27 August 2014

Interim Results for six months ended 30 June 2014

Matomy Media Group, one of the world's leading digital performance-based marketing companies, announces its interim results for the six months ended 30 June 2014.

Strong operational and financial performance

Non-GAAP Financial Highlights

Overview of results ($ millions)	H1 2014PF*	H1 2013PF*	Change PF
Revenue	129.1	107.9	20%
Adjusted gross profit	37.4	30.8	21%
Operating profit	10.2	6.1	66%
Adjusted EBITDA	12.7	7.9	61%

*PF - Consolidated full Group numbers, including Team Internet on a pro-forma basis

GAAP Financial Highlights

Overview of results ($ millions)	H1 2014 GAAP	H1 2013 GAAP	Change GAAP
`Revenue	107.6	97.3	11%
Gross profit	28.8	25.6	13%
Operating profit	6.5	4.6	42%
Pre-tax profit	13.9	4.1	235%
Net income	13.0	3.0	329%
Earnings per share	0.18	0.04	328%

Highlights

- Strong revenue growth across the Group, increasing by 20% on a pro-forma basis (25% organic), driven by identified strategic growth areas:
  - Display and video activity increased 17% to $70.1 million
  - Social media and virtual currency activity increased 12%, to $11.3 million
  - Mobile activity increased 121% to $11.3 million
- Adjusted EBITDA rose by 61% at a 10% adjusted EBITDA margin, representing a 35% improvement in margin.
- Increased shareholding in Team Internet from 20% to 70%, bringing new capabilities to the Group; integration is progressing as planned.

- Cash flows from operating activities of $1.2 million were lower in H1 2014 than in H1 2013 ($5.7 million), due to increased working capital investment in order to support the growth of video activity.
- Strong balance sheet maintained in H1 2014 whilst net debt increased to $21.9 million (H1 2013: $7.4 million) reflecting new debt facilities of $21.6 million raised in connection with the Team Internet acquisition.
- Looking ahead, Matomy will continue to build the business for the long term and remains on track to deliver its plan.

Ofer Druker, Chief Executive Officer of Matomy, said:

"I am pleased to report good progress across the business in the first six months with pro-forma Group revenues up 20% and adjusted EBITDA up 61%.

"The environment in which Matomy operates is exciting and dynamic, and one which is rapidly evolving and competitive. We believe that the digital advertising market will continue to undergo rapid change and significant consolidation and it is therefore essential that we continue to evolve, innovate and not stand still. As a result of this, we have continued to invest in our internal capabilities in the period, allocating increased resources to our mobile and video divisions, improving our programmatic media buying capabilities and business intelligence infrastructure, launching our pay-per-call activity and strategically acquiring a controlling stake in Team Internet.

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

"It has been an exciting period for Matomy, with our IPO in July, and I would like to thank the whole team for their continued passion and commitment."

Enquiries:

Matomy Media Group: +1 417 299 5996

Ofer Druker, Chief Executive Officer

Sagi Niri, Chief Financial Officer

Keith Trivitt, VP Global Marketing

ktrivitt@matomy.com

Tulchan Communications: +44 (0) 207 353 4200

Lucy Legh

Stephen Malthouse

Giles Kernick

matomy@tulchangroup.com

A copy of this announcement will be available on the Matomy website, www.Matomy.com, today from 07:00am BST.

About Matomy Media Group Ltd

Matomy Media Group Ltd is one of the world's leading digital performance-based marketing companies. Working across web, social media and mobile platforms, Matomy offers advertisers, media partners and publishers a range of opportunities to generate risk-free performance-based results, delivering quality, scale and speed by providing a single gateway to eight digital media channels. Matomy's marketing solutions include: a display advertising network; mobile, social and video advertising; email marketing; search marketing and search engine optimization; a virtual currency platform; and domain monetisation.

Notes to Editors

1. *Adjusted gross profit is a non-GAAP financial measure that Matomy Media Group Ltd defines as revenues less direct media costs, which are the direct costs associated with the purchase of digital media, including:*
    - *payments for digital media based on the revenues that the Group 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.*

    Other costs that are included in gross profit, but excluded from adjusted gross profit, are:
    - *data centre costs;*
    - *amortisation of technology and intellectual property ("IP") intangibles;*
    - *allocation of depreciation expense; and*
    - *allocation of attributable personnel (including salaries and bonuses) and associated costs.*
2. *Adjusted EBITDA is a non-GAAP financial measure that the Group defines as net income before taxes on income, financial expenses (income), net, gain on re-measurement to fair value, equity losses of affiliated companies, net, other income, depreciation and amortisation and share based compensation expenses and any non-recurring items.*
3. *Adjusted net income is a non-GAAP financial measure that Matomy Media Group Ltd defines as net income before share based compensation expenses and any non-recurring items.*
4. *Organic growth excludes the acquisition of a controlling stake in Team Internet and Matomy US.*

SUMMARY OF RESULTS

MARKET OVERVIEW

There are a number of important structural trends driving the growth of the rapidly evolving digital adverting sector in which Matomy operates. The global digital advertising market was $88.8 billion in 2012, and is expected to grow to $156.2 billion by 2016, according to ZenithOptimedia. Additionally, broadband and high-speed mobile networks are increasingly becoming the norm, which is driving the growth in the use of smartphones and tablets. Connected devices are accelerating consumer access to high-speed mobile networks and enabling consumers to watch and interact with online content anytime, anywhere. In an industry of this nature it is essential to constantly evolve and adapt, something Matomy has proven extremely competent at over the course of the history of the business. Matomy will therefore look to continue to develop and invest in its existing and new capabilities and will respond in an agile fashion to industry developments.

H1 2014 OVERVIEW*

Matomy had a strong first half of 2014, with revenue improving by $10.3 million, to $107.6 million on a GAAP basis (H1 2013: $97.3 million). This growth was driven by increased activity in Matomy's key strategic growth drivers of video, social and mobile. Active advertising customers decreased by 11% to 1,644 in H1 2014, as a result of the reorganisation following the acquisition of the former MediaWhiz business (now known as "Matomy US") in January 2013, which included the termination of certain MediaWhiz activities that were not relevant to Matomy's core and ongoing business, and did not meet the levels of sustainable profitability that the Group requires.

Geographically, Matomy is seeing the strongest growth in the Americas (including North and South America) with revenue up $14.4 million, to $65.9 million (H1 2013: $51.5 million). This was driven by a marked increase in video activity, most of which is generated in the United States, as well as new capabilities added to the Group, including email marketing following the January 2013 acquisition of MediaWhiz. The strong US performance more than offset a decline in European revenues of $4.4 million, to $32.1 million during the same period (H1 2013: $36.5 million). This decrease primarily reflects a decline in activity in Spain, due to a change in user registration requirements for additional mobile media services by certain mobile operators.

Group operating profit increased by 42% in the period on a GAAP basis reflecting improvements in the Group's ability to capitalize economies of scale.

During the first half of 2014 Matomy focused its R&D activity mainly in developing further automation and efficiency capabilities to its platform, including the field of real-time bidding and continuous integration and adaptability of the platform to support all of its media channels. This was done in conjunction with additional improvements to the Group's programmatic media buying capabilities and business intelligence infrastructure.

In June 2014, Matomy acquired a controlling stake in the German domain monetisation and direct search navigation business, Team Internet. As part of the transaction, Matomy increased its ownership stake in Team Internet from 20% to 70%. Team Internet produced revenue of $21.5 million in H1 2014 on a non-consolidated pro-forma basis, a 104% increase over the previous year. Team Internet offers significant synergies with the Group's performance-based marketing capabilities, such as email and web performance-based services, both of which have already started to generate new revenue streams for the Group. The Group has commenced its integration and cross-selling of products and services, and this will continue through the remainder of the year. Matomy expects the synergies with Team Internet to increase and create additional growth for the Group.

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

OPERATING REVIEW BY MEDIA CHANNEL *

Revenues by Media Channel

The following table sets out Matomy's revenues by media channel for the six months ended 30 June 2014 and 2013.

Six months ended 30 June

($ millions)	2014	2013
Display and video	70.1	59.7
Search	4.7	12.4
Social media and virtual currency	11.3	10.1
Mobile	11.3	5.1
Other(1)	10.2	10.0
Total	**107.6**	**97.3**

(1) Primarily comprised of revenues from the email media channel.

Display and video

Display and video media channel revenues increased by $10.4 million, or 18%, to $70.1 million for the six months ended 30 June 2014 from $59.7 million in the same period last year. This increase primarily reflects growth in the video media channel, as well as organic growth through the display media channel.

Search

Search media channel revenues decreased by $7.7 million, or 62.3%, to $4.7 million for the six months ended 30 June 2014 from $12.4 million in the same period last year, mainly due to the anticipated trend by advertisers to reduce outsourcing services related to search activity and 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 channels revenues increased by $1.2 million, or 12%, to $11.3 million for the six months ended 30 June 2014 from $10.1 million in the same period last year. This increase primarily reflects revenues contributed by the 2013 acquisition of Adotomi (now known as "Matomy Social"), a social media advertising agency that specialises in Facebook marketing.

Mobile

Mobile media channel revenues increased by $6.2 million, or 121%, to $11.3 million for the six months ended 30 June 2014 from $5.1 million in the same period last year. This increase was driven by the growth in Matomy's organic mobile activity as well as by strategic acquisitions made in 2013, including MobAff. Mobile remains a key engine for Matomy's future growth.

Other media channels

Other media channel revenues increased by $0.2 million, or 2%, to $10.2 million for the six months ended 30 June 2014 from $10.0 million in the same period last year. This increase mainly reflects growth in Matomy's email marketing business.

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

Outlook

In the rapidly evolving digital advertising market Matomy is one of the few performance-based marketing companies that is able to deliver highly targeted campaigns across multiple media channels on all digital devices. In an exciting industry of this nature it is essential to focus on growth, and growth opportunities. Matomy will therefore seek to continue to evolve ahead of the market, investing in new capabilities and responding in an agile fashion to industry developments.

The Group has made good progress over the first six months of the financial year, increasing revenue and profits whilst also investing in new capabilities and geographies. Looking ahead, Matomy will continue to build the business for the long term and remains on track to deliver its plan.

FINANCIAL REVIEW

Revenue

Matomy had a strong first half of 2014, with revenue improving by $10.3 million, to $107.6 million (H1 2013: $97.3 million). This growth was driven by increased activity in Matomy's identified growth drivers — Video, Social and Mobile.

Cost of sales and other expenses

Cost of revenues for the Group increased by $7.1 million, or 10%, to $78.8 million (73% of total revenues) for the six months ended 30 June 2014 from $71.7 million (74% of total revenues) in the same period last year. 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.

Operating expenses increased by $1.3 million or 6%, to $22.3 million (H1 2013: $21.0 million). Operating expenses as a percentage of revenues were 21% (H1 2013: 22%)

Similarly, sales and marketing expenses increased 6% to $10.0 million (H1 2013: $9.5 million). This increase represents additional investment in headcount; increased sales commissions payable attributable to the growth in revenues; increased amortisation costs from the October 2013 Adotomi acquisition; and the effect of the depreciation in the USD/ILS exchange rate, offset by efficiency savings.

General and administrative expenses increased by $0.3 million (4%) to $8.3 million (H1 2013: $8.0 million) due primarily to foreign currency movements.

Research and development

Research and development investment increased by $0.5 million or 13%, to $3.9 million (H1 2013: $3.4 million), attributable to increased investment in headcount and as a result of the movement in the USD/ILS exchange rate.

Equity Gains

Net equity gains of affiliated companies were $7.6 million for the six months ended 30 June 2014, compared with a loss of $0.1 million for the six months ended 30 June 2013. This increase reflects the gain recorded as a result of revaluing the prior equity interest in Team Internet held before Matomy acquired a controlling 70% stake in June 2014.

Net income

Net income increased by $9.4 million, or 290%, to $12.6 million in H1 2014, compared to $3.2 million in H1 2013. Net income margins increased to 6% from 4.7% representing a 28% improvement.

Cashflow

Cash and cash equivalents increased by 0.7 million, or 5%, to $14.3 million as of 30 June 2014, compared to $13.6 million as of 30 June 2013.

Cash flows from operating activities of $1.2 million were lower in H1 2014 than in H1 2013 ($5.7 million), due to increased working capital investment in video activity, which led to an increased trade receivables balance as this activity is based on a non-performance model that has a standard higher DSO than the Group average.

Net cash used in investing activities of $22.8 million (H1 2013: $10.6 million) was mainly related to the Team Internet acquisition, whilst in H1 2013 this was primarily related to the MediaWhiz acquisition.

Cash flows from financing activities also increased to $24.3 million (H1 2013: $6.0 million), primarily due to a $21.6 million term loan taken out to fund the acquisition of the controlling stake in Team Internet. As of 30 June 2014, Matomy had $28.6 million in term loans. Of those, $12.5 million are due within one year.

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 impact 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 half yearly 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 prove to have been correct. 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:

- the condensed set of financial statements (unaudited), which has been prepared in accordance with US GAAP, 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; and
- the Interim Management Report includes a fair review of the information required by:
    - (a) DTR 4.2.7, being an indication of important events that have occurred during the first six months of the financial year ending 31 December 2014, and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
    - (b) DTR 4.2.8, being related party transactions that have taken place in the first six months of the financial year ending 31 December 2014 and that have materially affected the financial position or the performance of the group during that period; and any changes in the related party transactions described in the Prospectus that could do so.

By order of the Board:

Ofer Druker	**Sagi Niri**
Chief Executive Officer	**Chief Financial Officer**

INTERIM CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	30 June 2014	31 December 2013
	Unaudited	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 14,312	$ 11,632
Trade receivables	39,937	32,165
Other receivables and prepaid expenses	6,590	4,253
Total current assets	60,839	48,050
LONG-TERM ASSETS:		
Property and equipment, net	2,603	2,433
Other long-term assets	3,473	1,818
Investment in affiliated companies	2,719	6,254
Other intangible assets, net	27,405	5,526
Goodwill	65,564	12,686
Total long-term assets	101,764	28,717
Total assets	$ 162,603	$ 76,767

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

INTERIM CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	30 June 2014	31 December 2013
	Unaudited	
CURRENT LIABILITIES:		
Short-term bank credit and current maturities of bank loans	$ 20,115	$ 4,743
Trade payables	26,656	23,522
Accrued expenses and other liabilities	10,826	8,392
Deferred revenues	1,957	2,582
Total current liabilities	59,554	39,239
LONG-TERM LIABILITIES:		
Accrued severance pay	209	186
Accrued expenses and other liabilities	2,989	849
Deferred tax liability	10,622	338
Bank loans	16,094	4,530
Total long-term liabilities	29,914	5,903
REDEEMABLE NON-CONTROLLING INTERESTS	37,406	2,502
EQUITY:		
Matomy Media Group Ltd. shareholders' equity:		
Ordinary shares	138	138
Preferred A shares	40	40
Additional paid-in capital	24,323	23,698
Accumulated other comprehensive income	291	380
Accumulated earnings	18,999	5,989
Treasury shares	(7,981)	(1,115)
Total Matomy Media Group Ltd. shareholders' equity	35,810	29,130
Non-controlling interests	(81)	(7)
Total equity	35,730	29,123
Total liabilities and equity	$ 162,603	$ 76,767

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

INTERIM CONSOLIDATED STATEMENTS OF NET INCOME

U.S. dollars in thousands except earnings per share data

	Six months ended 30 June,		Three months ended 30 June,	
	2014	2013	2014	2013
	Unaudited			
Revenues	$ 107,591	$ 97,320	$ 50,023	$ 47,756
Cost of revenues	78,802	71,738	36,194	35,489
Gross profit	28,789	25,582	13,829	12,267
Operating expenses				
Research and development	3,895	3,436	1,955	1,810
Selling and marketing	10,028	9,492	5,119	4,570
General and administrative	8,339	8,048	3,831	3,911
Total operating expenses	22,262	20,976	10,905	10,291
Operating income	6,527	4,606	2,924	1,976
Financial expenses, net	259	380	77	104
Income before taxes on income	6,268	4,226	2,847	1,872
Taxes on income	(1,270)	(908)	(559)	(363)
Gain on remeasurement to fair value and equity gains (equity losses of affiliated companies) , net	7,628	(84)	7,484	(64)
Net income	12,626	3,234	9,772	1,445
Revaluation of redeemable non-controlling interest in subsidiaries	253	(157)	360	(131)
Net loss (income) attributable to redeemable non-controlling interests in subsidiaries	57	(6)	57	(29)
Net loss (income) attributable to non-controlling interests in subsidiaries	74	(40)	17	(3)
Net income attributable to Matomy Media Group Ltd.	$ 13,010	$ 3,031	$ 10,206	$ 1,282
Basic earnings per ordinary and preferred shares	$ 0.18	$ 0.04	$ 0.14	$ 0.02
Diluted earnings per ordinary and preferred shares	$ 0.16	$ 0.03	$ 0.13	$ 0.01

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

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

U.S. dollars in thousands

	Six months ended 30 June,		Three months ended 30 June,	
	2014	2013	2014	2013
	Unaudited			
Net income	$ 12,626	$ 3,234	$ 9,772	$ 1,445
Foreign currency translation adjustments	(36)	(46)	(40)	57
Comprehensive income	12,590	3,188	9,732	1,502
Revaluation of redeemable non-controlling interest in subsidiaries	253	(157)	360	(131)
Comprehensive loss (income) attributable to redeemable non-controlling interests in subsidiaries	57	(6)	57	(29)
Comprehensive loss (income) attributable to other non-controlling interests in subsidiaries	74	(39)	17	(6)
Comprehensive income attributable to Matomy Media Group Ltd	$ 12,974	$ 2,986	$ 10,166	$ 1,336

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

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

U.S. dollars in thousands, except share data

	Ordinary shares		Preferred A shares		Additional paid-in capital	Accumulated other comprehensive income	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 (audited)	55,725,908	$ 137	15,267,119	$ 40	$ 22,342	$ 257	$ (575)	$ (1,086)	$ 21,115	$ 34	$ 21,149
Exercise of options	209,391	*)	-	-	114	-	-	-	114	-	114
Stock-based compensation	-	-	-	-	630	-	-	-	630	-	630
Purchase of treasury shares	(26,761)	*)	-	-	-	-	-	(29)	(29)	-	(29)
Change in parent's ownership interest in subsidiary	-	-	-	-	-	-	-	-	-	(72)	(72)
Comprehensive income:											
Foreign currency translation adjustments	-	-	-	-	-	(45)	-	-	(45)	(1)	(46)
Net income attributable to Matomy Media Group Ltd.	-	-	-	-	-	-	3,031	-	3,031	40	3,071
Balance as of 30 June 2013	55,699,147	$ 138	15,267,119	$ 40	$ 23,086	$ 212	$ 2,456	$ (1,115)	$ 24,816	$ 1	$ 24,817
Balance as of 1 January 2014 (audited)	55,933,409	$ 138	15,267,119	$ 40	$ 23,698	$ 380	$ 5,989	$ (1,115)	$ 29,130	$ (7)	$ 29,123
Exercise of options	17,500	*)	-	-	19	-	-	-	19	-	19
Stock-based compensation	-	-	-	-	606	-	-	-	606	-	606
Treasury shares upon the acquisition of Team internet **)	(1,625,659)	-	-	-	-	-	-	(6,866)	(6,866)	-	(6,866)
Comprehensive income:											
Foreign currency translation adjustments	-	-	-	-	-	(89)	-	-	(89)	-	(89)
Net income	-	-	-	-	-	-	13,010	-	13,010	(74)	12,936
Balance as of 30 June 2014	54,325,250	$ 138	15,267,119	$ 40	$ 24,323	$ 291	$ 18,999	$ (7,981)	$ 35,810	$ (81)	$ 35,729

*) Represents an amount lower than $1.

**) See note 8c.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Six months ended 30 June, 2014	Six months ended 30 June, 2013
	Unaudited	
Cash flows from operating activities:		
Net income	$ 12,626	$ 3,234
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,649	962
Stock-based compensation	606	630
Accrued severance pay, net	16	6
Deferred tax assets, net	(351)	(67)
Gain on sale of subsidiary	-	(31)
Gain on remeasurement to fair value of investment in initially consolidated investee, net of tax	(7,263)	-
Decrease (increase) in trade receivables	(3,495)	1,631
Increase in other receivables and prepaid expenses	(290)	(1,475)
Accrued interest on long term bank loan	8	166
Equity losses (gains) of affiliated companies, net from dividend received	(259)	84
Increase (decrease) in long-term lease deposits	47	(65)
Increase in trade payables	229	373
Decrease in accrued expenses and other liabilities	(1,509)	(91)
Increase (decrease) in deferred revenues	(781)	341
Net cash provided by operating activities	1,233	5,698
Cash flows from investing activities:		
Purchase of property and equipment	(583)	(399)
Acquisition of MediaWhiz (b)	-	(10,030)
Decrease in indemnification asset	200	-
Sale of interests in subsidiary (c)	-	(200)
Acquisition of Team Internet (d)	(22,383)	-
Net cash used in investing activities	(22,766)	(10,629)
Cash flows from financing activities:		
Short-term bank credit, net	5,827	-
Receipt of bank loan	21,600	6,000
Payment of bank loan	(1,728)	
Dividend paid to non-controlling interest of subsidiary	-	(56)
Exercise of options	19	114
Treasury shares	-	(29)
Deferred IPO costs	(1,451)	-
Net cash provided by financing activities	24,267	6,029
Effect of exchange rate differences on cash	(54)	(8)
Increase in cash and cash equivalents	2,680	1,090
Cash and cash equivalents at the beginning of the period	11,632	12,478
Cash and cash equivalents at the end of the period	$ 14,312	$ 13,568

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

		Six months ended 30 June, 2014	Six months ended 30 June, 2013
		Unaudited	
(a)	Supplemental disclosure of cash flows activities :		
	Cash paid during the period for:		
	Income taxes	$ 2,252	$ 1,404
	Interest paid	$ 287	$ 162
(b)	Acquisition of MediaWhiz's assets and liabilities		
	Estimated 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
(c)	Deconsolidation of Matomy Benelux-Nordics B.V		
	Working capital	$ -	$ (53)
	Non-controlling interest	-	(72)
	Loss from sale of subsidiary	-	(75)
		$ -	$ (200)
(d)	Acquisition of Team Internet AG		
	Estimated 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	52,878	-
	Long term deferred tax liability	(7,752)	-
	Long term liability	(3,492)	-
	Redeemable non-controlling interest	(35,214)	-
	Treasury shares	6,866	-
	Previous investment in books according to the equity method	(2,839)	-
	Gain on remeasurement to fair value, before tax	(9,881)	-
		$ 22,383	$ -
(e)	Supplement information and disclosure of non-cash investing and financing activities		
	Dividend from affiliated company declared but not yet paid	$ 976	$ -

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

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 or product sales, 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 and email, and domain monetisation.

During July 2014 the Company completed an Initial Public Offering (the "IPO") in the high growth segment of the "London Stock Exchange" and issued 18,058,000 ordinary shares in consideration of approximately $70,145, net.

b. Acquisitions:

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 addendum 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).

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

NOTE 1:- GENERAL (Cont.)

Team Internet is a domain monetisation company based in Munich, Germany. As a result of the acquisition, the Company will be a leading provider in the domain monetization media channel. The Company accounts for the acquisition using the acquisition method and accordingly has allocated the purchase price according to the estimated 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 Company will include the results of Team Internet's operations in the consolidated financial information 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 of $62 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
Current assets (other than cash and cash equivalents)	6,269
Long-term assets	371
Other intangible assets and goodwill	75,859
Total assets acquired	86,959
Short-term liabilities	(7,804)
Long-term liabilities	(11,244)
Total liabilities assumed	(19,048)
Net assets acquired	67,911
Treasury shares	6,866
Total net assets acquired	74,777
Redeemable non-controlling interests	(35,214)
Fair value of previous investment	(12,720)
Cash consideration	$ 26,843

The acquired customer relationships of $16,068 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.

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

NOTE 1:- GENERAL (Cont.)

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 **)		35,214
Total net assets acquired	$	74,777

*) 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 net income.

**) A redeemable non-controlling interest is created, presented in mezzanine equity separate from other shareholders' equity, relating to Team Internet's minority shareholders' interests was valuated at $35,214. 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 six and three months ended 30 June 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.

	Six months ended 30 June		Three months ended 30 June	
	2014	2013	2014	2013
	Unaudited		Unaudited	
Revenues	$ 129,088	$ 107,890	$ 60,883	$ 53,387
Net income attributable to Matomy Media Group Ltd.	$ 5,967	$ 9,345	$ 2,890	$ 831
Basic net earnings per share	$ 0.09	$ 0.13	$ 0.04	$ 0.01
Diluted net earnings per share	$ 0.07	$ 0.12	$ 0.03	$ 0.01

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. Unaudited interim financial information

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six-month period ended 30 June 2014 are not necessarily indicative of the results that may be expected for the year ended 31 December 2014.

The Company has prepared its consolidated financial information in accordance with accounting principles generally accepted in the United States ("US GAAP"). In the preparation of the consolidated financial information, it applied the significant accounting policies, on a consistent basis to the annual financial statements of the Company as of 31 December 2013.

b. Principles of consolidation:

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

c. Use of estimates:

The preparation of the consolidated financial information in conformity with US GAAP requires management to make estimates, judgments and assumptions. The Company's management believes that the estimates, judgments and assumptions it uses 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 information, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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 it believes to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

NOTE 3:- 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.

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.

NOTE 4:- 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, "Derivative and Hedging", and therefore the Company recognises the changes in fair value of these instruments in the statements of net 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:

	30 June 2014	31 December 2013
	Unaudited	
Total options acquired	$ 9,472	$ 11,870
Total options sold	10,143	13,024
Forward contracts	422	501
	$ 20,037	$ 23,395

The net gains recognised in "financial income, net" during the six months period ended 30 June 2014 and 2013 were $146 and $345, respectively.

NOTE 5:- NON CONTROLLING INTERESTS

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.

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

NOTE 5:- NON CONTROLLING INTERESTS (Cont.)

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 summarises the movements in the redeemable non-controlling interests:

	Six months ended 30 June	
	2014	2013
Redeemable non-controlling interests at beginning of year	$ 2,502	$ 1,335
Revaluation of redeemable non-controlling interest in subsidiaries	(253)	157
Dividend distributed to redeemable Non-controlling interests	-	(56)
Increase in redeemable Non-controlling interests due to new subsidiary	35,214	-
Net income (loss) attributable to redeemable non-controlling interests	(57)	6
	$ 37,406	$ 1,442

NOTE 6:- COMMITMENTS AND CONTINGENT LIABILITIES

The Company rents its facilities under operating lease agreements with an initial term expiring in 2020. As of 30 June 2014, the Company's total future minimum lease commitments under non-cancellable operating leases were $8,236.

The Company leases its motor vehicles under cancellable operating lease agreements until June 2015. The minimum payment under these operating leases, upon cancellation of these lease agreements, was $13 as of 30 June 2014.

The Company has provided the lessors with a bank guarantee and promissory note in an aggregate amount of $404 (NIS 1,389 thousand) as of 30 June 2014.

In addition, the Company has provided a guarantee for a subsidiary's rent expenses in the amount of $767.

NOTE 7:- BANK LOANS AND CREDIT LINE

a. On 1 January 2013, the Company borrowed $6,000 from an Israeli bank pursuant to a loan agreement requiring repayment of the principal in six equal payments every six months commencing 1 July 2013. The loan bears interest of three years USD LIBOR plus 4.95% to be paid together with the relevant portion of the principal. In relation to this loan, the Company is obliged by the bank to comply with certain financial covenants, as defined in note 7c below.

b. On 23 December 2013, the Company borrowed an additional $3,000 pursuant to a loan agreement requiring repayment in four equal payments (principal plus interest) every six months commencing 23 June 2014. The loan bears interest of two years USD LIBOR plus 3.68%.

c. On 16 June 2014, the Company signed a term loan agreement with an Israeli bank and obtained a term loan 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 bears interest of three months USD LIBOR plus 4.50% 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 financial covenants, as defined in the loan agreement. The financial covenants for the new loan replaced the covenants for which the company was obligated for its previous loans. According to the new loan agreement, the new covenants will be examined at the end of each quarter commencing 31 December 2014.

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 30 June 2014, the Company had drawn an amount of $6,960 from the credit line which is subject to interest of one year USD LIBOR plus 3.60%.

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. and is subject to certain financial covenants, as described in note 7c as well as additional financial covenants. As of 30 June 2014 the Company was in full compliance with the additional financial covenants.

f. On 11 July 2013, Team Internet borrowed $615 (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. In addition, as of 30 June 2014 Team Internet had drawn $615 (kEUR 450) out of their line of credit, from a German credit facility, which is subject to interest of three months EURIBOR plus 1%. As of 30 June 2014 Team Internet was in compliance with the financial covenants included in the loan and credit line agreements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

NOTE 8:- EQUITY

a. A summary of the activity in options granted to employees and directors in the six months period ended 30 June 2014 is as follows:

	Number of options	Weighted-average exercise price (in US dollars)	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	700,000	3.49		
Exercised	(17,500)	1.11		
Forfeited	(216,125)	2.03		
Outstanding at 30 June 2014	9,599,177	$ 1.31	4.99	22,610
Exercisable at 30 June 2014	6,692,014	$ 1.04	4.10	17,560

As of 30 June 2014, the Company's total compensation cost relating to options granted to employees and directors and not yet recognised amounted to $1,992.

The weighted average grant date fair value of options granted for the six months period ended 30 June 2014 was $7.80.

b. Options issued to non-employees:

The Company's outstanding options to non-employees as of 30 June 2014 were as follows:

Issuance date	Options for Ordinary shares	Exercise price per share (in US dollars)	Options exercisable	Exercisable through
January 2010	55,944	$ 0.21	55,944	December 2017

c. Treasury shares

As part of the acquisition of Team Internet AG (see note 1b), 1,625,659 shares of the Company which are owned by Team Internet and acquired through the transaction are reclassified as treasury shares and valued at $6,866. Team Internet's minority shareholders are entitled to an 80% share in gains derived from these shares, amounting to $3,282 which is classified as redeemable non-controlling interests.

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

NOTE 9:- EARNINGS PER SHARE

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

	Six months ended 30 June		Three months ended 30 June	
	2014	2013	2014	2013
	Unaudited		Unaudited	
Net income attributable to Matomy Media Group Ltd.	$ 13,010	$ 3,031	$ 10,206	$ 1,282
Dilutive effect: Deemed dividend	(569)	(537)	(284)	(268)
Diluted net income attributable to Matomy Media Group Ltd.	$ 12,441	$ 2,494	$ 9,922	$ 1,014
Weighted average ordinary shares outstanding (in thousands)	71,206	71,054	71,211	71,124
Dilutive effect: Employee stock options (in thousands)	6,362	3,870	6,600	4,250
Diluted weighted average ordinary shares outstanding (in thousands)	77,568	74,924	77,811	75,374
Basic earnings per ordinary share (in dollars)	$ 0.18	$ 0.04	$ 0.14	$ 0.02
Diluted earnings per ordinary share (in dollars)	$ 0.16	$ 0.03	$ 0.13	$ 0.01

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 55,619 and 102,290 for the six months period ended 30 June 2014 and 30 June 2013, respectively.

NOTE 10:- SUBSEQUENT EVENTS

a. On 15 July 2014, the Company repaid the balance of the loan borrowed on 1 January 2013 in the amount of $3,005 including interest.

b. On 17 July 2014, the Company sold its interest in its subsidiary Sweesh Ltd. ("Sweesh") to the minority interest in Sweesh for a total consideration of the nominal value of the shares transferred.

c. During July 2014 the Company completed an Initial Public Offering (the "IPO") in the high growth segment of the "London Stock Exchange" and issued 18,058,000 ordinary shares in consideration of approximately $70,145, net.