwill represents the excess of the purchase price in a business combination over the fair value of the net tangible and intangible assets acquired. Under ASC 350, goodwill is not amortised, but rather is subject to an annual impairment test.

Following the acquisition of Team Internet, the Company operates in one operating segment, comprised of two reporting units – Matomy and Domain Monetisation. The Company performs an annual impairment test during the fourth quarter of each fiscal year, or more frequently if indicators of potential impairment exist, to determine whether the net book value of a reporting unit exceeds its estimated fair value.

The company did not recognise any impairment charges related to goodwill during 2014 and 2013.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

i. Business combinations:

The Company accounts for business combinations in accordance with ASC 805, "Business Combinations" which requires allocating the purchase price of acquired companies to the tangible and intangible assets acquired and liabilities assumed and any non-controlling interest at fair value as of the acquisition date. The ASC also requires the estimation of fair value of potential contingent consideration at the acquisition date and restructuring and acquisition-related costs to be expensed as incurred.

j. Impairment of long-lived assets:

The Company's long-lived assets are reviewed for impairment in accordance with ASC 360, "Property, Plant, and Equipment", whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In assessing the recoverability of long-lived assets, the Company makes judgments regarding whether impairment indicators exist based on legal factors, market conditions and operating performances of assets or asset groups. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognised is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

For the years ended 31 December 2014 and 2013 no impairment indicators were identified.

k. Investments in affiliated companies:

Investments in companies in which the Company holds less than 20%, and does not have the ability to exercise significant influence over their operating and financial policies, are stated at cost. Investments in companies in which the Company holds more than 20% (and less than 50%) or has the ability to exercise significant influence over their operating and financial policies are measured using the equity method.

The Company's investments in affiliated companies are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. For the years ended 31 December 2014 and 2013, the Company incurred impairment losses in the amount of $ 541 and $ 0, respectively.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

l. Severance pay:

Effective September 2007, the Company's agreements with employees in Israel are generally in accordance with section 14 of the Severance Pay Law - 1963 which provide that the Company's contributions to severance pay fund shall cover its entire severance obligation with respect to period of employment subsequent to September 2007. Upon termination, the release of the contributed amounts from the fund to the employee shall relieve the Company from any further severance obligation and no additional payments shall be made by the Company to the employee. As a result, the related obligation and amounts deposited on behalf of such obligation are not stated on the balance sheet, as the Company is legally released from severance obligation to employees once the amounts have been deposited, and the Company has no further legal ownership on the amounts deposited.

The Company's liability for severance pay for periods prior to September 2007 is calculated pursuant to Israeli severance pay law based on the most recent salary of the employees multiplied by the number of years of employment as of the balance sheet date. The Company recorded as expenses the increase in the severance liability, net of earnings (losses) from the related investment fund. Employees were entitled to one month's salary for each year of employment, or a portion thereof. Until 1 September 2007, the Company's liability was partially funded by monthly payments deposited with insurers; any unfunded amounts are covered by a provision established by the Company.

The carrying value of the deposited funds for the Company's employees' severance pay for employment periods prior to September 2007 include profits and losses accumulated up to the balance sheet date. The deposited funds may be withdrawn only upon the fulfilment of the obligation pursuant to Israeli severance pay law or labour agreements.

Severance expenses during the years ended 31 December 2014 and 2013 were $ 92 and $ 14, respectively.

m. Revenue recognition:

The Company provides digital performance-based marketing services to optimise and deliver certain pre-defined, measureable and validated results across eight media channels display, video, search, social, virtual currency, mobile, email and domain monetisation, for multiple industry verticals, such as games and entertainment, healthcare and pharmaceuticals, finance and education, and on a wide variety of devices and operating systems.

The Company generates revenues only when its customers' ad campaigns achieve certain predefined measurable and validated results on a per-action basis such as cost-per-acquisition ("CPA"), cost-per-sale ("CPS"), cost-per-lead ("CPL"), cost-per-download ("CPD"), incentivised cost-per-view ("CPV"), cost-per-install ("CPI") and pay per call ("PPC").

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company recognises revenue when all four of the following criteria are met: persuasive evidence of an arrangement exists; service has been provided; customer fees are fixed or determinable; and collection is reasonably assured. Revenue arrangements are evidenced by fully executed terms and conditions as part of an insertion order, with an advertiser or an advertising agency.

The determination of whether revenues should be reported on a gross or net basis is based on an assessment of whether the Company is acting as the principal or an agent in the transaction. In determining whether the Company acts 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, the Company has determined it is the primary obligor in all its advertising arrangements because the Company is responsible for (i) identifying and contracting with its advertisers, (ii) establishing the selling prices of the advertisements sold, (iii) performing all billing and collection activities, (iv) performing the service, and (v) take on credit risk in the transaction. Therefore the Company acts as the principal in these arrangements and reports revenue earned and costs incurred on a gross basis.

The Company records deferred revenues for unearned amounts received from customers for services that were not recognised as revenues.

n. Comprehensive income:

The Company accounts for comprehensive income in accordance with ASC No. 220, "Comprehensive Income". Comprehensive income generally represents all changes in shareholders' equity during the period except those resulting from investments by, or distributions to, shareholders. The Company's items of other comprehensive income relate to foreign currency translation adjustments.

The Company implements ASU No. 2013-02, "Reporting of Amounts Reclassified out of Accumulated Other Comprehensive Income", which requires to provide information about the amounts reclassified out of Accumulated Other Comprehensive Income ("AOCI") by component. In addition, the Company is required to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of AOCI by the respective line items of net income, but only if the amount reclassified is required to be reclassified in its entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, the Company is required to cross-reference to other disclosures that provide additional details about those amounts.

o. Research and development costs:

Research and development costs are generally charged to the statements of income as incurred. ASC 985-20, "Software- Costs of Software to Be Sold, Leased, or Marketed", requires capitalisation of certain software development costs subsequent to the establishment of technological feasibility.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Costs incurred by the Company between technological feasibility and the point at which the products are ready for general release, have to date been insignificant. Therefore, all research and development costs are expensed as incurred, except as described below.

Research and development costs of the domain monetisation technology, are capitalised in accordance with conditions set out for internal-use software. Therefore, costs incurred in the planning stage are expensed as incurred. Cost incurred for the website application and infrastructure development stage are capitalised after conceptual formulation, design and testing of software project alternatives have all been completed. Costs incurred for the content development stage and the cost of operating stage are also expensed as incurred. Capitalised technology is stated at cost less accumulated depreciation.

p. Accounting for stock-based compensation:

The Company accounts for stock-based compensation under ASC 718, "Compensation – Stock Compensation", which requires the measurement and recognition of compensation expense based on estimated fair values for all share-based payment awards made to employees and directors.

ASC 718 requires companies to estimate the fair value of equity-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognised as an expense over the requisite service periods in the Company's statements of income.

The Company recognises compensation expenses for the value of its awards, which have graded vesting, based on the accelerated attribution method over the requisite service period of each of the awards.

The Company estimates the fair value of stock options granted to its employees and directors using the Black-Scholes-Merton option-pricing model. The Black-Scholes-Merton model requires a number of assumptions, of which the most significant are the fair value of its ordinary shares, the expected stock price volatility, expected option term, risk-free interest rates and expected dividend yield, which are estimated as follows:

- *Volatility* - as of 31 December 2014, 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 are comparable to the Company, as in previous periods.
- *Expected option term* - the expected term of the options represents the period of time that the options are expected to be outstanding and is based on the simplified method, which is the midpoint between the vesting date and the end of the contractual term of the option.
- *Risk-free interest* - the risk-free interest rate assumption is based on the yield from zero-coupon US government bonds appropriate for the expected term of the Company's employee stock options.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- *Dividend yield* - the Company estimates its dividend yield based on historical pattern, however the Company currently intends to invest funds in business development and not to distribute dividends.

The fair value of the Company's stock options granted to employees and directors for the years ended 31 December 2014 and 2013 was estimated using the following weighted average assumptions:

	Year ended 31 December	
	2014	2013
Volatility	45%	52%
Expected option term (in years)	5.6	5.1
Risk-free interest rate	1.6%	0.9%
Dividend yield	0%	2.03%

q. Income taxes:

The Company is subject to income taxes in Israel, the United States and numerous other jurisdictions. The Company accounts for income taxes in accordance with ASC 740, "Income Taxes". This topic prescribes the use of the assets and liabilities method, whereby deferred tax asset and liability account balances are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company provides a valuation allowance, if necessary, to reduce deferred tax assets to the amount that is more likely than not to be realised. In such determination, the Company considers future reversal of existing temporary differences, future taxable income, tax planning strategies and other available evidence in determining the need for a valuation allowance.

Deferred tax liabilities and assets are classified as current or non-current based on the classification of the related asset or liability for financial reporting, or according to the expected reversal dates of the specific temporary differences if not related to an asset or liability for financial reporting.

The Company implements a two-step approach to recognise and measure uncertain tax positions. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that, on an evaluation of the technical merits, the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% (on a cumulative basis) likely to be realised upon ultimate settlement. The Company classifies interest incurred payable to tax authorities as tax expenses.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

r. Concentrations of credit risks:

Financial instruments that could potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and trade receivables.

Cash and cash equivalents are managed in major banks in Israel, the United States, Mexico, Spain, Germany, Austria, Cyprus and the United Kingdom.

The Company's trade receivables are derived from sales to customers located mainly in Europe and the United States. The Company performs ongoing credit evaluations of its customers and a specific allowance for doubtful accounts is provided.

s. Derivative instruments:

The Company uses derivative instruments to protect against foreign currency fluctuations and to hedge against the risk of overall changes in future cash flow from payments of payroll and related expenses denominated in new Israeli shekels.

These instruments were not designated as cash flow hedges as defined by ASC 815, "Derivatives and Hedging", and therefore the Company recognises the changes in fair value of these instruments in the statements of income as financial income or expense, as incurred.

The Company had forward and options contracts that did not meet the requirement for hedge accounting.

The following table presents the notional amount of derivative instruments:

	31 December	
	2014	2013
Total options acquired	$ 16,035	$ 11,870
Total options sold	16,792	13,024
Forward contracts	-	501
	$ 32,827	$ 25,395

The net gains (losses) recognised in "financial income, net" during the years ended 31 December 2014 and 2013 were $ (1,555) and $ 497, respectively.

t. Fair value of financial instruments:

The Company applies ASC 820, "Fair Value Measurements and Disclosures". Under this standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

In determining fair value, the Company uses various valuation approaches. ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximises the use of observable inputs and minimises the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

A three-tier fair value hierarchy is established as a basis for considering such assumptions and for inputs used in the valuation methodologies in measuring fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the asset or liability.

Foreign currency derivative contracts are classified within Level 2 as the valuation inputs are based on quoted prices and market observable data of similar instruments.

u. Basic and diluted earnings per share:

Basic earnings per share are computed based on the weighted average number of ordinary shares outstanding during each year. Diluted earnings per share are computed based on the weighted average number of ordinary shares outstanding during each year, plus dilutive potential ordinary shares outstanding during the year, in accordance with ASC 260, "Earnings Per Share".

The total weighted average number of shares related to the outstanding options excluded from the calculations of diluted earnings per share, since they would have an anti-dilutive effect, was 1,053,983 and 778,617 for the years ended 31 December 2014 and 2013, respectively.

v. Treasury shares:

The Company repurchases its ordinary shares in limited cases from its employees and holds such shares as treasury shares. The Company presents the cost of repurchasing treasury stock as a separate component of shareholders' equity.

Treasury shares are also reissued from time to time and these transactions are accounted for in accordance with ASC 505-30, whereby gains are credited to additional paid-in capital and losses are charged to additional paid-in capital to the extent that previous net gains are included therein; otherwise to retained earnings.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

w. Recently issued accounting standards:

In May 2014, the Financial Accounting Standards Board, or FASB, issued an Accounting Standard Update, or ASU, on revenue from contracts with customers, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. This ASU, which will be effective for the Company beginning January 1, 2017, allows for either full or modified retrospective methods of adoption and early adoption is not permitted. The Company is currently evaluating the method of adoption, as well as the effect that adoption of this ASU will have on its consolidated financial statements.

NOTE 3:- OTHER RECEIVABLES AND PREPAID EXPENSES

	31 December	
	2014	2013
Government authorities	$ 1,930	$ 2,001
Deferred taxes	1,817	1,029
Advances to suppliers and prepaid expenses	1,637	585
Derivatives	-	135
Short term deposits	14	122
Domains held for sale	1,593	-
Other	571	381
	$ 7,562	$ 4,253

NOTE 4:- PROPERTY AND EQUIPMENT, NET

a. Cost:

	31 December	
	2014	2013
Computers and software	$ 4,910	$ 3,655
Office furniture and equipment	677	556
Electronic equipment	192	138
Leasehold improvements	1,227	1,085
	7,006	5,434
Accumulated depreciation	(4,147)	(3,001)
Depreciated cost	$ 2,859	$ 2,433

b. Depreciation expense amounted to $ 1,090 and $ 998 for the years ended 31 December 2014 and 2013, respectively.

NOTE 5:- INVESTMENT IN AFFILIATED COMPANIES

The following table presents the balance of investments in affiliated companies:

	31 December	
	2014	2013
Adperio Inc. (a)	$ 1,962	$ 2,098
Uppsite Ltd. (b)	-	511
Team Internet AG (c)	-	3,615
Other	89	30
	$ 2,051	$ 6,254

The following table summarises equity gains (losses) associated with investments in affiliated companies from acquisition date through 31 December 2014:

a. On 1 July 2011, the Company acquired 17.69% of the issued and outstanding shares of Adperio Inc., ("Adperio") a leading online digital ad agency based in the U.S, for a total consideration of $ 2,287. As of 31 December 2014, the Company holds 17.56% of Adperio's issued and outstanding shares and accounts for the investment under the equity method since the Company has the ability to exercise significant influence over the operating and financial policies of Adperio.

b. The Company accounted for the acquisition of Uppsite until 30 September 2013, under the equity method, and subsequently under the cost method since the Company no longer has a representation on the board of Uppsite. During 2014 Uppsite ceased its operations, and a full impairment was recorded.

c. On 1 July 2012, the Company acquired 20% of the issued and outstanding shares of Team Internet AG, a company incorporated under the laws of Germany, for a total consideration of $ 314 in cash and 232,237 shares of the Company, valued at $ 2,764.

   The Company accounted for the acquisition of Team Internet under the equity method, since the Company had the ability to gain significant influence over the operating and financial policies of Team Internet.

   On 19 June 2014 the company acquired an additional 50% of Team Internet. As a result of the additional acquisition, the Company achieved control over the operations of Team Internet, and since that date, Team Internet has been consolidated within the Company's financial statements.

NOTE 6:- GOODWILL

Changes in goodwill for the years ended 31 December 2014 and 2013 are as follows:

	Year ended 31 December	
	2014	2013
Goodwill interest at beginning of year	$ 12,686	$ 3,231
Acquisitions	68,158	9,455
Functional currency translation adjustments	(5,750)	-
	$ 75,094	$ 12,686

NOTE 7:- OTHER INTANGIBLE ASSETS, NET

a. Other intangible assets:

	31 December	
	2014	2013
Original amounts:		
Customer relationships	$ 19,831	$ 4,382
Technology	14,004	2,486
	33,835	6,868
Accumulated amortisation:		
Customer relationships	4,415	600
Technology	2,504	742
	6,919	1,342
Other intangible assets, net	$ 26,916	$ 5,526

b. Amortisation expense amounted to $ 5,766 and $ 1,150 for the years ended 31 December 2014 and 2013, respectively.

c. The estimated future amortisation expense of other intangible assets as of 31 December 2014 is as follows:

2015	$ 8,984
2016	7,257
2017	5,667
2018	3,516
2019 and after	1,492
	$ 26,916

NOTE 8:- ACCRUED EXPENSES AND OTHER LIABILITIES

a. Current:

	31 December	
	2014	2013
Employees and payroll accruals	$ 3,251	$ 3,509
Government authorities	1,416	2,337
Accrued expenses	1,549	1,578
Payables due to the acquisition of Adotomi	100	600
Deferred tax liability	97	98
Payable to redeemable non-controlling interest *)	2,263	-
Derivatives	1,170	-
Other	167	270
	$ 10,013	$ 8,392

b. Long term:

	31 December	
	2014	2013
Contingent consideration to selling shareholder	$ 3,050	$ -
Accrued severance pay	278	186
Capitalised rent loss	532	694
Payable to redeemable non-controlling interest *)	1,291	-
Other	251	155
	$ 5,402	$ 1,035

*) Amounts payable to redeemable non-controlling interest relate to dividends and gain from reissuance of treasury shares.

NOTE 9: BANK LOAN AND CREDIT LINE

a. On 1 January 2013, the Company borrowed a loan in the amount of $ 6,000 from an Israeli bank. In accordance with the loan agreement, repayment of the principal shall be made in six equal payments every six months commencing 1 July 2013. The loan bore interest of three years USD LIBOR plus 4.95% to be paid together with the principal. The loan was repaid in full on 2 July 2014.

b. On 23 December 2013, the Company borrowed an additional loan in the amount of $ 3,000. In accordance with the loan agreement, repayment of this loan shall be made in four equal payments (principal plus interest) every six months commencing 23 June 2014. The loan bore interest of two years USD LIBOR plus 3.68%. The loan was repaid in full on 23 December 2014.

NOTE 9: BANK LOAN AND CREDIT LINE (Cont.)

c. On 16 June 2014, the Company signed a term loan agreement with an Israeli bank in an amount of $21,600. The loan agreement requires repayment of 85% of the principal in 12 equal payments every three months commencing 16 September 2014, and 15% of the principal in 4 equal payments every three months commencing 16 September 2017. The loan bore an initial interest of three months USD LIBOR plus 4.5%, which was reduced to USD LIBOR plus 3.5% to be paid together with the relevant portion of the principal. The loan was used to finance the acquisition of Team Internet. In relation to this loan, the Company is required to comply with certain covenants, as defined in the loan agreement. According to the loan agreement, there are certain covenants. As of 31 December 2014, the Company was not in full compliance with the financial covenants but obtained the bank's waiver valid until 31 December 2015 in respect of non-compliance.

d. The Company's line of credit and loans from an Israeli bank are secured by way of: (i) a fixed charge over the unpaid equity of the Company and its subsidiary; and (ii) a floating charge over all of the assets of the Company and its subsidiary. As of 31 December 2014, this credit line was not in use.

e. In June 2014, an American bank granted the Company a $ 4,000 line of credit, which shall bear interest of three months USD LIBOR plus 3.25%. The maturity date of this line of credit is 28 June 2015. The line is secured by a valid and perfected first priority lien on and security interest in all of the assets of its subsidiary, Matomy USA, Inc. is subject to certain covenants. As of 31 December 2014 the line of credit was not used, and Matomy USA, Inc. was in full compliance with the covenants.

f. On 11 July 2013, Team Internet borrowed $ 547 (kEUR 450) from a German bank pursuant to a loan agreement requiring repayment after two years (30 September 2015). The interest rate on the loan is 2.65% and is payable every three months commencing 30 September 2013.

NOTE 10:- COMMITMENTS AND CONTINGENT LIABILITIES

The Company rents its facilities under operating lease agreements with an initial term expiring in 2024. Future minimum lease commitments under non-cancellable operating leases for the years ended 31 December were as follows:

2015	$	2,197
2016		1,053
2017		1,063
2018		1,010
2019		737
Thereafter		928
	$	6,988

NOTE 10:- COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

Rent expenses for the years ended 31 December 2014 and 2013, were \$ 2,697 and \$ 2,470, respectively.

The Company has provided guarantees for rent expenses in the amount of \$ 1,125.

The Company leases its motor vehicles under cancellable operating lease agreements until September 2017. The minimum payment under these operating leases, upon cancellation of these lease agreements, was \$ 12 as of 31 December 2014.

Lease expenses for motor vehicles for the years ended 31 December 2014 and 2013 were \$ 146 and \$ 153, respectively.

NOTE 11:- EQUITY

a. General

All ordinary shares, preferred A shares, options, per share data and exercise price included in these financial statements for all periods presented have been retroactively adjusted to reflect the issuance on March 27, 2014 of 6-to-one bonus shares (equivalent to a 7-for-1 stock split).

b. Composed of shares of NIS 0.01 par value each, as follows:

	31 December 2014		31 December 2013	
	Authorised	Issued and outstanding	Authorised	Issued and outstanding
	Number of shares			
Ordinary Shares *)	430,500,000	90,290,596	105,132,888	55,933,409
Preferred A shares **)	-	-	295,267,112	15,267,119
	430,500,000	90,290,596	400,400,000	71,200,528

*) The Ordinary Shares confer upon the holders thereof the right to receive notices and to attend general meetings of the Company, to be present thereat and to participate in and vote at such meetings, the right to participate in all distributions of dividends (whether of cash, assets or in any other lawful way) made by the Company and the right to participate with the other shareholders in the distribution of the surplus of assets of the Company which remains available for distribution on winding-up.

**) All A shares were converted to Ordinary shares immediately prior to the IPO.

NOTE 11:- EQUITY (Cont.)

c. Issuance of shares and options to investors:

As of 31 December 2014, there are 1,239,735 fully vested outstanding warrants with exercise price of $ 1.11 which were granted to investors in the past, and are exercisable through August 2017.

d. Options issued to employees and directors:

In 2006, the Company adopted stock incentive plan that was amended and restated in December 2012 ("the 2006 Plan"). In 2012, the Company adopted a new stock incentive plan ("the 2012 Plan") and ceased issuing stock options under the 2006 Plan.

Under the 2012 Plan, options may be granted to employees, directors, officers and consultants of the Company. The Company reserved for issuance 32,912,170 Ordinary shares. Each option granted under the 2006 Plan or 2012 Plan is fully exercisable between 0 to 4 years and expires in between 7 to 10 years from the date of grant. The 2006 Plan and the 2012 Plan comply with section 102 of Israel's Income Tax Ordinance. In 2012, the Company adopted a sub-plan in the United States, which sets out the terms of grants and related taxes for employees in the United States. On 3 July 2014 the 2012 Plan was updated by resolution of the Board and the Shareholders, mainly, as follows: (i) the aggregate number of shares for issuance under the Plan will not exceed 10% of the issued share capital over a 10 year period; (ii) the exercise price shall not be less than the fair market value of the Ordinary Shares on the date of the grant; and (iii) setting different minimum vesting periods according to seniority, according to which the senior management has longer vesting periods than the other employees.

Any options, which are forfeited or not exercised before expiration, become available for future grants.

As of 31 December 2014, there were 295,083 options available for future grants under the plan.

NOTE 11:- EQUITY (Cont.)

A summary of the activity in options granted to employees and directors is as follows:

	Number of options	Weighted-average exercise price	Weighted-average remaining contractual term (in years)	Aggregate intrinsic value
Outstanding at 1 January 2014	9,132,802	$ 1.16	5.20	12,906
Granted	1,853,781	$ 3.59		
Exercised	(438,362)	$ 0.58		
Forfeited	(362,250)	$ 2.03		
Outstanding at 31 December 2014	10,185,971	$ 1.59	4.86	20,731
Exercisable at 31 December 2014	6,228,277	$ 1.07	3.64	15,945

As of 31 December 2014, the total compensation cost relating to options granted to employees and directors, not yet recognised amounted to $ 1,674.

The total intrinsic value of options exercised during the years 2014 and 2013 was $ 1,438 and $ 136, respectively.

The weighted average grant date fair values of options granted for the years ended 31 December 2014 and 2013, were $ 1.52 and $ 1.00, respectively.

e. Options issued to non-employees:

The Company's outstanding options to non-employees as of 31 December 2014 were as follows:

Issuance date	Options for Ordinary shares	Exercise price per share	Options exercisable	Exercisable through
January 2010	55,944	0.21	55,944	December 2017

No stock-based compensation expense was recorded in respect of options granted to non-employees in the years ended 31 December 2014 and 2013.

f. Treasury shares

As part of the acquisition of Team Internet AG (see note 1b(4)), 1,625,659 shares of the Company which were owned by Team Internet and acquired through the transaction were reclassified as treasury shares and valued at $ 6,866. Team Internet's redeemable non-controlling interest are entitled to an 80% share in gains derived from these shares, amounting to $ 3,031.
In October 2014, 414,423 of these treasury shares were sold and 80% of the gain was allocated to Team Internet’s redeemable non-controlling interest.

NOTE 12:- EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

	31 December	
	2014	2013
Net income attributable to Matomy Media Group Ltd.	$ 8,003	$ 6,564
Dilutive effect:		
Deemed dividend (in thousands)	(593)	(1,076)
Diluted net income attributable to Matomy Media Group Ltd.	$ 7,410	$ 5,488
Weighted average ordinary shares outstanding (in thousands)	79,837	71,119
Dilutive effect:		
Stock options (in thousands)	6,362	4,320
Diluted weighted average ordinary shares outstanding (in thousands)	86,199	75,439
Basic earnings per ordinary share	$ 0.10	$ 0.09
Diluted earnings per ordinary share	$ 0.09	$ 0.07

NOTE 13:- TAXES ON INCOME

a. Israeli taxation:

1. Corporate tax rates in Israel:

   Taxable income of Israeli companies is subject to tax at the rate of 25% in 2013, and 26.5% in 2014 and afterwards.

2. Tax benefits under the Israeli Law for the Encouragement of Capital Investments, 1959 ("the Law"):

   The Company obtained a ruling from the Israeli tax authorities, under which, Matomy Media Group received a "Preferred Enterprise" status, which provides certain benefits, including reduced tax rates. Income not eligible for Preferred Enterprise benefits is taxed at a regular rate. The tax rates applicable for preferred enterprise income are 12.5% in 2013 and 16% in 2014 and thereafter.

NOTE 13:- TAXES ON INCOME (Cont.)

The entitlement to the above benefits is conditional upon the Company's fulfilling the conditions stipulated by the Law and regulations published thereunder. Should the Company fail to meet such requirements in the future, income attributable to its Preferred Enterprise program could be subject to the statutory Israeli corporate tax rate and the Company could be required to refund a portion of the tax benefits already received, with respect to such programs. As of 31 December 2014, management believes that the Company is in compliance with all the conditions required by the Law.

In May 2013, pursuant to a temporary tax relief, the Company elected to pay $ 563 on account of reduced corporate tax rate with respect to undistributed exempt Privileged income, accumulated up until 31 December 2011. Pursuant to the terms of the temporary tax relief, the Company must make certain qualified investments in Israel over the five years period commencing 2013.

As of 31 December 2014, the Company had $ 5,819 of tax-exempt income attributable to its Privileged Enterprise program resulting from 2012. The Company does not intend to distribute any amounts of its undistributed tax-exempt income as dividends as it intends to reinvest its tax-exempt income within the Company. Accordingly, no deferred income taxes have been provided on income attributable to the Company's Privileged Enterprise programs as the undistributed tax-exempt income is essentially permanent in duration. If such tax exempt income is distributed, it would be taxed at the reduced corporate tax rate applicable to such profits (25%) and an income tax liability of approximately $ 1,455 would be incurred as of 31 December 2014.

b. Income taxes on non-Israeli subsidiaries:

Non-Israeli subsidiaries are taxed according to the tax laws in their respective country of residence. Neither Israeli income taxes, foreign withholding taxes nor deferred income taxes were provided in relation to undistributed earnings of the Company's foreign subsidiaries. This is because the Company has the intent and ability to reinvest these earnings indefinitely in the foreign subsidiaries and therefore those earnings are continually redeployed in those jurisdictions. As of December 31, 2014, the amount of undistributed earnings of non-Israeli subsidiaries, which is considered indefinitely reinvested, was $3,382 with a corresponding unrecognized deferred tax liability of $896.

c. Deferred tax assets and liabilities:

Deferred taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts recorded for tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

NOTE 13:- TAXES ON INCOME (Cont.)

	Year ended 31 December	
	2014	2013
Deferred tax assets:		
Carry forward losses	$ 1,149	$ 1,137
Research and development expenses	1,144	965
Allowance for doubtful debts	722	296
IPO expenses	728	-
Intangible assets	204	125
Employee benefits	104	99
Other	304	106
	4,355	2,728
Valuation allowance	(3)	(341)
Deferred tax assets, net	$ 4,352	$ 2,387
Deferred tax liabilities:		
Intangible assets	5,936	397
Gain on achieving control	2,330	-
Deductible goodwill	248	105
Other	310	185
Deferred tax liabilities	8,824	687
Deferred tax assets (liabilities), net	$ (4,472)	$ 1,700

	Year ended 31 December	
	2014	2013
Deferred tax assets (liabilities):		
Current deferred tax assets	$ 1,817	$ 1,029
Long-term deferred tax assets	2,211	1,107
Current deferred tax liabilities	(97)	(98)
Long-term deferred tax liabilities	(8,403)	(338)
	$ (4,472)	$ 1,700

Current deferred tax assets are included in other receivables and prepaid expenses. Long-term deferred tax assets are included in other long-term assets in the balance sheets. Current deferred tax liabilities is included in short term accrued expenses and other liabilities in the balance sheets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
US dollars in thousands

NOTE 13:- TAXES ON INCOME (Cont.)

d. Income before taxes on income is comprised as follows:

	Year ended 31 December	
	2014	2013
Domestic	$ 5,645	$ 12,016
Foreign	(1,062)	(3,210)
	$ 4,583	$ 8,806

e. Taxes on income are comprised as follows:

	Year ended 31 December	
	2014	2013
Current	$ 3,767	$ 3,241
Deferred	(2,001)	(1,750)
	$ 1,766	$ 1,491
Domestic	$ 2,593	$ 1,950
Foreign	(827)	(459)
	$ 1,766	$ 1,491

f. A reconciliation of the beginning and ending amount of unrecognised tax benefits related to uncertain tax positions is as follows:

	Year ended 31 December	
	2014	2013
Beginning balance	$ 128	$ 28
Increase related to tax positions taken during prior years	2	3
Increases related to tax positions taken during the current year	6	97
Ending balance	$ 136	$ 128

The entire amount of unrecognised tax benefits as of 31 December 2014, if recognised, would reduce the Company's annual effective tax rate.

As of 31 December 2014, the tax returns of the Company and its main subsidiaries are open to examination by the tax authorities for the tax years 2010 through 2014.

NOTE 13:- TAXES ON INCOME (Cont.)

g. Reconciliation of the theoretical tax expenses:

Reconciliation between the theoretical tax expenses, assuming all income is taxed at the statutory rate in Israel and the actual income tax as reported in the statements of income is as follows:

	Year ended 31 December	
	2014	2013
Income before taxes as reported in the statements of income	$ 4,583	$ 8,806
Statutory tax rate in Israel	26.5%	25%
	1,214	2,202
Increase (decrease) in taxes resulting from:		
Effect of "Privileged Enterprise" or "Preferred Enterprise" status *)	(181)	(1,110)
Update of deferred tax balances due to change in tax rate *)	-	(121)
Change in valuation allowance	(278)	117
Different overseas tax rate	(378)	122
Non-deductible expense	225	266
Effect of foreign exchange rate (NIS against the USD)	1,234	(50)
Issuance expenses deductible for tax	(364)	-
Others	294	65
	$ 1,766	$ 1,491
Effective tax rate	39%	17%
*) Basic earnings per share amounts of the benefit resulting from "Privileged Enterprise" or "Preferred Enterprise" status	$ **)	$ 0.02
Diluted earnings per share amounts of the benefit resulting from "Privileged Enterprise" or "Preferred Enterprise" status	$ **)	$ 0.02

**) Represents an amount lower than $ 0.01

NOTE 14:- REPORTABLE SEGMENTS

a. Reportable segment:

The Company applies ASC 280, "Segment Reporting". Based on the management reporting system, the Company operates in a single reportable segment as a provider of marketing services.

b. Revenues from media channels:

Total revenues from external customers divided on the basis of the Company's media channels are as follows:

	Year ended 31December	
	2014	2013
Display and video *)	$ 139,293	$ 120,995
Search	7,779	20,056
Virtual currency and social **)	20,034	19,840
Mobile	25,684	13,231
Domain monetization	22,603	-
Other ***)	22,050	19,371
Total	$ 237,443	$ 193,493

*) Revenues from display and video are integrated to one media channel, since video ads appear before, during or after the display of video content and video is considered one of multiple formats of display.

**) Revenues from virtual currency and social are integrated to one media channel since virtual currency ads appear mainly on social networks.

***) Other media channels consist mainly of revenues from email.

c. Geographical information:

Revenues by geography are classified based on the location where the consumer completed the action that generated the relevant revenues. The following table sets out the Company's revenues from external customers and long-lived assets by geography for the years ended 31 December 2014 and 2013.

NOTE 14:- REPORTABLE SEGMENTS (Cont.)

1. Revenues from external customers:

	Year ended 31 December	
	2014	2013
United States	$ 123,193	$ 95,002
Europe	67,208	62,644
Rest of Americas	25,952	20,834
Israel	212	338
Other	20,878	14,675
	$ 237,443	$ 193,493

2. Long-lived assets:

	Year ended 31 December	
	2014	2013
Israel	$ 2,140	$ 1,687
Americas	586	737
Europe	133	9
	$ 2,859	$ 2,433

d. In the years ended 31 December 2014 and 2013 no customer contributed more than 10% of the Company's revenues.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
US dollars in thousands

NOTE 15:- FINANCIAL EXPENSES, NET

	Year ended 31 December	
	2014	2013
Financial income:		
Interest income	$ 101	$ 9
Foreign currency remeasurement, net	-	61
Hedging transactions	-	497
Other	28	-
	129	567
Financial expenses:		
Bank fees	(365)	(338)
Credit card fees	(326)	(471)
Interest expense	(1,012)	(455)
Foreign currency remeasurement, net	(905)	-
Hedging transactions	(1,555)	-
Other	(17)	(178)
	(4,180)	(1,442)
	$ (4,051)	$ (875)