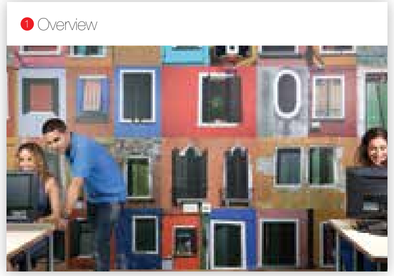
MATOMY MEDIA GROUP

GLOBAL DIGITAL PERFORMANCE

2014 Annual Report and Accounts

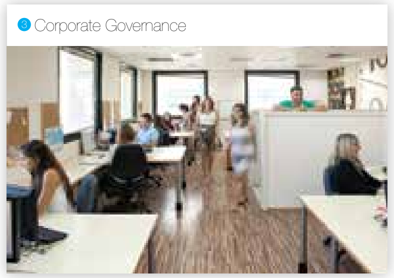
Content Guide

1 Overview

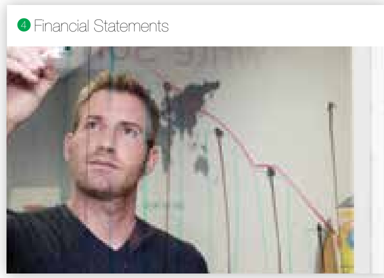


2 Strategic Report

3 Corporate Governance



4 Financial Statements



ABOUT MATOMY

Matomy Media Group Ltd. (LSE:MTMY) is one of the world's leading digital performance-based advertising companies. Working across Web, mobile and social media 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 all digital media channels. Matomy's marketing solutions include: a display ad network; mobile, social and video advertising; email marketing; search marketing and search engine optimisation; incentivised advertising platform; and domain monetisation.

1 Overview

Financial Highlights

Matomy has delivered strong revenue growth of 23% to $237.4 million, driven by identified strategic growth areas of mobile, video and social advertising, whilst adjusted EBITDA increased 40% to $24.1 million.

Revenue ↑
$237.4m
(+23%)
FY2013:
$193.5m

Adjusted EBITDA[1] ↑
$24.1m
(+40%)
FY2013:
$17.2m

Adjusted gross profit[2] ↑
$72.8m
(+16%)
FY2013:
$62.5m

Pre-tax profit ↓
$4.6m
(-48%)
FY2013:
$8.8m

Earnings per share ↑
$0.10
(+9%)
FY2013:
$0.09

(1) Adjusted EBITDA is a non-GAAP financial measure that Matomy defines as net income before taxes on income, financial expenses (income), net, gain on remeasurement to fair value, equity losses of affiliated companies, net, other income, depreciation and amortisation and share-based compensation expenses.

(2) 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, including: 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.

Operational Highlights

Matomy has continued to expand its capabilities and geographic reach, particularly within its strategic growth activities of mobile, social and video advertising.

Aggregate mobile traffic revenue ↑
$53.0m
(+195%)
FY2013:
$18.0m

Mobile activity[1] ↑
$25.7m
(+94%)
FY2013:
$13.2m

20%
Mobile contributes 20% of Group revenues[2]
FY2013:
7%

Display & video activity ↑
$139.3m
(+15%)
FY2013:
$121.0m

Active customers ↑
5,157
(+231%)
FY2013:
1,557

(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) On a pro-forma basis.

Matomy Overview

Global leader in digital performance-based advertising

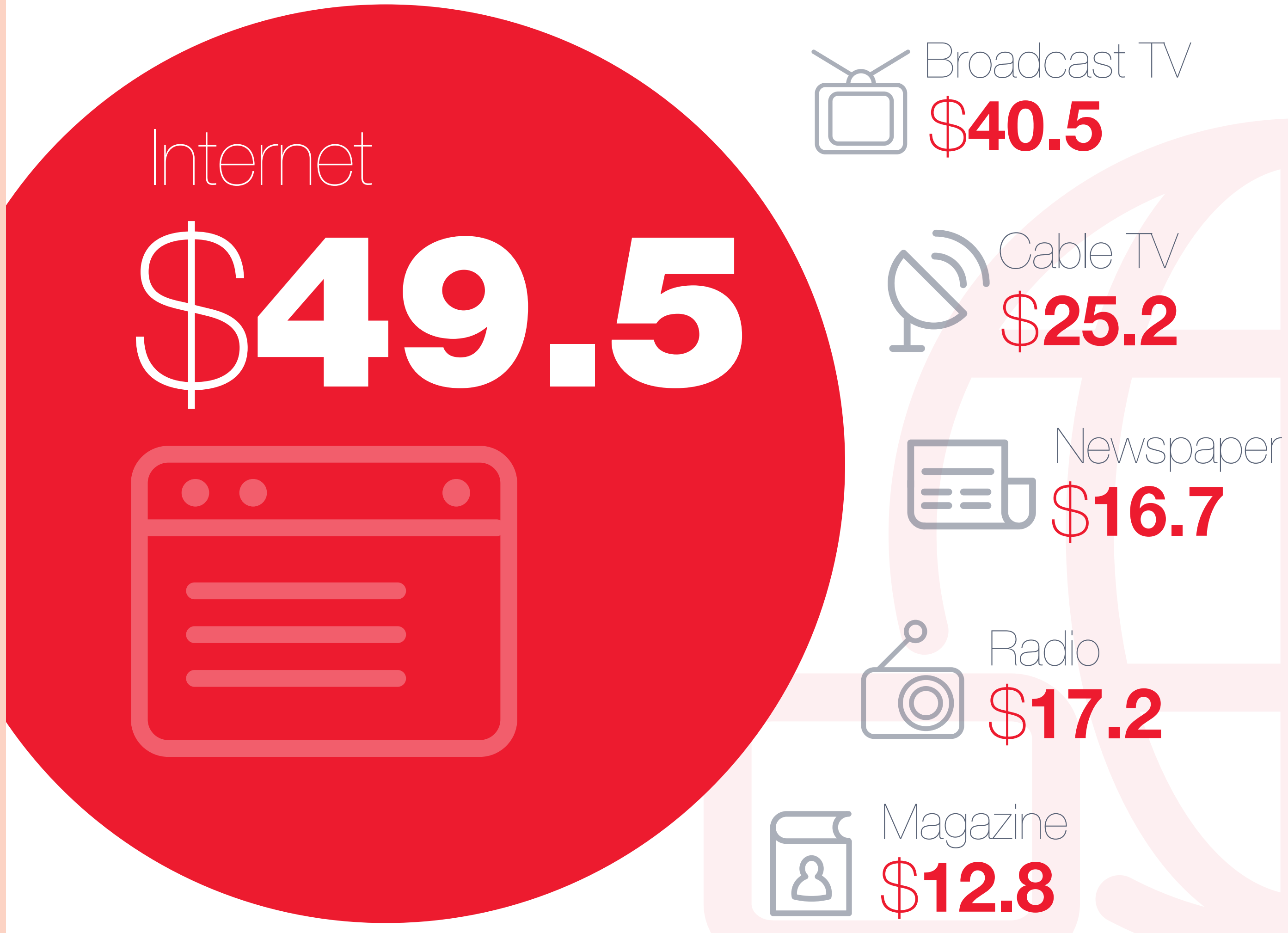
Working across Web, mobile and social media platforms, Matomy offers advertisers, media partners and publishers a range of opportunities to generate risk-free, performance-based results, delivering quality, scale and speed by providing a single gateway to all digital media channels.

Matomy's unique performance-based business model incorporates a number of competitive advantages.

Fast-growing market

Matomy operates within the fastest-growing advertising market: digital. By 2016, global digital advertising spend is projected to reach $171 billion, according to ZenithOptimedia.

Advertising revenue market by medium in the US 2014 ($ billion)

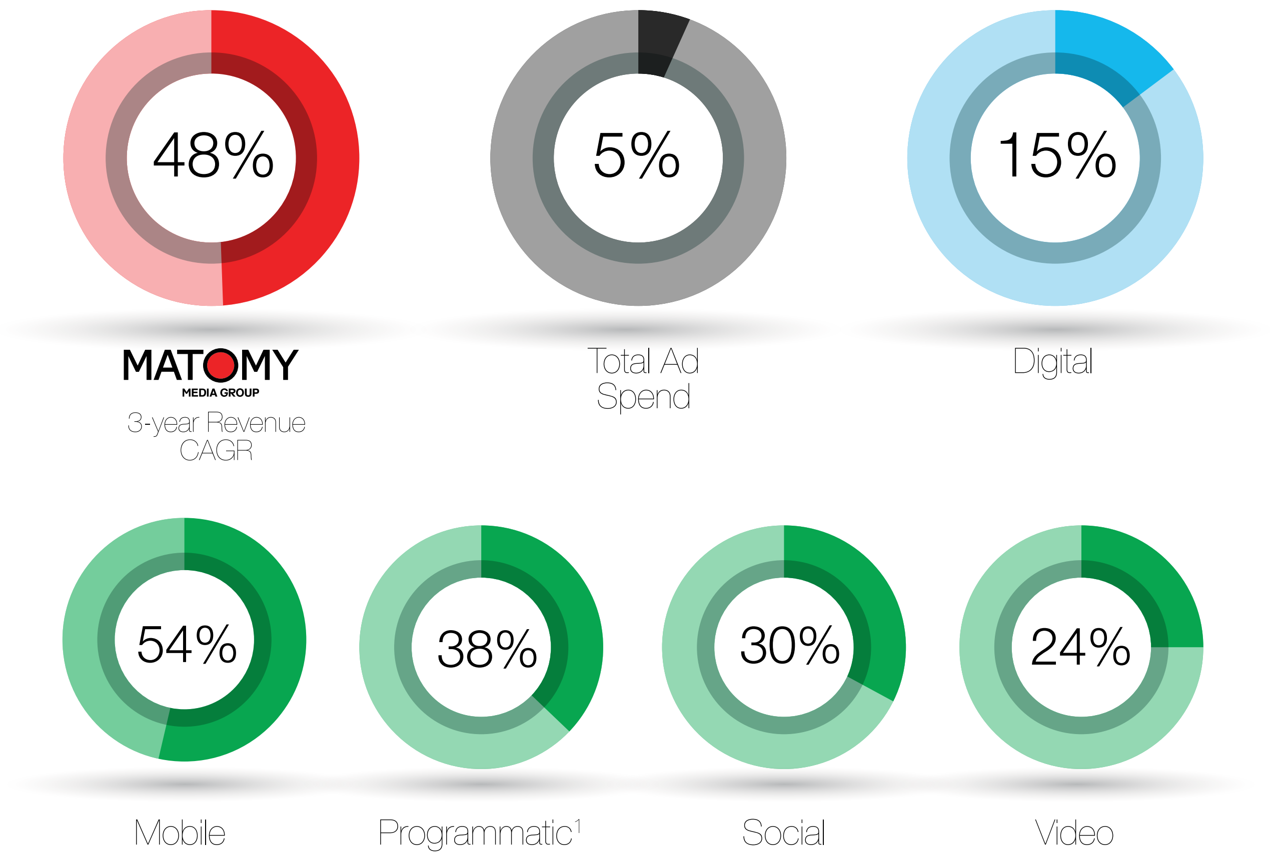


Source: IAB/PwC Internet Ad Revenue Report, 2014

Digital advertising is the growth engine of the industry

Matomy's identified strategic growth activities of mobile, social and video advertising are three of the fastest-growing digital ad media.

Global Ad Spend 2012-2017E CAGR (%)



Source: ZenithOptimedia (January 2015)

Performance-based business model

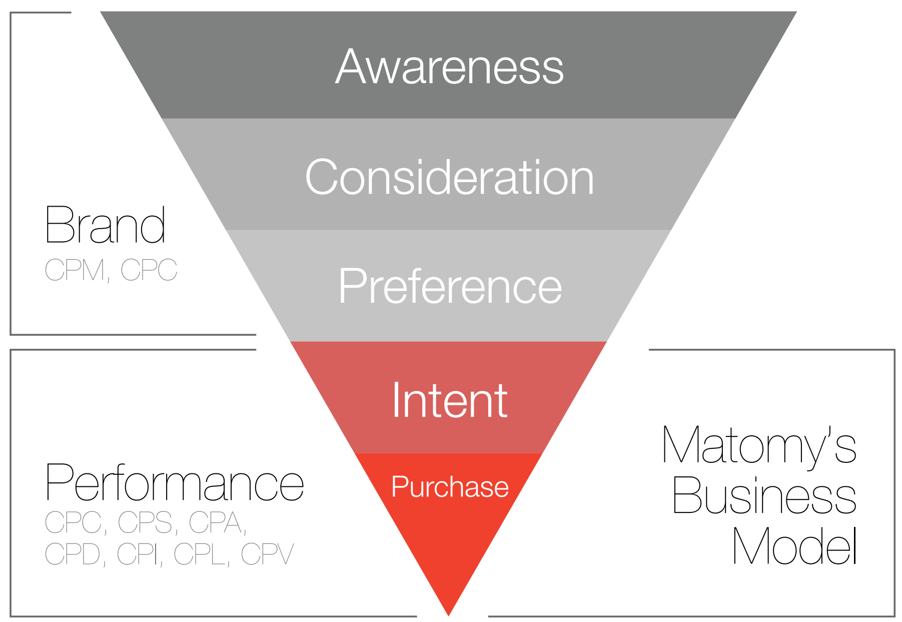
Matomy's business model is centred on performance-based advertising. Matomy offers customers the ability to generate risk-free, measurable and validated results on a pre-defined basis.

Because of its ability to generate risk-free performance based results, many of the budgets that Matomy receives from its customers are uncapped, allowing for additional growth as Matomy continues to meet its customers' specific campaign targets.

Performance-based business model:
Paying only for results

• Sales • Acquisitions • Installs • Leads • Video Views

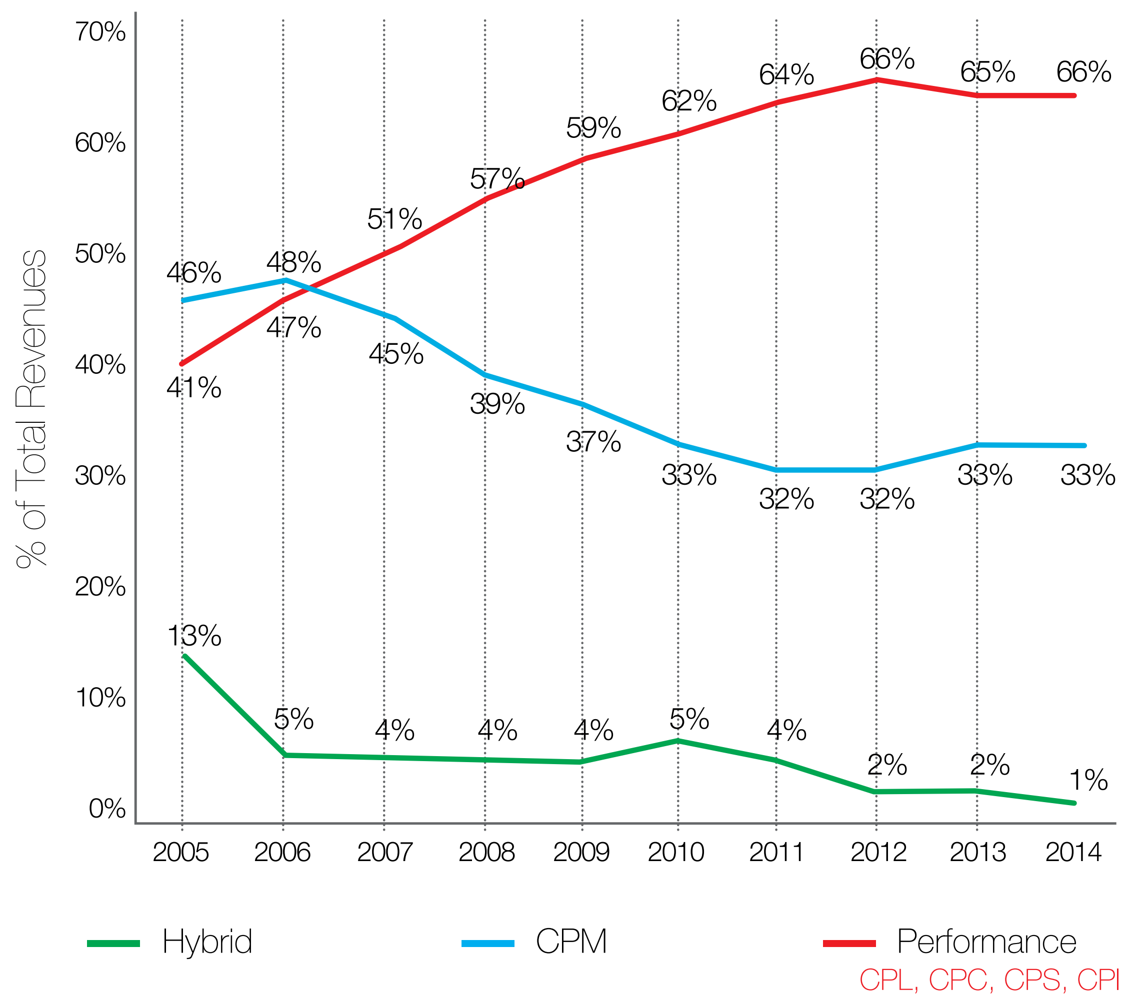
Global digital ad spend (US$ bn)



Performance is 2/3 of the market

Performance-based advertising comprises 66% of the US digital advertising market, according to the Interactive Advertising Bureau.

Internet ad revenues in the US by pricing model (%)



Source: IAB/PwC Internet Advertising Revenue Report, 2014

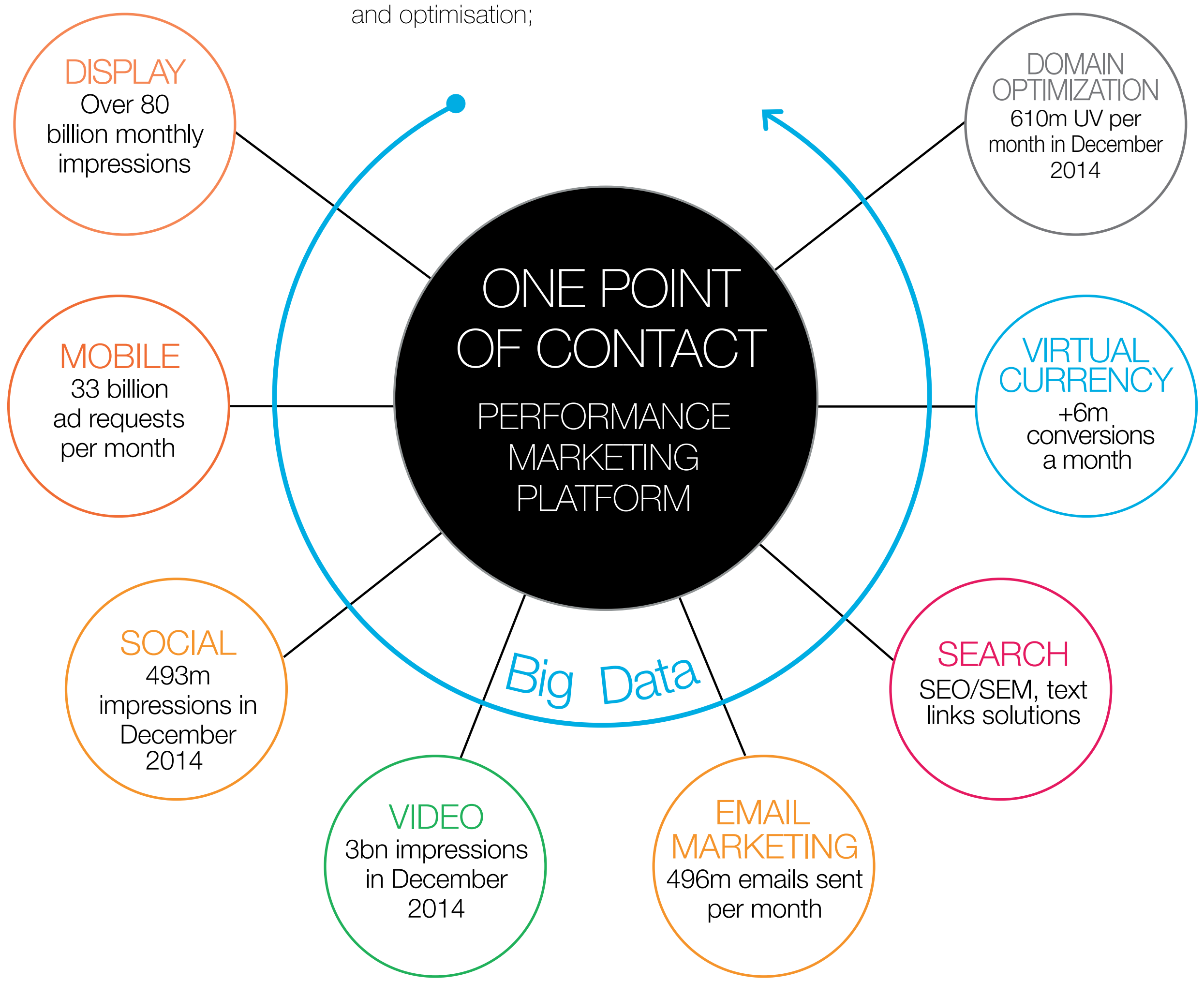
Multi-channel integrated platform

Matomy offers advertisers a centralised and integrated digital advertising solution — the Matomy Performance Platform — and one point of contact for campaign management.

One point of contact

Matomy is one of the few digital performance-based marketing companies able to deliver campaigns across eight media channels. The Matomy Performance Platform provides:

- complete engagement with the "connected consumer";
- multi-channel execution expertise and a single point of contact for customers;
- integrated campaign management and optimisation;
- revenue synergies from channel cross-selling; and
- exposure to fast-growing digital media channels of mobile, social and video.

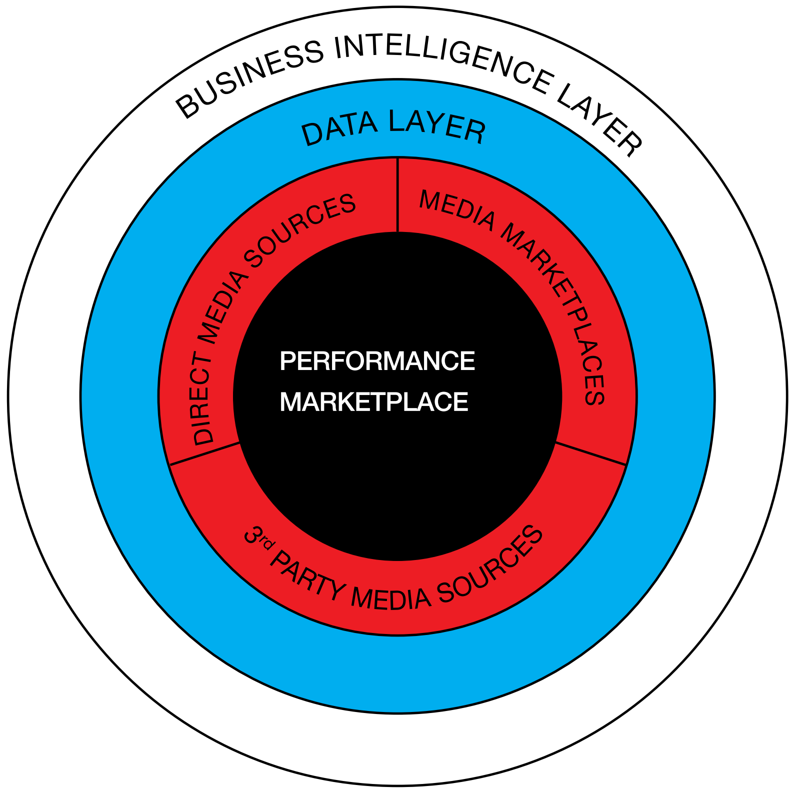


Scalable and adapatable technology platform

The Matomy Performance Platform is the hub of the Group's business operations. It provides Matomy with data analysis, campaign monitoring and reporting, audience targeting and programmatic media buying and RTB capabilities.

The Matomy Performance Marketplace

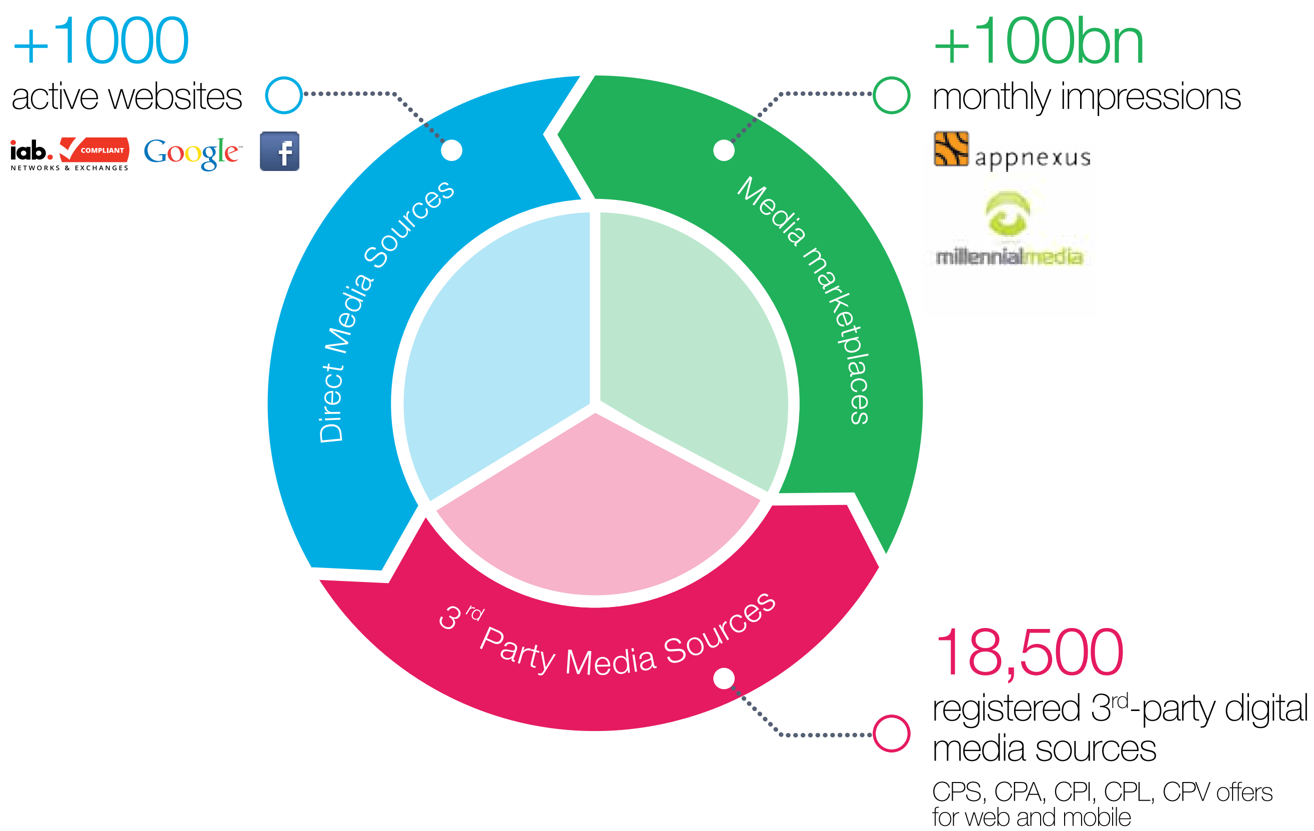
The Matomy Performance Platform is a leading proprietary performance-based advertising technology platform.
Built over the past eight years, the platform is highly scalable and adaptable, as well as cost efficient, enabling Matomy to offer customised performance-based advertising solutions to its customers. The Matomy Performance Platform can easily integrate with third-party technology platforms; however, it is not dependent on any single third-party technology.



Commercial diversification

Matomy has a highly diversified business model that provides its stability. The Group's commercial diversification includes the following noteworthy statistics:

- no single customer contributes more than 8% of total revenues;
- no customer vertical contributes more than 14% of total revenues;
- no single digital media source contributes more than 5% of total media cost; and
- the biggest share of Matomy's global revenues, 52%, comes from the world's largest advertising market — the United States — followed by Europe (28%), Other Americas (11%) and Other revenues (9%).



Successful brands trust Matomy

Matomy offers advertisers one of the largest and most diversified network of digital media sources. The Group delivers broad campaign reach, liquidity and choice for its customers in more than 100 countries.

Matomy works with several of the world's leading advertisers. In 2014, the Group's active customer base grew to 5,157 (FY2013: 1,557), mainly driven by the acquisitions of Team Internet and MobFox. Average revenue per customer increased 9.7% to $136,000 (FY2013: $124,000).

Games & Entertainment

Playtika
LOVEFiLM.com
zynga

Finance

American Express
HSBC
Experian
A world of insight

Telecom

primus.

Shopping

Alibaba.com

News

The Washington Times
planet.fr

Healthcare & Pharma

HAIRCLUB
alliance health

Gambling

bwin
William Hill
Ladbrokes

Sport

SportsDirect
comprehensive sports media
SKIS.com

'Mobile everywhere'

Matomy's acquisition in November 2014 of MobFox, one of Europe's leading mobile programmatic ad platforms, set a new course for the Group's mobile activities. Matomy expects that within five years, it will generate more than 50% of its revenues from mobile activity due, in part, to integration of MobFox's bespoke mobile advertising technology into Matomy's existing performance-based advertising capabilities. Mobile is a growth driver in all of Matomy's growing activities, including: email, search, social and domain monetisation.

Within 5 years

it is expected that **more than** 50% of Matomy revenues will come from mobile activity

Mobile video activity is **rapidly growing in 2015** with more opportunities in the future

We are seeing strong growth in mobile performance and believe it is still far from fulfilling its full potential

Mobile is a growth driver in Matomy's growing activities such as:
search,
social,
email and
domain monetisation

Market Overview

Matomy's digital performance-based advertising model is uniquely positioned to capitalise on global growth trends.

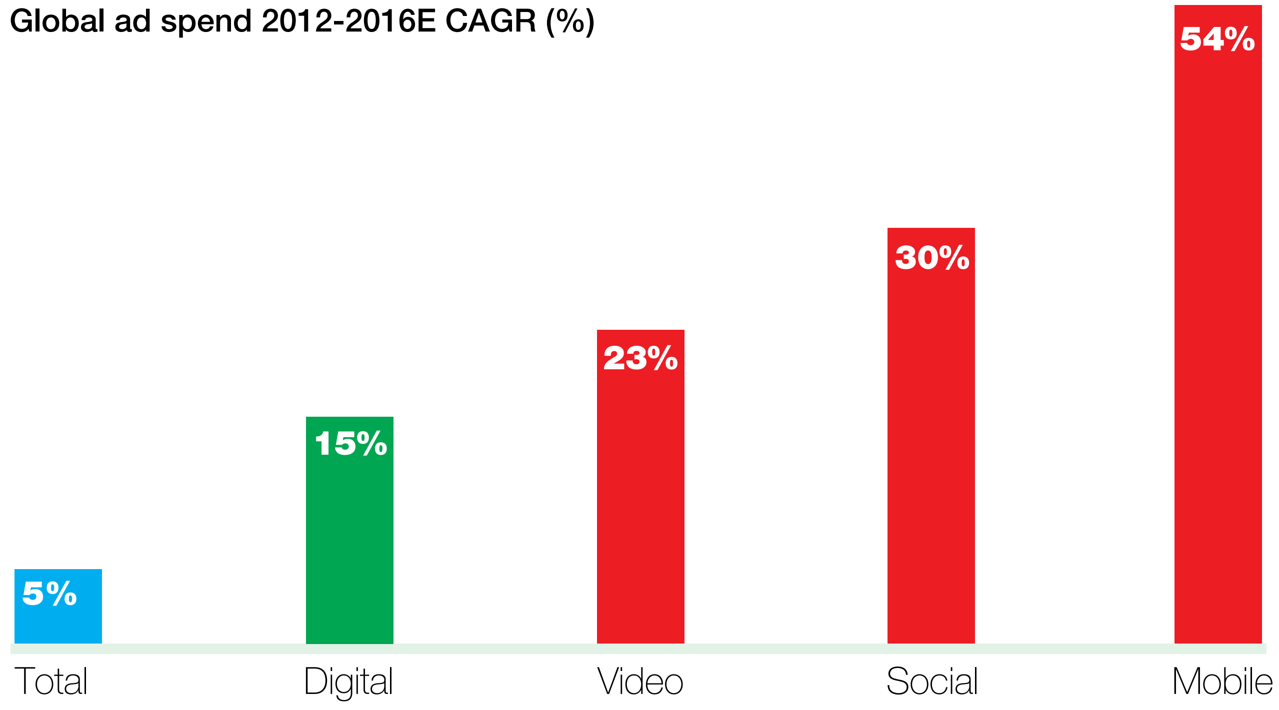
Digital advertising is becoming the largest advertising medium

Digital advertising is both the current and future growth engine of the global advertising market.

On a global level, Internet advertising continues to defy the wider economic circumstances, growing in terms of both volume and its share of the global ad pie. Worldwide advertising spend grew 5.3% in 2014 to reach $523 billion, according to ZenithOptimedia. Internet advertising is by far the fastest-growing medium, expanding by 17.1% last year, as improving digital advertising technology makes Internet advertising cheaper and more effective. By 2018, Internet advertising will be poised to overtake TV as the largest advertising segment. PwC projects worldwide digital advertising revenue will rise at a 10.7% CAGR to reach US$194.5 billion in 2018, just $20 billion behind TV advertising.

Mobile, social and video are the fastest-growing channels

Global ad spend 2012-2016E CAGR (%)



Source: ZenithOptimedia (January 2015)

In the US, digital is now the largest and fastest-growing advertising medium, accounting for 31% ($42.8 billion) of the US market's $140.2 billion in total advertising spend in 2013 (the most recent full-year data), according to the Interactive Advertising Bureau (IAB).

Key factors that continue to shape the digital advertising market landscape include:

- Rise of the "connected consumer": Today's consumers are more connected and more empowered than ever, mostly driven by digital connectivity, which is improving media consumption experiences through more engagement and interaction. Interactions are no longer contained within a single moment in time or a single touch point, thanks to the increase in device accessibility — spanning smartphones, tablets, laptops and desktop computers — and convenient access to cloud-based services. The "connected consumer" — a phrase used to describe a consumer who crosses multiple devices and platforms at will to pursue his goal — continues to create opportunities and challenges for market participants as well as shapes the ways in which the advertising market evolves. According to Google, 90% of consumers move between devices in pursuit of a single goal such as researching products, shopping, watching videos or playing games. Global mobile advertising spend is projected to grow at a 54% CAGR between 2012 and 2016, and will reach an estimated $40 billion annually by 2019, according to ZenithOptimedia. Video and social media advertising are experiencing equally impressive growth trajectories, with ZenithOptimedia estimating 30% and 23% compound annual growth rates, respectively, between 2012 and 2016.

- Fast-growing global mobile and e-commerce industry: Today, mobile and e-commerce form a critical part of a company's sales and marketing strategy, as consumers increasingly consume information through digital media, especially mobile. It is important for businesses to generate high-quality customer engagement and leads that ultimately result in incremental sales. Therefore, the development and execution of effective digital marketing campaigns leveraging the vast amount of digital data is a strategic priority. The business-to-consumer mobile and e-commerce industry was estimated to be $1.0 trillion in 2012 and is estimated to grow to $2.2 trillion in 2017, representing a CAGR of 16.8%, according to International Data Corporation.

- Growing popularity of new digitally consumed goods: The emergence and growing popularity of digitally consumed goods, such as mobile games and apps, has created a new breed of advertisers, as well as opportunities for existing advertisers. Gartner Inc. estimates that global mobile app store downloads increased by 59.5% to reach 102.1 billion in 2013 (the most recent year of confirmed data), up from 64.0 billion in 2012, and total mobile app store revenues reached $26.7 billion in 2013, up from $18.6 billion in 2012. Gartner also projects that in-app purchases will account for 48.2% of app store revenues by 2017, up from 11.4% in 2012.

MATOMY

- Ideally positioned for exploiting global digital advertising growth drivers, particularly mobile, programmatic, social and video advertising.
- Performance-based digital advertising solutions offer advertisers a risk-free option for significantly improved return on their digital advertising investment
- Proprietary technology centred around digital tools and solutions

Rapid growth of advertiser spend on performance-based pricing models

In recent years, there has been a clear shift in preference towards performance-based advertising solutions, in line with the overall growth of digital advertising.

There are a number of important structural trends driving the growth of the rapidly evolving digital advertising sector in which Matomy operates. Having reached an inflection point in mid-2006 when US performance-based digital advertising models surpassed digital brand advertising spend, according to the IAB, companies are increasingly shifting their advertising budgets to more advanced and complex forms of digital performance-based activities.

The advertising market can be described as a funnel which illustrates a consumer's journey from the moment he or she is introduced to a brand, product or service by the advertiser to the act of purchase.

This funnel can be subdivided into two categories of advertising activity:

- Brand advertising: at the top of the advertising funnel, advertisers are focused on building brand funnel, advertisers seek to engage consumers and educate them about a specific product or service to influence future purchasing decisions — a process known as "brand lift". The top and the middle of the funnel are the parts of the market where brand-oriented digital marketing companies operate. The digital brand-based pricing model typically includes CPM and CPC; and

- Performance-based advertising: at the bottom of the advertising funnel, advertisers are focused on generating specific actions; for example, the sale of a product or the installation of software. This part of the funnel is occupied by digital direct-response or performance-based marketing companies. The digital performance-based pricing model typically includes CPA, CPD, CPI, CPL, CPS, CPV and PPC, but may include CPC.

In recent years, there has been a clear shift in preference towards performance-based solutions, which allow advertisers to make decisions and allocate advertising expenditure based on measurable outcomes. According to the IAB, the share of performance-based advertising as a percentage of US online advertising revenues increased from 41% in 2005 to 66% in 2014. Advertiser spend on cost-per-impression campaigns decreased from 46% in 2005 to 33% in 2014.

Historically, most digital advertising campaigns were priced on a CPM basis, a legacy from the traditional advertising model. Under this pricing model, advertisers pay digital media sources when the ad is delivered, regardless of whether or not the consumer engaged with the ad, or undertook any subsequent action as a result of viewing it. However, the market has since been shifting towards a more result-oriented model, whereby advertisers pay for the achievement of certain actions (instead of the mere delivery of the ad). The CPC model was an early attempt to overcome the pricing disconnect between ad delivery and ad performance. Under this model, advertisers are billed only if the consumer clicks on the ad. Whilst this establishes a link between performance and traffic, its application is limited to certain campaign objectives and does not fully align interests of advertisers and digital media sources, since traffic does not necessarily translate into positive returns on investment for advertisers.

More recent developments have seen a rapid increase in advertiser-friendly online lead generation models linked to leads or specific actions. Two common pricing models are CPL, whereby advertisers pay only for qualified leads, such as potential student enrolment, credit card applications and daily deal subscription sand cost-per-action whereby advertisers pay only for a specific action undertaken, such as paid subscriptions for a video streaming service. Other commonly used performance-based pricing models include CPD, CPI, CPS, PPC and CPV, whereby advertisers pay only when a consumer downloads an application, installs a software application, makes a purchase or views a video, respectively.

Performance-based advertising generates measurable and validated results for advertisers, which typically represent incremental revenues for them. As such, performance-based advertising continued to gain market share even during the recent global financial crisis.

> "Performance-based advertising continued to gain market share even during the recent global financial crisis."

MATOMY

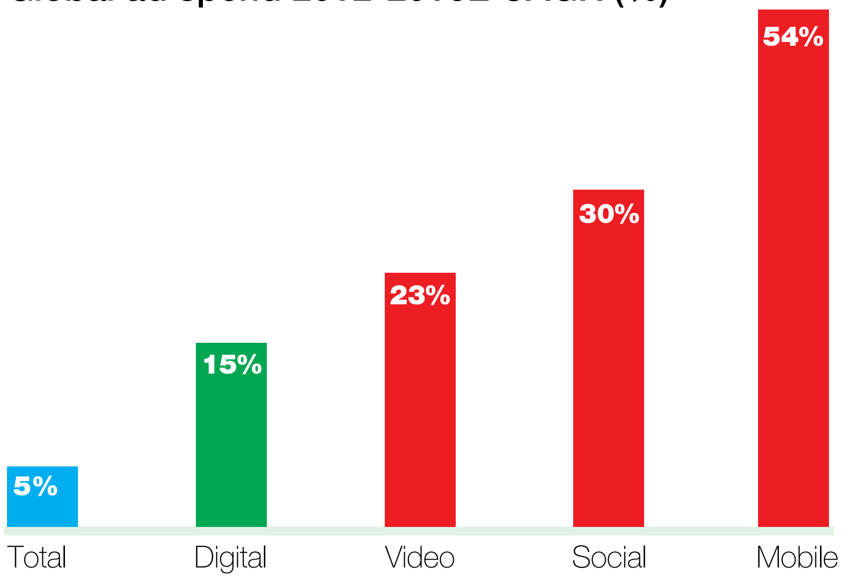
- Matomy's business model is performance-based advertising and the Group has more than eight years' experience in the sector
- Matomy has built its own proprietary technology and platform to host performance-based advertising campaigns
- Market leader in delivering digital performance-based advertising solutions at scale

Mobile, social and video advertising follows consumers' changing media consumption habits

Mobile, social and video advertising are reshaping how, when and where consumers engage with brands, and how marketers acquire new customers and leads.

Mobile, social and video are the fastest-growing channels

Global ad spend 2012-2016E CAGR (%)



Source: ZenithOptimedia (January 2015)

Mobile, social and video advertising are playing an increasingly significant role in the online ad market. The growth within each is following consumers' changing media consumption habits, as more and more people choose mobile devices as their first engagement point with brands and advertising. This trend is helping to reshape how, when and where consumers engage with advertisers. That, in turn, is propelling rapid developments and new advertising and publisher monetisation opportunities within each of these media channels.

Mobile advertising is projected to grow the fastest amongst all digital media channels, growing from an $8.0 billion market in 2012 to $45.4 billion in 2016, representing a CAGR of 54%, according to ZenithOptimedia. Mobile technologies and communications have fundamentally transformed digital advertising and media. Broadband and high-speed mobile networks are increasingly becoming the norm, which is driving the growth in the use of smartphones and tablets, enabling the rise of the "connected consumer". Mobile devices are accelerating consumer access to high-speed mobile networks and enabling consumers to watch and interact with online content anytime, anywhere.

According to Cisco, worldwide mobile devices and connections in 2014 grew to 7.4 billion, up from 6.9 billion in 2013. Smartphones accounted for 88 percent of that growth and now represent 26% of total global mobile devices and connections. The majority of mobile device connections via smartphones occur in developed markets, particularly North America and Western Europe. However, smartphone penetration in the Asia-Pacific region is growing rapidly, from 86.2 million smartphone users in 2009 to 738.2 million smartphone users by the end of 2013, according to eMarketer.

Video brings some of the branding and advertising advantages that TV has enjoyed to mobile and tablet devices, particularly as more premium content providers begin to offer ad-funded content online and seek better methods for monetising their digital video ad inventory. Online video advertising was a $6.1 billion market in 2012 and is forecast to grow to$13.8 billion in 2016. Video's share of the total global digital advertising market will increase from 4% in 2012 to 7% in 2017, according to PwC, with North America and developed Western European markets driving the early adoption.

Social media advertising, whilst more developed than mobile and video advertising, continues to grow in line with the overall global digital advertising market. Social media advertising was a $7.4 billion market in 2012, according to ZenithOptimedia, and is forecast to grow to $21.3 billion in 2016.

MATOMY

- Significant investments made within mobile, social and video ad capabilities, including 2014 acquisition of MobFox, leading mobile programmatic ad platform
- 195% aggregate growth in mobile traffic in 2014; mobile now contributes 20% of the Group's revenues, on a pro-forma basis
- Market leader in delivering digital performance-based advertising solutions at scale
- Diversified expertise and capabilities across global ad market, enabling growth and scale in line with market trends

Programmatic ad technologies gain influence

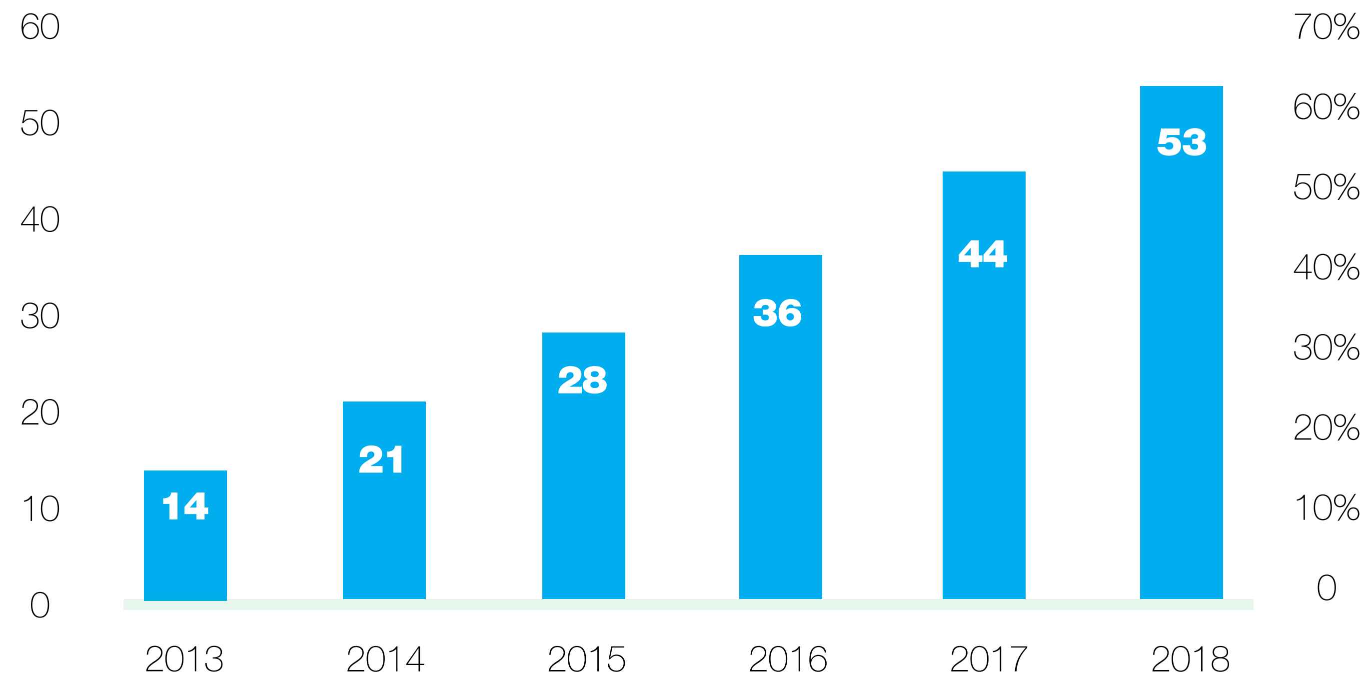
The programmatic advertising phenomenon, already widely accepted in the US and Western European markets, is global and irreversible.

Programmatic advertising technologies are reshaping the way digital media inventory is bought and sold. They are being used on a large scale in the US and in other advanced digital media markets. Less developed advertising markets lag behind in the programmatic advertising adoption curve; however, the programmatic phenomenon is global and irreversible.

In its simplest form, programmatic trading comprises advertising transactions that are based on automated platforms and that are driven by consumer data. It includes RTB as well as automated transactions, where some aspects in the transaction are pre-defined instead of being discovered in real-time.

Magna Global projects that worldwide programmatic advertising spend will increase from $21 billion globally in 2014 — a 52% increase compared to 2013 — to $53 billion by 2018. The rapid growth of programmatic trading will have an equally positive effect on mobile advertising, with Magna Global estimating that worldwide mobile programmatic advertising spend reaching $14.2 billion by 2016 from an estimated $4.4 billion in 2014.

Global Programmatic Spend ($bn)
(includes RTB and non-RTB)

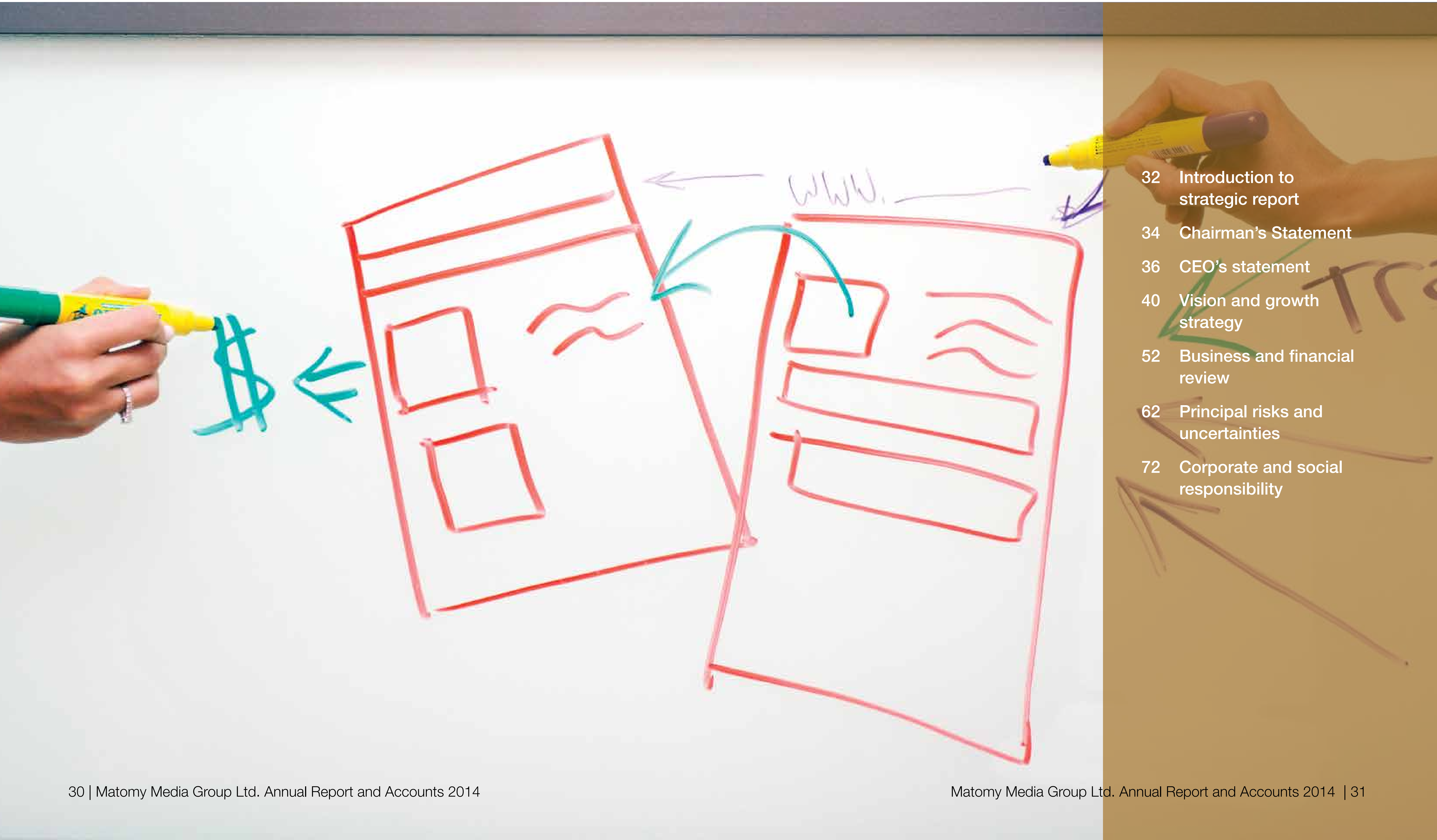


Source: Wall Street Journal / Magna Global, September 2014

MATOMY

- Enhanced programmatic media buying and ad serving capabilities in 2014 via acquisition of MobFox, leading mobile programmatic ad platform
- Matomy Performance Platform has built in flexibility to allow for continued expansion of programmatic ad capabilities to meet both customer and market demands
- Due to its ability to generate risk-free performance-based results, Matomy's digital advertising model offers advertisers and publishers enhanced options for expanding their programmatic ad campaigns

2 Strategic Report



Introduction to Strategic Report

Matomy achieved a number of important strategic corporate developments in 2014, in line with its growth strategy.

OFER DRUKER
Chief Executive Officer

Poised for further growth

Since its inception, Matomy has strived to deliver a simple promise to our customers and media partners: results. Matomy's performance-based advertising solutions deliver specific, verifiable results. This helps marketers and publishers achieve their customer acquisition and monetisation goals at a significantly improved return on investment.

It is with this perspective in mind that we entered 2014 with a very clear focus and determination to become the recognised global leader in digital performance-based advertising. During the year, we achieved several important milestones, including two value-enhancing acquisitions, an important strategic affiliation with Publicis Groupe, and a successful flotation on the High Growth Segment of the London Stock Exchange's Main Market.

Matomy has experienced rapid growth in recent years, both in terms of revenue and profitability and with respect to our scale and breath of performance-based advertising solutions. That growth has helped fuel innovation and investment across the business, and will continue to do so throughout 2015 and in the future.

The power of our performance-based advertising solutions is becoming increasingly recognized by the market. More and more advertisers and media partners are working with us to help them better achieve their specific digital advertising targets. As the global advertising market continues to expand, and new opportunities, particularly in the areas of mobile, social and video, arise, this will only increase demand for verifiable, performance-based advertising results.

Looking ahead, our growth strategy remains firmly focused on achieving scale within our identified strategic growth areas of mobile, video and social advertising. We continue to make investments within each of these activities, whilst also pursuing expansion into new geographies and customer categories and continued enhancements to our proprietary performance-based advertising. We are also keen to continue to seek value-enhancing M&A opportunities. All of these investments, we believe, will enable Matomy to become the recognised global leader in both digital and mobile performance-based advertising platform.

Additionally, we continue to strengthen our internal operations in line with the needs of a public company. At the start of 2015, we have initiated a corporate restructuring that will sharpen the 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.

We look forward to building on our successes to date and continuing to leverage the benefits of our unique performance-based advertising solutions and diversified business model.

Strategic report signed on behalf of the Board.

OFER DRUKER
Chief Executive Officer
30 April 2015

Chairman's Statement

ILAN SHILOAH
Non-Executive Chairman

It is a pleasure to introduce Matomy's inaugural Annual Report as a public company. It has been another busy and productive year for the Group. The market opportunity in front of Matomy is significant and the Group is well positioned to take advantage of it.

Strategic progress and investments
We made significant investments in all areas of our business during 2014, 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.

As set out in the 'Vision and growth strategy' portion of this report (pages 40-51), 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 as whole. It is our ambition to achieve that leadership position, and we are making strategic investments in this activity to achieve this goal. To this end, our acquisition in October 2014 of MobFox has enabled us to expand our capabilities in mobile, RTB and programmatic advertising. Our confidence in MobFox's bespoke technology has led us to set a goal of generating 50% of revenues from mobile activity within three years.

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. 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.

Board composition and diversity
We have a strong and balanced Board, with a range of complementary skills to support the strategic and operational direction of Matomy. We recognise the importance of diversity at Board level and our Board members have a wide range of skills and experiences from a variety of business backgrounds.

Governance
As a Chairman and as a Board we view corporate governance as particularly important. The Board meets regularly to discuss strategy and holds the Senior Management team accountable for its execution. The Board is confident that the proper internal and external controls are in place to ensure the Group's long-term success while continuing to allow for the necessary entrepreneurial spirit that has long guided Matomy and helped it to grow so successfully since its foundation.

Looking ahead, our priorities for 2015 are clear:
- leverage the MobFox acquisition, and Matomy's existing mobile activity, to become the global leader in mobile performance-based advertising;
- gain wider access and build upon the affiliation with Publicis Groupe;
- continue to advance our proprietary performance-based advertising technology;
- expand into new geographies, in particular the Asia-Pacific market;
- continue to seek value-enhancing M&A opportunities; and
- strengthen corporate structure and complete key employee retention plan.

Full details of these key priorities can be found in the CEO's Statement on pages 36 to 39 of this report.

It has been a great experience chairing the Group through its flotation last year and now through its transition from an entrepreneur-led private company to becoming a fully-fledged public company, professionally managed at every level. We are pleased with the progress we have made thus far as a public company, and 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.

ILAN SHILOAH
Non-Executive Chairman
30 April 2015

CEO's Statement

OFER DRUKER
Chief Executive Officer

Matomy achieved a number of important strategic corporate developments in 2014, in line with its growth strategy.

Over the past year, we made several important enhancements to our business as we seek to become the recognised global leader in digital performance-based advertising. Each of these important strategic corporate developments was made with a view to enriching our capabilities and increasing our geographic reach across all facets of digital advertising and media. In particular, we have added significant mobile and programmatic advertising capabilities which will propel several facets of our future growth.

Additionally, the strategic affiliation we entered into with Publicis Groupe in October 2014 will enable us to strengthen our international client base and expand into new verticals and geographies, further enhancing our revenue growth.

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.

Corporate developments and strategy

Highlights of the year include:

- The formation of a strategic affiliation with Publicis Groupe, the leading global advertising company, through which Matomy and Publicis Groupe will together build the global leader in "pure" performance-based advertising, with the intention of establishing Matomy as a compelling performance-based advertising solution available to international advertising customers of Publicis Groupe.

- The acquisition of Europe's leading mobile programmatic advertising platform, MobFox. Through this investment, Matomy's clients and media partners have gained access to innovative mobile programmatic advertising capabilities, including proprietary demand- and supply-side-platforms (DSP and SSP), and a marketplace for mobile, video and native ad inventory management via MobFox's real-time bidding marketplace. We have further invested in and strengthened the development teams that manage the MobFox platform, in order to help scale it for future growth of Matomy's global mobile activity.

- The acquisition of a majority ownership position in the direct search navigation and domain monetisation company Team Internet. Team Internet has developed an innovative approach to incorporating performance-based advertising capabilities that are based on an optimisation algorithm within the direct navigation search business for both mobile and web.

- Completed the integration of the business activity of the Group's US subsidiary, Matomy US, into Matomy's global operations. As a result of integration progress made in 2014, Matomy US has returned to profitability and now serves as the hub of the Group's operations in the Americas.

2015 Priorities

Our key priorities in 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 in the following areas: mobile performance, mobile video, social (of which, the majority of its future activity will be centred on mobile activity) and the expansion of our mobile offerwall 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. Continue to advance our proprietary performance-based advertising technology. We will maintain our technological focus on programmatic media buying for mobile and web with the integration of data and ad targeting 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 new geographies, in particular the Asia-Pacific market. We intend to strategically increase Matomy's presence in the Asia-Pacific market, as it represents one of the largest and fastest-growing geographic regions in the worldwide digital advertising industry.

5. Continue to seek value-enhancing M&A 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. The revised structure will allow us to ensure that Senior Management are firmly focused on their key areas of responsibility and also help to ensure retention of our key operational and business leaders.

Results and strategic progress

During 2014, our core businesses continued to deliver strong operational and financial performance and, in some cases, such as our mobile and video activity, the performance was 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 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 to $0.10 (FY2013: $0.09). The acquisitions of Team Internet and Mobfox helped Matomy gain significant market share in 2014 as measured by the growth of active customers, which reached 5,157 (FY2013: 1,557).

Geographically, Matomy experienced the strongest growth in the Americas (including North and South America), with revenue in that region increasing by 29% to $149.2 million (FY2013: $115.8 million). This was driven by a strong increase in video advertising revenues, predominantly 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 by 7% year-on-year to $67.2 million (FY2013: $62.6 million). The strong performance in the second half of 2014 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.

Outlook

Matomy entered 2015 with good momentum, positioning the company to take advantage of the continued growth in worldwide spend on performance-based advertising, as well as increasing advertiser demand for mobile and programmatic advertising solutions. We continue to enhance our performance-based advertising capabilities, particularly in the areas of mobile, programmatic, ad targeting and data management, and expect further development in these areas of our business, in line with our overall growth strategy.

Continual enhancements to our mobile performance-based advertising capabilities is at the core of our long-term growth strategy. Our acquisition of MobFox has enhanced all facets of our mobile activity and has enabled us to expedite mobile integration across all of Matomy's operations. This, in turn, is facilitating a "mobile everywhere" operational mindset across the business which will help fuel additional revenue opportunities.

We believe that the company that leads mobile performance will lead the market. It is our intention to lead the mobile performance-based advertising sector by leveraging the MobFox acquisition, together with Matomy's existing mobile activity. We will continue to make strategic investments in this activity to achieve this goal. Importantly, we expect that MobFox's bespoke technology will enable us to set a goal of generating 50% of revenues from mobile activity within five years, and look forward to updating the market later this year on our progress in this regard.

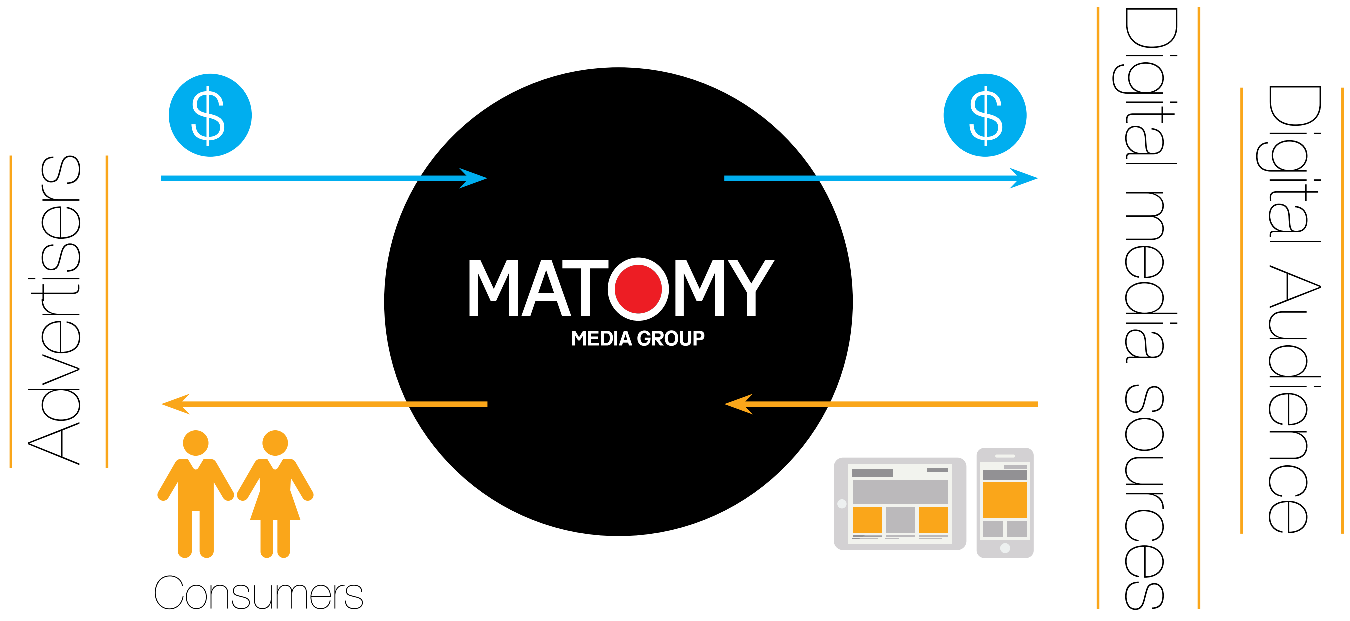
We are also increasing our collaboration with the Publicis Groupe management team and its companies. This will enable us to further strengthen our client base and expand into new verticals and geographies, further enhancing our revenue growth.

We faced some headwinds as Q1 progressed and into the start of Q2, mainly attributable to one of the leading media trading platforms implementing a new media verification and screening tool that will affect the media buying activities of much of the digital and performance advertising industry due to the immediate decrease in the amount of digital media available for purchase. This, combined with slightly softer first-quarter trading across the company, resulted in revisions in Matomy's full-year projected performance, as reported in a 23 April 2015 trading update. We have made necessary adjustments to better align our financial and operational plans with both the immediate and long-term effects that these changes are expected to have on our business. Despite these headwinds, underlying growth, particularly within our mobile, video and social advertising activities, remains strong, and the recent acquisition of a majority position in the data-driven email marketing and ad targeting business Avenlo strengthens our position in the email channel.

Finally, on behalf of the Group's Senior Management, I wish to express my sincere thanks to all Matomy employees for their commitment and support throughout another very busy and productive year.

OFER DRUKER
Chief Executive Officer
30 April 2015

Matomy's position in the advertising value chain



Vision and growth strategy

Matomy's vision is to become the world's leading digital performance-based advertising company. The growth strategy to achieve this vision is as follows:

Become the global leader in mobile performance-based advertising

Matomy intends to leverage the MobFox acquisition, together with the Group's existing mobile activity, into leadership in mobile performance-based advertising. In order to achieve this, Matomy intends to invest resources around its mobile activity in the following areas: mobile video, mobile performance, social and the expansion of the Group's mobile offer wall service.

Build upon the strategic affiliation with Publicis Groupe

Matomy is beginning the initial steps in its strategic affiliation with Publicis Groupe in order to position Matomy as the global leader in "pure" performance-based advertising, including:

- gaining access to Publicis Groupe's international advertisers;
- accelerating Matomy's growth and global expansion via penetration into new markets and verticals; and
- working collaboratively towards establishing Matomy as a compelling performance-based advertising solution available to international advertising customers of Publicis Groupe.

Technological advancements

Matomy will maintain its technological focus on programmatic media buying for mobile, web and video with the integration of big data capabilities. The Group also intends to enhance the mobile programmatic advertising technology it acquired from MobFox by adding new capabilities, such as mobile video and native advertising solutions, as well as performance algorithms.

Expand geographically

Since its founding the Group's strategy has been to expand its business geographically both organically and through strategic acquisitions, enabling it to take advantage of opportunities in new markets and tap into new customer categories within specific markets.

Matomy intends to continue to grow its business through a specific focus on geographic expansion in the Asia-Pacific market represents one of the largest and fastest-growing sectors of digital advertising.

The Group intends to increase Matomy's presence in the Asia-Pacific market by the following:

- strategic acquisitions;
- leveraging Matomy's existing knowledge and resources for organic expansion; and/or
- partnering with a local market leader.

Pursue value-enhancing strategic acqusitions

Matomy has two categories of target acquisitions:

- strategic acquisitions: adding technological capabilities and enhancing mobile capabilities; and
- tactical acquisitions: expanding into new geographies and expanding into additional customer categories.

In 2014, Matomy acquired:

- MobFox — Europe's leading mobile programmatic ad platform which gave the Group significantly enhanced mobile advertising and monetisation capabilities; and
- Team Internet — a leading direct search navigation and domain monetisation business, of which Matomy now owns a majority 70% stake.

Matomy has a strong balance sheet with net cash of $28.9 million at the year end and will continue to consider strategic acquisition opportunities.

Become the global leader in mobile performance-based advertising

Mobile advertising is in the driver's seat when it comes to the future of global digital ad spend.

Strategy in action

MobFox
A MATOMY MEDIA GROUP COMPANY

In 2014 Matomy acquired MobFox, one of Europe's leading mobile advertising platforms, significantly increasing the Group's mobile and programmatic advertising capabilities.

Digital advertising is the future growth engine of the global advertising market. Increasingly, mobile advertising is in the driver's seat when it comes to how, when and where advertisers will spend on digital in the future.

Global digital ad spend is projected to reach $194.5 billion by 2018, according to PwC. Propelling much of the growth in global digital advertising will be the continued rise in mobile advertising spend. Global mobile advertising spend is projected to grow at a 54% CAGR between 2012 and 2016, and will reach an estimated $40 billion annually by 2019, according to ZenithOptimedia. In the US, mobile ad spend will increase 50% in 2015, reaching $28.7 billion and accounting for 49% of all digital ad spend. By 2019, US mobile ad spend will rise to $65.9 billion, or 72.2% of the total US digital advertising market.

The growth of mobile advertising mirrors the growth in performance-based advertising, comprising cost-per-click (CPC), cost-per-lead (CPL), cost-per-acquisition (CPA), cost-per-sale (CPS) and cost-per-install (CPI) campaigns. Performance-based advertising now accounts for 65% of the $42.8 billion US digital advertising market, according to the IAB. The growth opportunities within the "pure" performance advertising sector (ie, CPA, CPL, CPS and CPI campaigns), in which Matomy specialises, are particularly advantageous.

Also fuelling this growth is the revolution that has occurred within digital media buying due to advancements being made in programmatic buying technologies. The acquisition Matomy made last year of MobFox has strengthened the Group's mobile and programmatic advertising capabilities. According to ZenithOptimedia, worldwide advertiser spend on mobile programmatic advertising will increase to $14.2 billion by 2016 from an estimated $4.4 billion in 2014. Overall programmatic advertising spend across both mobile and web will increase from $21 billion globally in 2014 — a 52% increase compared to 2013 — to $53 billion by 2018, estimates Magna Global.

Mobile is not only changing how consumers interact with companies, it is increasingly altering how brands must engage, acquire and retain new and existing customers. A sampling of anecdotal evidence from recent industry reports and media headlines shows exactly why mobile is changing the very nature of advertising:

- *'In June 2014, 60% of US digital media time was spent on mobile devices' — ComScore*
- *'Mobile represents 68% of time spent on Facebook and 92% of time spent on Twitter' — IAB*
- *'90% Of Smartphone Shoppers Use Their Phone for Pre-Shopping Activities' — IAB*
- *'In the UK, 91% of consumers use their mobile device to access the Internet on a daily basis' — Think with Google*
- *'US mobile advertising increases 76% in HY 2014 to reach $5.3 billion' — IAB*

Matomy is well positioned to take advantage of the paradigm shift that is occurring in digital advertising due to the rise of mobile and programmatic technologies. Matomy's acquisition last year of MobFox has enabled it to rapidly expand its global mobile and programmatic advertising capabilities and to spread mobile across all Group activities. As such, Matomy is engaged in a "mobile-first" transformation that will help it tap into the significant growth opportunities available in this sector. The Group believes that the company that will lead the mobile performance will lead the market. It is the Group's intention to lead mobile performance, and it is making strategic investments in this activity in order to achieve this goal, such as investing in its mobile email, mobile video and mobile social capabilities.

The Group continues to make investments in the technology underpinning the MobFox mobile programmatic advertising platform, in order to help scale it for future growth of Matomy's global mobile activity. Those advancements, combined with increasing advertiser preference for "pure" performance-based digital advertising campaigns (CPA, CPL, CPI and CPS), such as Matomy specialises in, places Matomy in a unique position of strength to take advantage of the inherent growth opportunities stemming from these two significant structural changes compared to peer companies.

In conclusion, mobile performance advertising is growing rapidly with more to come before fulfilling its full potential. Thanks to the strategic investments the Group has made within its mobile activity, combined with its initiation of a "mobile everywhere" business strategy and a rapid shift in consumers' preference for using mobile devices, Matomy is well positioned to become the global leader in mobile performance-based advertising.

Build upon the strategic affiliation with Publicis Groupe

Matomy received a significant endorsement and validation of its business model via the strategic affiliation it formed with Publicis Groupe in 2014.

Strategy in action

PUBLICIS GROUPE

Publicis Groupe Chief Strategist Rishad Tobaccowala joined the Matomy Board of Directors in February 2015.

Matomy received a significant endorsement for, and validation of, its business model through the strategic affiliation it formed with Publicis Groupe in October 2014. The investment that Publicis Groupe has made in the Group, and the cooperation and support it has provided, represent an important milestone for both Matomy and the performance-based advertising industry.

Matomy's strategic affiliation with Publicis Groupe will help fuel several key areas of growth for the Group, including its global expansion plans, particularly within the European, North and South American and Asia-Pacific markets, all of which will play an important role in Matomy's future growth.

The strategic affiliation enables Matomy to begin working with Publicis Groupe's international advertisers, whom Matomy believes will increasingly have a need for the type of innovative performance-based advertising capabilities that the Group offers. As such, both companies are working collaboratively towards establishing Matomy as a compelling performance-based advertising solution available to international advertising customers of Publicis Groupe.

Matomy is already recognising benefits from this collaboration following the February 2015 election of Publicis Groupe Chief Strategist Rishad Tobaccowala to the Matomy Board of Directors.

Matomy is seeing an impressive transformation in the digital advertising industry, and the "pure" performance advertising sector is an area of high growth potential fuelled by innovation and technology across all media channels. Matomy's vision is to become the global leader in digital performance-based advertising and, together with Publicis Groupe, the Group believes it will be able to create a more mature and sustainable ecosystem, providing advertisers with an unprecedented ability to accurately engage, acquire and retain customers.

Technological advancements

Matomy's innovative performance-based technology fuels much of the Group's growth.

Strategy in action

MobFox

A MATOMY MEDIA GROUP COMPANY

Matomy continues to invest in the mobile programmatic advertising technologies acquired from MobFox, incorporating those throughout its performance-based advertising solutions.

Matomy's innovative and adaptable performance-based advertising technology has fuelled much of the Group's growth since its foundation. Matomy's technology offers tailored solutions and tools for each digital media channel that the Group operates within.

A core component of Matomy's long-term growth strategy is to make continued innovations and investments in its proprietary performance advertising technology. The Group plans to accelerate technological development efforts according to business needs in key growth engines, including planned advancements in real-time bidding (RTB), video and mobile advertising capabilities, and efficiency and automation tools. These investments are to be made in a focused manner to allow for the continued achievement of profitability targets.

Matomy believes that innovative and agile technology accelerates performance, both of its own business and also that of its customers and media partners.

The digital advertising ecosystem is becoming more complex and multi-faceted due, in part, to the growth of programmatic media buying capabilities, as well as the growth of the "connected consumer", who is constantly connected to various mobile devices at all hours of the day. To continue to grow in this highly dynamic ecosystem, Matomy believes it is necessary to continue to make significant investments to its proprietary technology platform to ensure that it can easily integrate with new partners and technologies.

Matomy's integrated multi-channel performance advertising platform was designed and built to serve as a comprehensive solution to support the Group's integrated multi-channel performance-based advertising solution. It combines Matomy's proprietary, open-source and customised third-party technological solutions with the Group's extensive

Technological advancements

industry and operational know-how. Matomy utilises customised, proprietary technology solutions in all but one of the eight digital media channels in which it operates.

The Matomy Performance Platform is further enriched by a centralised data layer that allows for comprehensive, real-time campaign tracking, analysis and optimisation. This data layer records and aggregates hundreds of millions of user events every day, enabling advanced audience targeting and retargeting for Matomy's clients.

By making continual investments in its performance-based advertising technology for mobile, web and video, Matomy intends to build a comprehensive data map for all of the Group's digital media channels to ensure that both campaign management and account operations are able to optimise and maximise revenues. This is intended to be achieved through the operational infusion of Matomy's automated decision algorithms with the relevant data derived from business activities.

Matomy will maintain its technological focus on programmatic media buying for mobile, web and video with the integration of big data capabilities. The Group also intends to enhance the mobile programmatic advertising technology it acquired from MobFox by adding new capabilities, such as mobile video and performance algorithms.

> "Matomy will maintain its technological focus on programmatic media buying for mobile, web and video with the integration of big data capabilities."

Expand geographically

The Asia-Pacific market is the next target for geographic expansion for Matomy.

Strategy in action

Team Internet
Ideas. Change. Markets.
A MATOMY MEDIA GROUP COMPANY

In June 2014 Matomy acquired a majority stake in Team Internet and strengthened its capabilities within the direct search navigation and domain monetisation sectors.

Since its founding the Group's strategy has been to expand its business geographically, both organically and through strategic acquisitions, enabling it to take advantage of opportunities in new markets and tap into new customer categories within specific markets.

In 2014, Matomy expanded its geographic sales reach via the acquisition of a controlling stake in the direct search navigation and domain monetisation business Team Internet, which gave the Group an additional office in Munich, Germany, as well as a deeper foothold in the growing European digital advertising market. Matomy also achieved significant geographic expansion during the year through its acquisition of MobFox, whose Loondon office now forms the UK regional headquarters of Matomy. Additionally, Matomy integrated MobFox's Vienna office into the Group's global operations and combined its San Francisco operations into the Group's existing operation in the San Francisco Bay Area.

Similarly, Matomy expanded its geographic reach in the important North American market in January 2013 when it acquired leading US performance marketing agency MediaWhiz. Matomy subsequently rebranded the company Matomy US and has fully integrated it into the Group's global operations, which led to a growth in revenues and enhanced operational efficiencies for Matomy US in 2014.

Looking ahead, an important area of geographic expansion will be within the Asia-Pacific region. Already one of the fastest growing markets in the global digital advertising industry, with advertiser spend on digital campaigns estimated to reach $96 billion by 2018, from $47 billion in 2014, according to eMarketer, the APAC region is home to more than three billion connected consumers. Internet

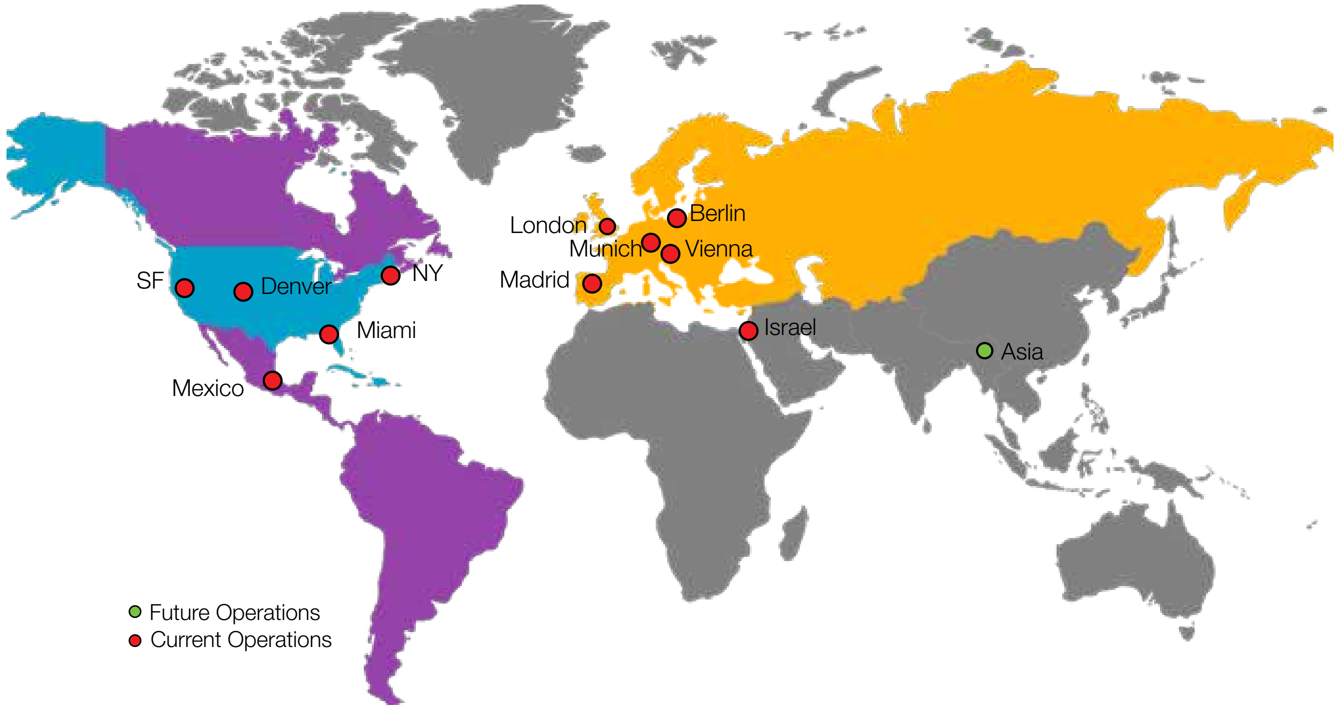
Expand geographically

penetration in the Asia-Pacific region is relatively low compared to other developed markets; however, the proliferation of connected mobile devices is expected to bring hundreds of millions of new mobile users into the market over the coming decade.

Due to the vast geographic expanse of the APAC region, combined with intense fragmentation of its digital advertising sector, it is Matomy's intention to partner with an established APAC market leader in order to establish sustainable and profitable operations in the region.

In 2015 Matomy intends to utilise the knowledge it has learned from prior geographic expansion initiatives, as well as its existing business relationships, to expand its activity in the Asia-Pacific region in order to capitalise on this growing market.

Building a global network



Pursue value-enhancing strategic acquisitions

Matomy is well positioned to take advantage of the fragmentation that exists within the global digital advertising sector

Strategy in action

PUBLICIS GROUPE

In October 2014, Matomy formed a strategic affiliation with Publicis Groupe, one of the world's leading advertising companies, enabling the Group to strengthen its international client base, expand into new verticals and geographies, and enhance revenue growth.

The rapid growth of the digital advertising industry over the last five years has created a highly fragmented marketplace in which there are now thousands of small companies and start-ups specialising in vertical-, geographic- and technological-specific capabilities. This is in addition to many established mid- and large-size companies operating within the digital and performance advertising sectors.
Matomy has two categories of target acquisitions:

- strategic acquisitions: adding technological capabilities and enhancing mobile capabilities; and
- tactical acquisitions: expanding into new geographies and expanding into additional customer categories.

In 2015, Matomy intends to capitalise on the fragmentation within the digital advertising industry by seeking additional value-enhancing mergers or acquisitions in one or more of its strategic growth areas of mobile, social and video advertising in order to add new technology, media channels, advertisers, verticals and/or geographies. Matomy intends to form these value-enhancing partnerships with both small and large businesses, including start-ups and mature companies.

These value-enhancing opportunities are in line with Matomy's long-term growth strategy, which places an emphasis on strategic partnerships and M&A deals that provide added value to the Group's existing capabilities, whilst enabling it to enter new markets, bring additional advertisers into its proprietary performance platform, expand into

»Pursue value-enhancing strategic acquisitions

new advertiser verticals and/or enhance its existing technology. Over the last two years Matomy has made several value-enhancing investments.

In 2014, Matomy made two significant value-enhancing acquisitions: the acquisition of the mobile programmatic advertising platform MobFox; and the acquisition of a majority stake in the domain monetisation business Team Internet. In addition, Matomy also formed a value-enhancing strategic affiliation with one of the world's leading advertising companies, Publicis Groupe, which will help further strengthen its growth, geographic expansion and access to blue-chip international advertisers.

In 2013, Matomy significantly increased its presence, geographic reach, vertical dominance and advertiser base in North America via the acquisition of the performance marketing agency MediaWhiz (now known as Matomy US). Also in 2013, the Group enhanced its social advertising capabilities via a value-enhancing acquisition of Adquant's social advertising agency, which was formerly called Adotomi.

> “Matomy intends to form value-enhancing partnerships with both small and large businesses, including start-ups and mature companies.”

Business and financial review

Matomy's revenue increased 23% to $237.4 million on a GAAP basis (pro-forma: $258.9 million; 19% increase), whilst adjusted EBITDA rose 40% to $24.1 million.

Income statement
Matomy had a strong 2014, with revenue improving by 23%, to $237.4 million (FY2013: $193.5 million). Adjusted EBITDA (defined as earnings before interest, tax, depreciation and amortization) rose 40% to $24.1 million (FY2013: $17.1 million) at a 9.3% adjusted EBITDA margin, representing a 140 basis point improvement in margin. 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.

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.

Summary income statement

Year ended 31 December 2014
(US dollars in thousands, except earnings per share data)

	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**

Cost of revenues

The following table sets out cost of revenues for the years ended 31 December 2014 and 2013:

$ 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

The following table sets out operating expenses for the years ended 31 December 2014 and 2013:

$ millions, except as otherwise indicated	2014	2013
Research and development	7.8	7.6
Sales and marketing	23.4	17.9
Cost of revenues	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.

$ 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 $17.6 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**

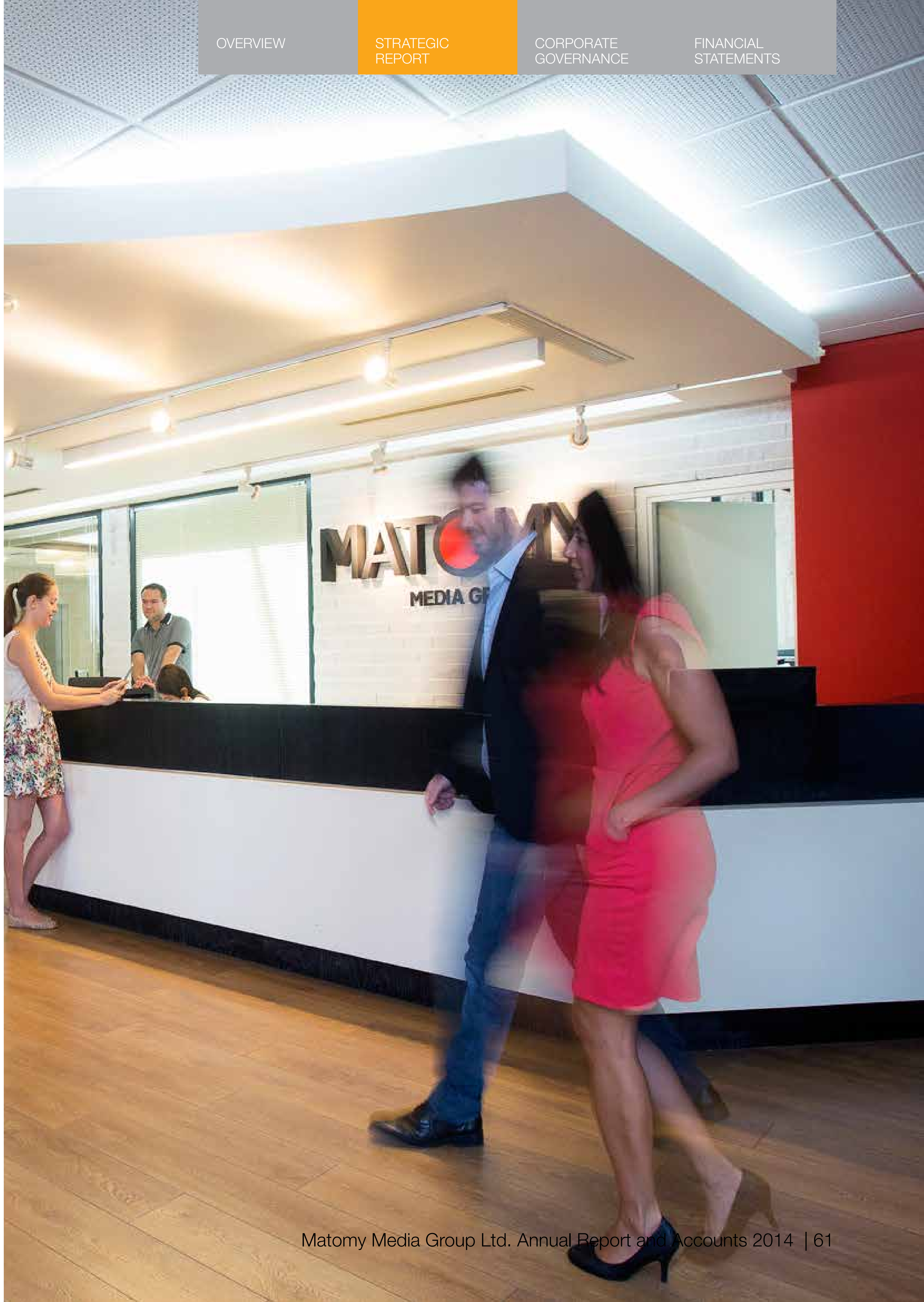
To date, Matomy has primarily financed its operations from cash flows from operating activities, the private sale of preferred shares to Viola Group (one of Matomy's shareholders), term loans, lines of credit and IPO proceeds.

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.



Principal Risks and Uncertainties

The tables below summarise, in the opinion of the Board, the principle material financial and operational risks to Matomy and how it seeks to mitigate those risks in the day-to-day running of the business.

Matomy utilises a formal risk identification and management process designed to ensure that risks are properly identified, prioritised, evaluated and mitigated to the extent that is possible.

Together, Matomy's Audit Committee and Board have joint responsibility for Matomy's risk management process and review its effectiveness annually.

On a day-to-day basis, Senior Management is responsible for providing leadership in the management of risk and ensuring that it is integrated as appropriate into Matomy's business processes and activities.

In common with other organisations, Matomy is affected by a number of risks, not all of which are within its control. Some risks, such as those around digital media and technologies, are likely to affect the performance of digital advertising businesses generally, whilst others are particular to Matomy's operations.

Macro Risks

Risk area	Potential impact	Mitigation
Dependency on Internet and technology companies; macro-business dynamics and user behaviour	Certain Internet and technology companies that operate platforms and systems on which Matomy relies to execute its customers' digital marketing campaigns may make changes to their policies or systems that have an intentional or unintentional adverse effect on Matomy's operations. Because of their significant market positions, any such changes may materially disrupt Matomy's ability to deliver targeted ads and record performance metrics on certain media channels or operate in certain industry verticals, thus causing Matomy to lose significant revenues and be materially limited in the amount of data it is able to collect and use and, consequently, negatively affect its overall customer offering. Additionally, continual changes to how consumers engage and interact with digital advertising, particularly on mobile and tablet devices, may require Matomy to continually adjust its business model to adequately support its customers' digital and performance-based advertising goals in line with consumers' media consumption habits.	Matomy constantly monitors changes in technologies, user behaviour and technological trends which could affect (positively or negatively) the sustainability, usability and economic viability of its products and services. It actively deploys available product, development and other resources to minimise any adverse impact that may result. Matomy also continues to invest in enhancing its proprietary technology and advertising platforms, as well as in investing in new technologies and platforms, to reduce its dependency on third-party technologies and platforms.

Macro Risks

Risk area	Potential impact	Mitigation
Regulatory change and the costs of compliance	The delivery of digital ads and the recording of the performance of digital ads are subject to complex regulations, legal requirements and industry standards, particularly those concerning privacy and data protection, and changes in such regulations, legal requirements and industry standards may adversely affect Matomy's current operations and/or require Matomy to make changes to the way in which it operates. The regulations, legal requirements and industry standards vary by jurisdiction of operation, and are subject to continuous change, and compliance with such regulations and other legal requirements may be burdensome and costly.	Matomy actively monitors laws and regulations applicable to it and its customers, especially as it expands into new territories. Matomy invests in ensuring compliance throughout all of its operations and continues to implement appropriate compliance programmes. As Matomy's businesses expand, the costs of compliance may grow; however, those costs are kept in close check by a prudent, proportionate risk-based approach to compliance.

Macro Risks

Risk area	Potential impact	Mitigation
Ongoing fragmentation and subsequent consolidation within the digital advertising market	The digital advertising market is rapidly evolving, complex and fragmented, and is currently experiencing consolidation, resulting in increasing competition. Existing and potential competitors may have significantly more financial, technical, marketing and other resources than Matomy has, be able to devote greater resources to the development, promotion, sale and support of their products and services, have more extensive customer and digital media source relationships than Matomy has, and may have longer operating histories and greater name recognition than Matomy has. As a result, these current and potential competitors may be better able to respond quickly to new technologies, develop deeper customer relationships or offer services at lower prices. This, in turn, may affect Matomy's ability to retain existing customers, attract new customers, obtain competitive pricing from its digital media sources or increase its sales and marketing budget.	Matomy continually evaluates the state of the digital advertising market and makes appropriate and proportionate adjustments to its business model, products and services to align the Group's business with the ongoing needs of its customers and media partners. Matomy's staff continually scans the digital advertising market for potential M&A and partnership opportunities, in addition to its Senior Management serving in a similar capacity within their respective areas of operation and expertise.
Macro-economics vs. revenue and geographic diversity	Matomy's revenue streams are dependent on the overall macro-economic environment at both global and national levels. These could affect the appetite of its business customers to use the Group's products/services. Adverse economic headwinds in the key business sectors in which Matomy's business customers operate could also affect the Group's results.	Although macro-economic trends are out of Management's control, at the heart of Matomy's growth strategy is the diversification and geographic expansion of its revenues (as delivered through both M&A activity and continued growth of its organic businesses). Management considers that this revenue and geographic diversity insulates Matomy against all but extreme economic circumstances (as demonstrated by the Group's continued growth during recent years).

Macro Risks

Risk area	Potential impact	Mitigation
Geopolitical, economic and other risks relating to Matomy's domicile and operations in Israel	Matomy is incorporated under Israeli law, and its principal executive offices are located in Israel. In addition, political, economic and military conditions in Israel directly and indirectly affect Matomy's business. Matomy's commercial insurance does not cover losses that may occur as a result of events associated with the security situation in the Middle East.	Although geopolitical, economic and military factors relating to Matomy's domicile and operations in Israel are out of Management's control, the Group closely monitors the ongoing security situation in the Middle East, both to ensure the safety of its employees and partners, and to ensure the continuity of its operations. The Group has made significant progress in recent years in diversifying its business operations and has established particularly strong regional bases of operation in North America and Europe. In addition, less than 1% of the Group's global revenues come from Israeli-based companies or media partners; therefore, it is unlikely that any adverse security or geopolitical situation within Israel would have a materially adverse effect on the Group's long-term financial or operational stability.

Group Risks

Risk area	Potential impact	Mitigation
Matomy's business	**M&A:** Matomy continues to pursue opportunities to expand both its geographic reach and capabilities through mergers and acquisitions. This activity may not be successful and the Group may not achieve technical and/or other synergies as quickly as it anticipates.	Matomy is accumulating significant M&A experience in the sector in which it operates and continues to make valuable resources available to the team responsible for M&A to ensure that opportunities are explored and evaluated appropriately. In addition, Matomy has established a robust due diligence process, ensuring both Senior Management and the Board have appropriate levels of information regarding M&A targets to make an informed and prudent decision regarding any M&A activity.
Matomy's business	**Privacy and data protection:** International regulatory bodies are increasingly focusing on online privacy matters and, in particular, on online activities that use cookies and other online tools to track users. Additionally, many governments worldwide are taking a closer examination of companies' data collection, protection and storage procedures. If Matomy does not adequately protect and manage this data it may be exposed to risk of non-compliance with applicable laws.	Matomy continues to invest in legal and compliance resources. Management regularly assess the legal and regulatory requirements of the Group and adjusts the level of resources as necessary.

Group Risks

Risk area	Potential impact	Mitigation
Matomy's business	**Legal risks associated with customers' and media suppliers' activities:** Matomy may be exposed to claims brought by third parties against it, its customers or its digital media sources. Such claims may allege, for example, that the digital media on which its customers' marketing and advertising campaigns appear, or the content contained in such campaigns, infringes, and/or helps to facilitate the infringement of, the IP or other rights of third parties, are false, deceptive, misleading or offensive, or that its customers' products are defective or harmful.	Given the size of Matomy's performance advertising network, it is impossible to police the content, intellectual property or other digital media rights of every digital media source that is part of the Group's performance advertising network. Matomy has a robust internal policy relating to dealing with claims brought by third parties against it, its customers or its digital media sources. Matomy continues to invest in legal and compliance resources to ensure that it acts in accordance with applicable legal standards.
Matomy's business	**Products and media channels diversity:** Constant technological and user behaviour changes necessitate that Matomy engages in continuous and sometimes rapid product development, as well as expansion into new digital media channels, in line with changes in consumers' digital media consumption habits.	Matomy continues to invest in developing its internal media channel capabilities, products, services and technologies to diversify the Group's business activities. No single customer contributes more than 8% of Group revenues, no consumer vertical contributes more than 14% of revenues, and no single digital media source contributes more than 5% of aggregate media costs.

Group Risks

Risk area	Potential impact	Mitigation
Matomy's technology and operations	**Reliance on key technologies and operations, integrations and development:** Matomy's business is naturally reliant on its technology and operational functions to support and develop its platforms, systems and infrastructure to meet the needs of the Group's businesses. At any given time Matomy is undertaking a number of strategically significant development activities, and failure or delay in delivering them could have an adverse effect on the Group's results or prospects. Some of these activities are complex, cutting-edge and require substantial innovation. Matomy is also working continuously to integrate its multiple organic and acquired platforms, technologies and operations so as to derive maximum value and efficiency from its assets. Some of these integrations are operationally and technologically complex and all change is inevitably accompanied by risk; if not executed successfully or on time scales anticipated, Matomy may fail to realise the full potential value of, and synergies between, its constituent parts and this may affect its economic performance. Matomy is also highly conscious of the risks associated with changes in the availability of, or support for, key third-party technologies and services that are critical to the Group's operations, particularly the effectiveness of the Matomy Performance Platform; the need to give continuous focus to ensuring that it has adequate disaster recovery plans and facilities; appropriate security technology and associated policies; and the capabilities necessary to support its technological operations and sufficient and experienced personnel capable of managing the risks associated with running (whilst integrating) multiple technical platforms. Failure of or defects in any one or more of these aspects of Matomy's operations could affect continuity of those operations and the Group's results.	Matomy devotes significant management time and resources to the identification and mitigation of risks relating to its technology and operations which are key to its businesses. It has significant experience in these matters and Management regard the technological and operational risks faced by the Group as being in line with expectations in the context of a fast-growing and acquisitive business.

Group Risks

Risk area	Potential impact	Mitigation
Matomy's financial affairs and its people	**Exchange risk:** A significant portion of Matomy's revenues and costs are in dollars and euros, and the Group is increasingly exposed to trading in other currencies. Matomy could be exposed to adverse movements in the currencies in which it trades.	Management prepare cash flow forecasts by currency and by applying the Board-approved hedging policy to Matomy's cash flow. Management will continue to carefully monitor the Group's cash flow and consider alternative arrangements if there is a material unhedged exposure.
	Tax: Adverse changes in taxation could affect Matomy's results and the Group could be exposed to a variety of tax risks in various countries.	Management work closely with external tax advisers on an ongoing basis to mitigate tax risks.
	Organisational change: As Matomy continues to expand and mature it will engage in sometimes substantial organisational change to ensure that its people structure and resources are appropriate for its needs. Organisational change programmes carry an inherent degree of risk. Matomy may not always be able to effect change as rapidly or in the manner it anticipates. Delays or unexpected changes to change programmes may affect the Group's operations and its results.	Matomy has a robust and highly competent global Human Resources function that works closely with Senior Management to ensure any and all organisational change programmes are initiated and managed properly to support and help grow the business. At the instruction of the Remuneration and Audit Committees, Matomy is also putting in place succession and retention plans for its management.

Group Risks

Risk area	Potential impact	Mitigation
Investment in new areas and/ or significant acquisitions	Significant investments in new products, services, capabilities and/or geographies may fail to make a return. Failure to generate anticipated revenue growth, synergies and/ or cost savings from significant acquisitions could lead to significant goodwill and intangible asset impairments.	Investments in new areas typically leverage existing expertise and experience built up over many years. Capital requirements are relatively low and investment is managed in stages such that it is not finally committed until there is good visibility of a return. Significant acquisitions are approved by the Board following pre-acquisition due diligence. Post-acquisition performance of significant acquisitions is closely monitored to ensure corrective action can be taken in the event of deviations from expected performance.
Credit risk associated with payments made to digital media sources	Matomy cultivates long-term relationships of trust with its digital media sources, including by committing to pay them for all bona fide transactions, regardless of when and whether Matomy is paid by its customers. However, Matomy's customers typically only pay at the end of an agreed payment cycle according to the agreed payment terms, and contingent on Matomy delivering specific, agreed upon results. Even if Matomy is not paid by one of its customers it must pay its digital media sources from its operating cash flow.	Matomy continually works with its digital media sources and customers to mitigate risks between incoming payments from customers for its services and outgoing payments to media sources. The Group continues to generate positive cash flow from its operations, thereby mitigating its credit risk from payments made to its digital media sources.

Corporate and Social Responsibility

Matomy continues to build upon its long history of giving back to the communities in which it operates, whilst ensuring it provides enriching and positive experiences to its employees and key stakeholders.

The Board considers that the management of safety, health, environment, social and ethical matters forms a key element of effective corporate governance which in turn supports the strategy, long-term performance and sustainability of the business. Matomy's Chief Executive Officer and Chief Financial Officer are jointly responsible for overall responsibility for sustainability within the Group.

Communities and charities

Matomy has had a proactive communities and charities initiative since its foundation. This activity continues to grow and evolve, particularly now that the Group has operations in several countries. For the year, Matomy contributed approximately $60,000, in aggregate, to charities in the countries in which it operates.

Throughout 2014, Matomy offices around the world partnered with a number of charities. At Matomy's global headquarters in Tel Aviv, the Group partnered with local charity Different Lessons. Matomy employees volunteered to teach special classes of various subjects to help prepare high school students enrolled in the Different Lessons program for the economic realities they will face when they graduate from high school. Matomy Mexico partnered with the Mexican charity Amextra, which builds schools and provides continuing education services in impoverished communities, to participate in "Juguetón". During the month of April 2014, Matomy Mexico employees collected toys and cash donations to give to children participating in the Amextra program during Mexico's Children's Day celebration.

1

Matomy's community relations activities are managed by each of its branch offices, with oversight for community relations residing within the Group's global headquarters in Israel. Each month, volunteer groups of employees in each branch office meet to review requests and opportunities for Matomy's participation in various community relations and charitable activities that the Group can help support. By allowing its branch offices to coordinate specific community relations and charitable activities within their home markets, Matomy is better able to harness the energy and enthusiasm of its employees to benefit the communities in which it operates.

2

3

4

AMEXTRA

México DF, a 30 de abril de 2014

Estimado equipo de MATOMY
PRESENTE

No tenemos palabras para agradecerles por la donación de juguetes para los niños de Tultitlán, con motivo del Día del Niño.

Tanto los niños como quienes trabajamos en esta organización estamos muy agradecidos por la oportunidad de hacer llegar a los pequeños estos juguetes que contribuirán al desarrollo integral de la niñez en una comunidad tan marginada.

Esperamos que esta donación pueda ser la semilla de una relación de colaboración mutua entre Matomy y Amextra.

Junto con nuestra gratitud, reciban un cordial saludo.

Atentamente

Mariana Salas-Cassani y Noah Steinberg-DiStefano
Gerencia de Recaudación de Fondos y Comunicación
Amextra AC

1 & 2 | Food Deliveries: Matomy volunteers worked with local charities in Israel to package food supplies during Passover

3 | School Children: Matomy volunteers deliver toys and educational materials to students during Children's Day 2014.

4 | Children's Day: After giving back to their local community during Mexico's Children's Day celebration in 2014, Matomy Mexico received a thank you letter for their volunteer efforts from local charity Amextra.

Environment

Each of Matomy's branch offices has established environmental plans that help ensure Matomy's environmental footprint is minimised. This plan is managed by the office administrator and/or Managing Director/Senior Manager of each branch office, along with a volunteer group of employees who meet regularly and whose aim is to reduce energy and raw material usage throughout Matomy's worldwide operations to support environmental and financial performance.

Matomy implemented a number of initiatives in 2014 to support this aim, including:

- *paper, plastics and aluminium recycling in all offices;*
- *bottle redemption service whereby Matomy donates funds received from bottle tax refund to local charities;*
- *installation of LED lighting at the Group's Tel Aviv office; and*
- *automated timing and turn-off of all air conditioning units at the Group's Tel Aviv and New York offices to help minimise its electricity use.*

Greenhouse gas emissions

This section includes our mandatory reporting of greenhouse gas emissions. The methodology used to calculate our emissions is based on the GHG Protocol Corporate Standard. Emissions reported correspond with our financial year. Matomy leases all of its office space and data centres; therefore, only emissions from those properties for which Matomy is responsible for are included in this report. Emissions are predominantly from gas combustion and electricity use at our offices and data centres.

In order to express our annual emissions in relation to a quantifiable factor associated with our activities, we have used revenue as our intensity ratio as this is a relevant indication of our growth and is aligned with our business strategy.

Greenhouse gas emissions data

For period from 1 January 2014 to 31 December 2014

Emissions from:	Tonnes of CO2e
Combustion of fuel and operation of facilities	20.2
Electricity, heat, steam and cooling purchased for own use	615
Company's chosen intensity measurement: tonnes of CO2e per $m revenue	2.68

Employees

Employee communications and involvement

Matomy actively encourages employee involvement and consultation and places considerable emphasis on keeping its employees informed of the Group's activities via formal business performance updates, regular update briefings, regular team meetings, and the circulation to employees of relevant information including corporate announcements. This also helps to achieve a common awareness amongst employees of the financial and economic factors affecting the performance of the Group.

Matomy has an established employee forum through which nominated representatives ensure that employees' views are taken into account regarding issues that are likely to affect them. A robust employee engagement survey process is also in place to ensure that employees are given a voice in the organisation and that the Group can take action based on employee feedback.

Additionally, Matomy has Human Resources representatives in many of its worldwide offices, including a central HR team at its global headquarters in Israel. This group of HR employees works collaboratively to ensure that Matomy's employment, health and safety policies are both uniform and standard whilst also meeting the regulatory and legal requirements for each government jurisdiction in which a specific branch office operates.

Equal opportunities and human rights

Matomy's policy is always to ensure that all persons are treated fairly irrespective of their age, race (including colour, nationality, ethnic or national origins), sexual orientation, disability, gender including gender reassignment, religious beliefs or political opinion, marital and physical or mental status or any other factors including pregnancy and maternity. The Group endeavours to provide those who have physical or mental disabilities with equal opportunities in the application and recruitment process, and specific assistance and arrangements (including training, career development and promotion arrangements) to enable them to work for us wherever and whenever this is reasonably practicable.

Matomy recognises the value of having a diverse workplace, particularly with respect to gender diversity. Approximately 65% of the Group's employees are male and 35% female. Within Matomy's Senior Management team, approximately 86% of the team are male and 14% female, whilst amongst the Group's Board, approximately 89% of the Directors are male and 11% female.

Health and safety

Matomy is committed to providing a consistently safe and effective working environment for all staff, including contractors, customers and members of the public. In doing so it will, as a minimum, comply with local health and safety legislation, but will exceed those requirements should it be necessary to do so.

Matomy recognises the importance of health and safety and the positive benefits to the Group. Matomy has a health and safety policy which is communicated to all employees through a health and safety handbook, which is regularly reviewed and updated.

Overall, Group health and safety is the responsibility of the Chief Financial Officer. Each member of Matomy's Senior Management team is responsible for giving appropriate consideration to the health and safety implications arising out of decisions or proposals made within the remit of their respective areas of corporate responsibility. For subsidiary companies, health and safety is the responsibility of the Managing Directors and/or brand office Senior Managers who will establish appropriate and effective systems and arrangements to ensure compliance and to achieve the corporate objectives.

All employees are expected to exercise personal responsibility in preventing injury to themselves and others and to cooperate with Management in complying with health and safety legislation.

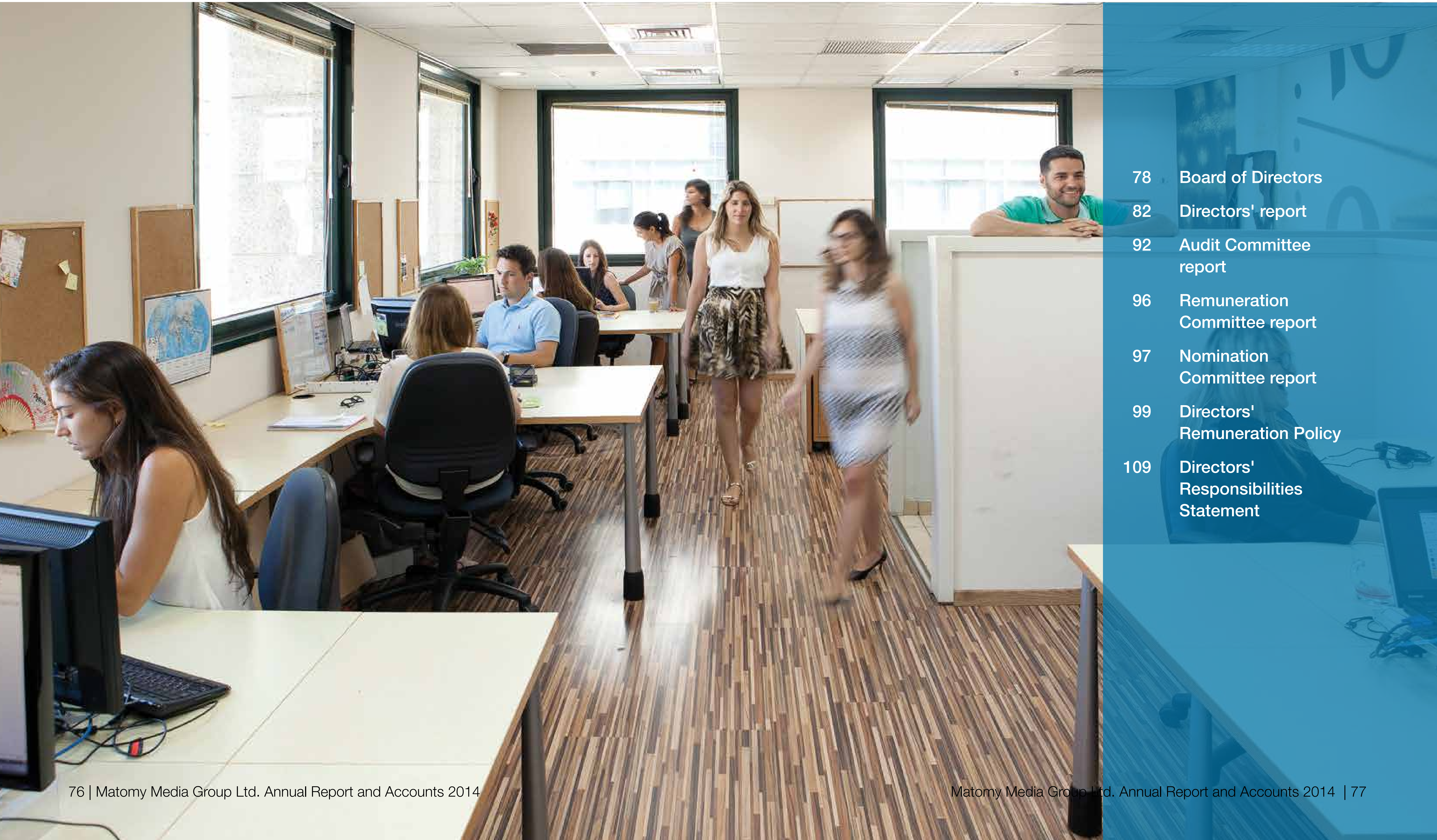
Supporting students

As a global digital performance-based advertising company, much of Matomy's success relies on cultivating a strong group of up-and-coming junior employees who are well trained in the skills necessary to thrive in the digital advertising industry. In order to build links between Matomy and local schools and universities, work experience and placements are offered to a number of students. In doing so, Matomy strives to make work placements positive, challenging and relevant to participants' current studies and their future job prospects. Students who participate in Matomy's work experiences and placements programme are often hired back as full-time employees upon completion of their studies.

Business ethics

Matomy has formal ethics and anti-bribery policies which incorporate the Group's key principles and standards governing business conduct towards its key stakeholder groups. Matomy believes it should treat all of these groups with honesty and integrity.

3 Corporate Governance



MATOMY
Media Group Ltd.
BOARD

The Board has delegated certain responsibilities to committees

Audit Committee

Gary Hughes (Chairman)
Harel Beit-On
Nathalie Schwarz
Nadav Zohar
(3 Non-Executive Directors + Chairman)

Remuneration Committee

Nadav Zohar (Chairman)
Gary Hughes
Nathalie Schwarz
(2 Non-Executive Directors + Chairman)

Nomination Committee

Rupert Howell (Chairman)
Nadav Zohar
Ofer Druker
(1 Non-Executive Director + Chairman + CEO)

Executive Directors

Ofer Druker
Sagi Niri

Company Secretary

Ido Barash

Senior Management Team

Chief Technology Officer
SVP Clients
SVP Mobile
General Counsel
SVP Media
SVP Finance
EVP Mobile
SVP Corporate Develpment
SVP Media Partners
MD Americas
SVP Business Development & Sales
CEO, Team Internet

Board of Directors

Our business is managed by our Board of Directors. Biographical details of the Directors and Senior Management as at 30 April 2015 are follows.



Name	Ilan Shiloah	Ofer Druker	Sagi Niri
Title	Non-Executive Chairman	Chief Executive Officer	Chief Financial Officer
Biography	Ilan Shiloah joined Matomy as Non-Executive Chairman in 2007. He is currently Chairman of McCann WorldGroup Israel and Chairman and major shareholder of The Time, an investment company based in Tel Aviv that focuses on young innovative technology start-ups in the area of new media. Ilan holds a BA and MBA in Economics & Management from Tel Aviv University.	Ofer Druker is co-founder and CEO of Matomy. Previously, he was Chief Executive Officer at Xtend Media, which he co-founded in 2006. Xtend Media was acquired by Matomy in 2008. Ofer also served as President of Soho Digital International, a subsidiary of Direct Revenues and President of International Sales at Cydoor Desktop Media,. He was also co-founder of both Soho Digital International and Cydoor Desktop Media. He holds a BA in Middle East and African Studies from Tel Aviv University.	Sagi Niri joined Matomy in 2008 and currently serves as Chief Financial Officer. He was previously Chief Controller at McCann Erickson Israel Group and a manager at Deloitte Israel. Sagi holds a BA in Corporate Finance from the College of Management – Academic Studies and an MBA in Finance from Manchester University, and is a member of the Institute of Certified Public Accountants in Israel.
Year Appointed	2007	2007	2008
Committee Member-ship(s)		• Nomination Committee	
External Appointments	Ilan is Chairman of McCann WorldGroup Israel and The Time.	None	None

Continued Board of Directors

			
Name	**Rupert Howell**	**Harel Beit-On**	**Gary Hughes**
Title	Deputy Chairman & Senior Independent Non-Executive Director	Non-Executive Director	Independent Non-Executive Director
Biography	Rupert Howell was appointed as Deputy Chairman and Senior Independent Director of Matomy in March 2014. He is currently Group Development Director of Trinity Mirror plc and Non-Executive Chairman of Hey Human/Brave Group, an independent UK marketing agency. Previously, Rupert was Managing Director of the Broadcast and Online division and board director of ITV plc and held a number of senior management roles at McCann Erickson. He holds a BSc in Management Sciences from Warwick University (and former director of Warwick Business School).	Harel Beit-On was appointed as Non-executive Director of Matomy in July 2010. He is co-founder of the Viola Group and Carmel Ventures, and currently Chairman of NASDAQ-listed Lumenis. Harel also serves as an active board member of a number of portfolio companies of the Viola Group. Previously, he held a number of roles at the former NASDAQ-listed Tecnomatix before it was acquired by UGS, including Chief Executive Officer, President and Chairman. Harel was chairman of the former-NASDAQ listed ECtel. He holds a BA in Economics from the Hebrew University and an MBA from the Massachusetts Institute of Technology.	Gary Hughes was appointed as an Independent Non-executive Director of Matomy in March 2014. He is a senior adviser at Apax Partners LLP and currently serves as an active board member of a number of companies, including acting as the Chairman of the audit committee of SECC Limited and J Sainsbury plc. Gary was Chief Financial Officer of Gala Coral Group Ltd. Prior roles include Chief Executive Officer of CMP Information, a division of United Business Media plc; Group Finance Director at Emap plc; Group Finance Director at Scottish Media Group plc; Deputy Finance Director at Forte plc; and various senior management roles at Guinness plc and United Distillers. Gary qualified as a chartered accountant at Ernst & Whinney (now part of Ernst & Young) and holds a BA in Economics and Econometrics from the University of Strathclyde.
Year Appointed	2014	2010	2014
Committee Member-ship(s)	• Nomination Committee (Chairman)	• Audit Committee	• Audit Committee (Chairman) • Remuneration Committee
External Appointments	Rupert is Group Development Director of Trinity Mirror plc and Non-Executive Chairman of Hey Human/Brave Group	Harel is chairman of Lumenis and serves as an active board member of a number of portfolio companies of the Viola Group.	Gary is as an active board member of a number of companies, including acting as the Chairman of the audit committee of SECC Limited and J Sainsbury plc.

Continued Board of Directors

			
Name	**Nathalie Schwarz**	**Rishad Tobaccowala**	**Nadav Zohar**
Title	Independent Non-Executive Director	Independent Non-Executive Director	Independent Non-Executive Director
Biography	Nathalie Schwarz was appointed as an independent Non-executive Director of Matomy in March 2014. She is currently non-executive director of Wilmington Group plc and Photon Kathaas plc. Previously, Nathalie was Commercial and Corporate Development Director at Channel 4 Television Corporation and Chief Executive of Channel 4 Radio. Prior to joining Channel 4, she was Group Strategy and Development Director at Capital Radio and also its Company Secretary and General Counsel. Nathalie holds an LLB (Hons) from the University of Manchester.	Rishad Tobaccowala was appointed as an Independent Non-executive Director of Matomy in February 2015. He is currently global Chief Strategist of Publicis Groupe, and previously held a number of senior management and advisory roles within the Publicis Groupe network of agencies, including: Chairman of DigitasLBi and Razorfish; Chief Strategy and Innovation Officer of VivaKi; CEO of Denuo; and Chief Innovation Officer of Publicis Groupe. Rishad holds an MBA from the University of Chicago and a BS in Mathematics and Economics from the University of Mumbai.	Nadav Zohar was appointed as an independent Non-executive Director of Matomy in March 2014. He is a Senior Consultant of Impact Equity Corporation. Previously, Nadav was Chairman of Soluto and also held a number of senior management roles at Morgan Stanley and Lehman Brothers. Nadav holds an MSc in Finance from the London Business School and an LLB from the University of Reading.
Year Appointed	2014	2015	2014
Committee Member-ship(s)	• Audit Committee • Remuneration Committee		• Audit Committee • Remuneration Committee (Chairman) • Nomination Committee
External Appointments	Nathalie is Non-Executive Director of Wilmington Group plc and Photon Kathaas plc.	Rishad is Chairman of The Tobaccowala Foundation and board member of the Wharton Future of Advertising Project.	Nadav serves on several boards of portfolio growth media and technology companies managed by Impact Equity Corporation.

Directors' Report

The Directors present their report and the Group Financial Statements of Matomy Media Group Ltd. ("Matomy" or "the Group") for the financial year ended 31 December 2014.

IDO BARASH
Company Secretary

Principal activities

Matomy was incorporated in Israel as a private limited liability company. Its registered office is situated in Israel and its registered number is 513795427. The principal legislation under which Matomy operates is the Israeli Companies Law 5759-1999 (the "Israeli Companies Law" or the "Companies Law").

The principal activity of the Group is digital performance-based advertising. Matomy is the holding company of the Group. Its principal subsidiary undertakings are: Matomy Media Ltd. (100% ownership); Matomy USA Inc. (100%); Performance Advertising SL (100%); Adsmarket Media SA de DV (80%); Maven Marketing Group Inc. d/b/a Avenlo (70%); Matomy Social Ltd. (70%); and Team Internet AG (70%). Its principal investment is Adperio Inc., in which the Group owns a 17.7% minority stake.

Strategic report

Pursuant to sections 414A-D of the Companies Act 2006, the business review has been replaced with a strategic report, which can be found on pages 35 to 75. This report sets out the development and performance of Matomy's business during the financial year, the position of the Group at the end of the year and a description of the principal risks and uncertainties facing the Group.

UK Corporate Governance Code

Matomy's statement on corporate governance can be found in the Corporate Governance Report and the Audit Committee Report on pages 88 to 96. The Corporate Governance Report and the Audit Committee Report form part of this Directors' Report and are incorporated into it by reference.

Results and dividends

Matomy's audited Financial Statements for the financial year ended 31 December 2014 are set out on pages 112 to 162. Revenue during the year ended 31 December 2014 amounted to $237.4 million (2013: $193.5 million).

Matomy does not anticipate paying any dividends in the foreseeable future.

Post-balance sheet events

There have been no balance sheet events that either require adjustment to the Financial Statements or are important in the understanding of Matomy's current position.

Share capital

As at 31 December 2014, the authorised share capital of Matomy is 4,305,000 New Israeli Shekels divided into 430,500,000 Ordinary Shares, par value NIS 0.01 per share. The issued share capital was 90,290,596.

As at the date of this report, Matomy had been notified of the following significant holdings of voting rights in its ordinary shares in accordance with the Financial Conduct Authority's Disclosure and Transparency Rules:

Shareholder	Number of ordinary shares/voting rights notified	Percentage of ordinary share capital/voting rights notified
Publicis Groupe B.V.	22,326,246	24.9%
Ilan Shiloah	13,862,851	14.97%
Viola A.V Adsmarket L.P	9,144,577	9.99%

At the Extraordinary Meeting of the Shareholders of Matomy, held on 3 July 2014, Shareholders approved that following Admission, the Directors are authorised to allot and issue, amongst other, the following:

- up to an aggregate nominal amount equal to one-third of Matomy's issued share capital as at the date of Admission; and
- up to an aggregate nominal amount equal to two-thirds of Matomy's issued share capital as at the date of Admission, in connection with an offer by way of a rights issue, open offer or other pre-emptive offer: (i) to Shareholders in proportion (as nearly as may be) to their existing holdings; and (ii) to holders of other equity securities as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary, equity securities up to an aggregate nominal amount of 9.99% of Matomy's issued share capital from time to time in connection with a financing or refinancing of a single acquisition by Matomy.

This authority expires on the earlier of the date which is 15 months after the date of such resolutions and the conclusion of the next Annual General Meeting of Matomy, save that Matomy may before such expiry. At the forthcoming Annual General Meeting, the Directors of Matomy will seek authority to extend this authorisation.

Interests in own shares

As at 31 December 2014, (i) 65,625 Ordinary Shares were held by Matomy; (ii) 9,693,250 Ordinary Shares were held by Matomy Media Ltd., a wholly-owned subsidiary of Matomy; and (iii) 1,211,236 Ordinary Shares were held by Team Internet AG, a principal subsidiary of Matomy (collectively, the "Dormant Shares"). In accordance with the Israeli Companies Law, the Dormant Shares are classified as dormant shares with no voting rights for so long as they are held by Matomy or any of its subsidiaries.

Research and development

Innovation is important to the future success of Matomy and to the delivery of long-term value to shareholders. Matomy's research and development expenses consist primarily of personnel costs attributable to certain members of the technology team, third-party IT services associated with the ongoing development of Matomy's technology, in particular the Matomy Performance Platform, and, to a lesser extent, the allocation of other attributable personnel and associated costs, including share-based compensation, as well as depreciation and amortisation. Successfully developed technology platforms are used to develop new products and services, and to improve and extend the functionality and scope of the Group's operations.

Going concern

After making appropriate enquiries, the Directors have a reasonable expectation that Matomy has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Financial Statements have been prepared on a going concern basis.

Directors

Matomy's Board of Directors is responsible, inter alia, to determine the policy of the Group and supervise the performance of the functions and acts of the Senior Management within that framework, and to determine the Group's plans of action, principal activities for funding them and the priorities between them; to examine the Group's financial status, and set the credit limits that Matomy be entitled to operate; to determine the organisational structure of the Group and its wage policy; and shall be responsible for preparing financial reports and certifying them. Matomy has established properly constituted Audit, Remuneration and Nomination Committees of the Board (in accordance with the Israeli Companies Law), which have formally delegated duties and responsibilities.

The UK Corporate Governance Code recommends that at least half the directors of the board of a UK-listed company, excluding the Chairman, should comprise non-executive directors determined by the Board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the Director's judgement. The Israeli Companies Law requires Matomy to appoint at least two External Directors. The Israeli Companies Law also requires the Board to determine the minimum number of board members who are required to possess accounting and financial expertise; one of such persons must be an External Director. In determining the number of board members required to have such expertise, the Board must consider, amongst other things, the type and size of the business and the scope and complexity of its operations.

As at the date of this report, the Board has nine members: the Non-Executive Chairman (Ilan Shiloah); two Executive Directors (Chief Executive Officer Ofer Druker and Chief Financial Officer Sagi Niri); and six Non-Executive Directors (Harel Beit-On, Rupert Howell, Gary Hughes, Nathalie Schwarz, Rishad Tobaccowala and Nadav Zohar). Rishad Tobaccowala, who is the global Chief Strategist of Publicis Groupe, joined Matomy's Board of Directors in February 2015 following Matomy and Publicis Groupe entering into a strategic affiliation in October 2014. The biographical details of each of the Directors are set out on pages 78 and 81 and details of their membership of the Board's committees are set out further in this report.

Ilan Shiloah is the Non-Executive Chairman of the Board and Rupert Howell is the Senior Independent Director, who also acts as Deputy Chairman. Matomy's external directors are Gary Hughes and Nadav Zohar.

Subject to law and the Group's Articles of Association, the Directors may exercise all of the powers of the Group and may delegate their power and discretion to committees.

Matomy's Articles of Association give the Directors power to appoint and replace Directors. Under the terms of reference of the Nomination Committee, any appointment to the Board of Matomy must be recommended by the Nomination Committee for approval by the Board. The Articles of Association also states that all Directors (other than External Directors) shall be elected at the Annual General Meeting or at an Extraordinary General Meeting of the company by ordinary resolution. Each Director shall serve until the first Annual General Meeting that follows the Annual General Meeting or Extraordinary General Meeting at which such Director was elected, where such Director may, subject to eligibility, offer him- or herself up for re-election.

In relation to the External Directors of the company, under the Israeli Companies Law, the term of office of an External Director shall be three years, and the company may appoint him or her for two further consecutive terms of three years each.

In accordance with the UK Corporate Governance Code, the Board has reserved certain matters which can only be decided by the full Board. In addition, the Board has established Audit, Nomination and Remuneration Committees (in accordance with the Israeli Companies Law) with formally delegated duties and responsibilities within written terms of reference. If the need should arise, the Board may set up additional committees, as appropriate.

The Board has a formal schedule of matters reserved to it for decision and approval which include, but are not limited to:

- the Group's business strategy;
- annual budget and operating plans;
- major capital expenditure and acquisitions;
- the systems of corporate governance, internal controls and risk management;
- the approval of the interim and annual financial statements and interim management statements; and
- any interim dividend and the recommendation of any final dividend.

Audit Committee

The Board's Audit Committee has been structured to comply with the recommendations of the UK Corporate Governance Code and the requirements of the Israeli Companies Law. The Audit Committee's terms of reference covers issues such as membership, the right to attend meetings, the frequency of meetings and quorum requirements. The terms of reference also set out the Audit Committee's duties (including under Israeli Companies Law) and the authority to carry out its duties.

The duties of the Audit Committee include:

- monitoring the integrity of Matomy's financial statements;
- reviewing the adequacy and effectiveness of Matomy's financial controls and internal controls and risk management policies and systems;
- making recommendations concerning the appointment of the internal auditor and external auditor;
- reviewing and monitoring the internal audit function;
- overseeing Matomy's relationship with its external auditor;
- determining whether certain engagements and transactions are material or extraordinary;
- determining if non-extraordinary transactions with a Controlling Shareholder must be tendered pursuant to a competitive process; and
- otherwise approving certain engagements and transactions and reporting to the Board on its proceedings.

The terms of reference also set out the authority of the Audit Committee to carry out its responsibilities.

Subject to the provisions of the Israeli Companies Law, the Audit Committee shall meet at least four times per year at appropriate intervals in the financial reporting and audit cycle, and at such other times as the Committee chairman deems necessary.

Nomination Committee

The Board's Nomination Committee has been structured to comply with the recommendations of the UK Corporate Governance Code. The Nomination Committee's terms of reference cover issues such as membership, the right to attend meetings, the frequency of meetings and quorum requirements. The terms of reference also set out the Nomination Committee's duties and the authority to carry out its duties.

The duties of the Nomination Committee include:

- assisting the Board in determining the appropriate structure, size and composition of the Board;
- formulating Director and Senior Management succession plans;
- making recommendations concerning the nomination and re-election of the Group's Chairman and other Directors;
- recommending suitable candidates for the role of Senior Independent Director and for membership of the Audit Committee and Remuneration Committee; and
- reporting to the Board on its proceedings.

The Nomination Committee shall meet as frequently as the Committee chairman deems necessary. Any member of the Nomination Committee may request a meeting if he or she considers that one is necessary.

Remuneration Committee

The Board's Remuneration Committee has been structured to comply with the recommendations of the UK Corporate Governance Code and the requirements of the Israeli Companies Law. The Remuneration Committee's terms of reference covers issues such as membership, the right to attend meetings, the frequency of meetings and quorum requirements. The terms of reference also set out the Remuneration Committee's duties (including under Israeli Companies Law) and the authority to carry out its duties.

The duties of the Remuneration Committee include:

- recommending to the Board for approval a compensation policy, in accordance with the requirements of the Israeli Companies Law;
- advising on the development of incentive-based remuneration plans and equity-based plans;
- determining whether to approve transactions concerning the terms of engagement and employment of the Directors, Chief Executive Officer and other Senior Management;
- approving the design of, and determining targets for, performance-related pay schemes and approving the total annual payments made under such schemes;
- and making recommendations with respect to the individual remuneration packages of the Chairman, Directors, Chief Executive Officer and Senior Management.

The Remuneration Committee shall also produce an annual remuneration report to be approved by the Shareholders at the Annual General Meeting. The Remuneration Committee shall meet at least two times per year, and at such other times as the Committee chairman deems necessary.

Directors' remuneration

The Remuneration Committee, on behalf of the Board, has adopted a policy that aims to attract and retain the Directors needed to run Matomy successfully. Details of the Directors' remuneration are set out on pages 99 and 108 of this report.

Directors' interests

Details of the Directors' and their connected persons' interests in the ordinary shares of Matomy are set out in the Share Capital Section above. Except for: (i) the warrants granted to Viola A.V Adsmarket L.P and its affiliated entities to purchase up to 1,239,735 Ordinary Shares in aggregate between them at an exercise price of $1.11 per share; and (ii) the options to purchase up to 1,518,293 Ordinary Share at an exercise price of $1.11 per share granted to Ilan Shiloah, no Director has any other interest in any shares or loan stock of the Group. There were no transactions with Directors of the Group and related party transactions in the financial year ended 31 December 2014. During the year, no Director had any material interest in any contract of significance to the Group's business.

Directors' share interests

Directors' holdings in the shares of Matomy as at 31 December 2014 are shown on page 83.

Directors' insurance and indemnities

Matomy maintains Directors' and officers' liability insurance which gives appropriate cover for legal action brought against its Directors.

In accordance with section 236 of the Companies Act 2006, qualifying third-party indemnity provisions are in place for the Directors and Company Secretary in respect of liabilities incurred as a result of their office, to the extent permitted by law.

Management report

The Directors' Report and Strategic Report comprises the "management report" for the purposes of the Financial Conduct Authority's Disclosure and Transparency Rules (DTR 4.1.8R).

Internal controls

The Corporate Governance Report and Audit Committee Report on pages 88 to 96 includes the Board's assessment of Matomy's system of internal controls.

Employees

Matomy places considerable value on the involvement of its employees and uses a number of ways to engage with employees on matters that impact them and the performance of the Group. These include frequent business performance updates by members of the Senior Management team for all employees, regular update briefings for all employees, regular team meetings, and the circulation to employees of results announcements and other corporate announcements. This also helps to achieve a common awareness amongst employees of the financial and economic factors affecting the performance of Matomy.

Matomy utilises several internal anonymous forums through which employees can express issues and views that are likely to affect them and their colleagues. A robust employee engagement survey process is also in place to ensure that employees are given a voice in the organisation and that Matomy can take appropriate action based on employee feedback.

Equal opportunities

Matomy is committed to providing equality of opportunity to all employees without discrimination. The Group applies fair and equitable employment policies which seek to promote entry into and progression within Matomy. Appointments are determined solely by application of job criteria, personal ability, behaviour and competency.

Disabled persons

Disabled persons have equal opportunities when applying for vacancies, with due regard to their skills and abilities. Procedures ensure that disabled employees are fairly treated in respect of training and career development. For those employees becoming disabled during the course of their employment, Matomy is supportive so as to provide an opportunity for them to remain with the Group, wherever reasonably practicable.

In the opinion of the Directors, all employee policies are deemed to be effective and in accordance with their intended aims.

Borrowings

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 lines 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 at 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 risk management

It is Matomy's objective to manage its financial risk so as to minimise the adverse fluctuations in the financial markets on the Group's profitability and cash flow. The specific policies for managing each of Matomy's main financial risk areas are determined by the Audit Committee.

Political donations

During the fiscal year ended 31 December 2014, Matomy did not make any political donations (FY2013: $nil).

Disclosure of information to auditor

In accordance with section 418(2) of the Companies Act 2006, each of the Group's Directors in office as at the date of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which Matomy's auditor is unaware; and
- he or she has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

One of the duties of the Audit Committee, as mentioned above, is to review the scope of work of the auditor and the audit fee and make its recommendations in these matters to the Board.

The Group's auditor is Kost Forer Gabbay & Kasierer (a member of Ernst & Young Global). A resolution to re-appoint Kost Forer Gabbay & Kasierer as auditor to Matomy will be proposed at the forthcoming Annual General Meeting.

Annual general meeting

As at the publication of this report, no date has been set for the 2015 Annual General Meeting of Matomy Media Group Ltd. Upon confirmation of such date, a formal notice will be issued by Matomy to all Shareholders informing them of the scheduled date of the Group's Annual General Meeting.

By order of the Board:

IDO BARASH
Company Secretary
30 April 2015

Corporate Governance Report

IDO BARASH
Company Secretary

The Board is committed to high standards of corporate governance which it considers to be central to the effective management of the business and to maintaining the confidence of investors. Matomy complies with all applicable laws and endeavours to observe the customs and culture in the countries in which it operates and does business.

Matomy expects all Directors and employees to strive to achieve the highest standards and to act with respect and integrity. The Board monitors and keeps under review the Group's corporate governance framework. In accordance with the Listing Rules of the UK Listing Authority, Matomy confirms that since its admission to the High Growth Segment of the London Stock Exchange on 8 July 2014 (the "Admission") it complied with the relevant provisions set out in Section 1 of the UK Corporate Governance Code 2012 ("the Code") to the extent applicable to it, and the Israeli Companies Law, 5799-1999 (the "Israeli Companies Law").

This report, together with the Remuneration Committee Report on pages 96 to 97, provides details of how Matomy has applied the principles and complies with the Matomy's legal obligations.

The Board

The Board is collectively responsible for promoting the success of Matomy. The Board provides leadership for the Group and concentrates its efforts on strategy, performance, governance and internal control. As at the date of this report, the Board has nine members: the Non-Executive Chairman (Ilan Shiloah), two Executive Directors (Chief Executive Officer Ofer Druker and Chief Financial Officer Sagi Niri), and six Non-Executive Directors (Harel Beit-On, Rupert Howell, Gary Hughes, Nathalie Schwarz, Rishad Tobaccowala and Nadav Zohar). Rishad Tobaccowala, who is the global Chief Strategist of Publicis Groupe, joined Matomy's Board of Directors in February 2015 following the entry into a strategic affiliation by Matomy and Publicis Groupe in October 2014.

The biographical details of each of the Directors are set out on pages 78 and 81 and details of their membership of the Board's committees are set out below.

The Board has a formal schedule of matters reserved to it for decision and approval which include, but are not limited to:

- the Group's business strategy;
- annual budget and operating plans;
- major capital expenditure and acquisitions;
- the systems of corporate governance, internal control and risk management;
- the approval of the interim and annual financial statements and interim management statements; and
- any interim dividend and the recommendation of any final dividend.

The Board held eight scheduled meetings during the period between approval of Admission and 31 December 2014. Additionally, ad hoc conference calls and committee meetings were also convened between scheduled Board meetings to address specific matters which required the Board's attention, at which the Group's strategy was regularly reviewed. All Directors participated in discussions relating to Matomy's strategy, financial and trading performance and risk management.

The Board considers it met sufficiently often to enable the Directors to discharge their duties effectively. The table below gives details of Directors' attendance at Board and committee meetings in 2014:

	Board	Audit Committee	Nomination Committee Committee(3)	Remuneration Committee(4)
Ilan Shiloah	8/8	-	-	-
Ofer Druker	8/8	-	-	-
Sagi Niri	8/8	-	-	-
Harel Beit-On(2)	6/8	1/2	-	-
Rupert Howell	8/8	-	-	-
Gary Hughes	8/8	2/2	-	-
Nathalie Schwarz	8/8	-	-	-
Rishad Tobaccowala(1)	n/a	n/a	n/a	n/a
Nadav Zohar	8/8	2/2		

(1) Rishad Tobaccowala joined the Matomy Board of Directors in February 2015 and, therefore, was not eligible to attend any Board meetings in 2014.
(2) Includes attendance by proxy.
(3) The Nomination Committee met for the first time in 2015.
(4) The Remuneration Committee met for the first time in 2015.

Certain Directors were unable to attend a meeting due to conflicting engagements.

At the request of any Non-Executive Director, the Non-Executive Chairman will arrange meetings consisting of only the Non-Executive Directors to allow the opportunity for any concerns to be expressed. Since Admission on 8 July 2014, the Non-Executive Chairman maintained regular contact and met with the Non-Executive Directors.

The Board is chaired by Ilan Shiloah. The Non-Executive Chairman is responsible for leading the Board and its effectiveness. Ofer Druker and Sagi Niri are Chief Executive Officer and Chief Financial Officer, respectively, and are jointly responsible for the execution of strategy and the day-to-day management and operations of the Group. The division of roles and responsibilities between the Non-Executive Chairman and the Chief Executive Officer and Chief Financial Officer are set out in writing and agreed by the Board.

At the invitation of the Chairman of the Remuneration Committee, the Chief Executive Officer, Chief Finance Officer, SVP Finance and Company Secretary may attend meetings of the Board or its Committee, except when they have a conflict or personal interest. No Director is involved in determining his or her own remuneration. The Company Secretary also acts as secretary to the Committees.

Board balance and independence

In accordance with recommendations of the applicable sections of the UK Corporate Governance Code and the Israeli Companies Law, at least half of Matomy's Board is comprised of Non-Executive Directors who are determined by the Board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the Director's judgement.

Matomy regards all of the Non-Executive Directors to be independent for purposes of the UK Corporate Governance Code, other than the Non-Executive Chairman, Harel Beit-On and Rishad Tobaccowala.

The UK Corporate Governance Code recommends that a chairman meets the independence criteria set out in the UK Corporate Governance Code on appointment. Matomy's Non-Executive Chairman, Ilan Shiloah, who is a significant Shareholder, does not meet these independence criteria. However, Mr Shiloah has extensive experience with media companies, in particular those focussing on advertising (such as McCann-Erickson), and is a leading early investor in new digital media companies in Israel. Having been the Chairman of Matomy for the past eight years, Mr Shiloah has the requisite experience and detailed knowledge of Matomy and its strategic objectives and operations. For these reasons, the Board is unanimously of the opinion that Mr Shiloah's continued involvement as Non-Executive Chairman is important to the success of Matomy. The Board also believes that its Deputy Chairman, Rupert Howell, provides an effective counterbalance to the Board.

Mr Shiloah has entered into a relationship agreement to ensure that Matomy is capable of carrying on its business independently of him, and that all agreements and transactions between Matomy and Mr Shiloah are conducted at arms' length and on a normal commercial basis.

The Directors consider that the Board has an appropriate balance of skills and experience by virtue of the Directors' varied backgrounds (see biographical details on pages 78 and 81).

Board appointments

Board nominations are recommended to the Board by the Nomination Committee under its terms of reference. All Directors, excluding External Directors (as defined in the Israeli Companies Law), are subject to re-election by shareholders at the Annual General Meeting following their appointment and thereafter to re-election at each annual general meeting, in accordance with Matomy's Articles of Association and the Israeli Companies Law. Each external director is appointed for an initial three-year term, in accordance with Matomy's Articles of Association and the Israeli Companies Law.

Information and professional development

On appointment, Independent Directors receive a full, formal and tailored induction, including meetings with members of the Management team and briefings on particular issues. As an ongoing process, Directors are briefed and provided with information concerning major developments affecting their roles and responsibilities. In particular, the Directors' knowledge of Matomy's worldwide operations is regularly updated by arranging presentations from Senior Management throughout the Group.

The Non-Executive Chairman and Executive Directors consult with each Non-Executive Director to ensure they are all able to allocate sufficient time to the Group to discharge their responsibilities.

The Non-Executive Chairman liaises with the Company Secretary to ensure that the Board is supplied in a timely manner with information in a form and of a quality appropriate to enable it to effectively discharge its duties. Directors are also supplied with a monthly financial report and receive ongoing updates from the Chief Executive Officer, who provides the Board with information on operational and financial performance and the Group's business plans.

All Directors are able to consult with the Company Secretary. The appointment and removal of the Company Secretary is a matter reserved for the Board as a whole. Directors may obtain, in the furtherance of their duties, independent professional advice, if necessary, at the Group's expense. In addition, all Directors have direct access to the advice and services of the Company Secretary.

Board performance evaluation

The Board recognises that it is required to regularly undertake a formal and rigorous review of its performance and that of its committees. The Board engages in continuous self-assessment and analysis of its effectiveness.

Board committees

The Board is supported by several committees, including the following principal committees: Audit Committee, Remuneration Committee and Nomination Committee. All the Independent Non-Executive Directors are members of each of the principal committees of the Board.

Details of the work of the Audit and Remuneration Committees during the year are given in the reports of those Committees on pages 92 to 97. Information pertaining to the work of the Nomination Committee during the year can be found on pages 97 to 98.

The Directors who serve on each of the Committees are set out below:

Committee	Chair	Members
Audit Committee	Gary Hughes	Nathalie Schwarz, Harel Beit-On, Nadav Zohar
Remuneration Committee	Nadav Zohar	Gary Hughes, Nathalie Schwarz
Nomination Committee	Rupert Howell	Ofer Druker, Nadav Zohar

(1) Rishad Tobaccowala joined the Matomy Board of Directors in February 2015 and, therefore, did not attend any Board meetings in 2014.

The terms of reference of each of the principal committees are available on request by writing to the Company Secretary at the Group's registered address.

The committees, if they consider it necessary, can engage with third-party consultants and independent professional advisers and can call upon other resources of the Group to assist them in developing their respective roles.

Audit Committee Report

GARY HUGHES
Chairman of the Audit Committee

Audit Committee
The Audit Committee comprises four Independent Non-Executive Directors. The table below gives details of Directors' attendance at Audit Committee meetings in 2014 (since Admission).

Audit Committee	
Gary Hughes (chair)	2/2
Nathalie Schwarz	2/2
Nadav Zohar	2/2
Harel Beit-On[1]	1/2

(1) Includes attendance by proxy.

The main roles and responsibilities of the Audit Committee are set out in written terms of reference. The Audit Committee's terms of reference covers issues such as membership, the right to attend meetings, the frequency of meetings and quorum requirements. They also set out the Audit Committee's duties (including under the Israeli Companies Law) and the authority to carry out its duties.

The duties of the Audit Committee include:

- monitoring the integrity of Matomy's financial statements;
- reviewing the adequacy and effectiveness of Matomy's financial controls and internal control and risk management policies and systems;
- making recommendations concerning the appointment of the internal auditor and external auditor;
- reviewing and monitoring the internal audit function;
- overseeing Matomy's relationship with the external auditor;
- determining whether certain engagements and transactions are material or extraordinary;
- determining if non-extraordinary transactions with a Controlling Shareholder must be tendered pursuant to a competitive process; and
- otherwise approving certain engagements and transactions and reporting to the Board on its proceedings.

The Board is satisfied, in accordance with the provisions of the Israeli Companies Law, that at least one member of the Audit Committee is qualified as a "financial and accounting expert", pursuant to the requirements of the Israeli Companies Law. Given the nature of the Senior Management positions previously held by the Committee's Chairman, Gary Hughes fulfills this requirement (see biographical details on pages 78 to 81).

Operation of the Audit Committee
The Audit Committee met two times in 2014 following Admission. The attendance record of Committee members is recorded in the table above. At the invitation of the Chairman of the Audit Committee, the Chief Executive Officer, the Chief Financial Officer, the Chairman of the Board and the Group's external auditors regularly attend meetings.

The Audit Committee is responsible for reviewing and monitoring the effectiveness of Matomy's internal control procedures and risk management systems. The Audit Committee is also responsible for assessing whether Matomy requires an internal audit function. Matomy's internal audit function was established at the first meeting of the Audit Committee on 18 August 2014.

Financial statements and significant accounting matters
The Audit Committee is responsible for reviewing the appropriateness of Matomy's half-year reporting and annual financial statements. It does this by considering, amongst other things, the accounting policies and practices adopted by the Group; the correct application of applicable financial reporting standards and compliance with broader governance reporting requirements; the approach taken by management to report the key judgemental areas of reporting and the comments of the external auditor on management's chosen approach.

During the year under review, the Audit Committee was presented by the Group's Management with updates of Matomy's current internal control procedures and risk management systems. The Audit Committee is satisfied that the current arrangements and Matomy's internal controls and risk management systems are appropriate. The Audit Committee considers that the Group has continued to make good progress with respect to the issues during the year, resulting in better process, understanding and awareness combined with a greater engagement right across the business. The debate on risk, risk tolerance and risk appetite will continue to be a focus for the Board and the Committee during 2015 and beyond.

Corporate governance
The Board requested, and the Audit Committee has advised, that the Annual Report and the Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess Matomy's performance, business model and strategy.

External auditor
Matomy's external auditor, Kost Forer Gabbay & Kasierer (a member of Ernst & Young Global), attends various meetings of the Audit Committee. It is the responsibility of the Audit Committee to provide oversight of the external audit process and assess the effectiveness, objectivity and independence of the external auditor.

The Audit Committee reviewed the following in order to provide oversight of the external audit process:

- the terms, areas of responsibility, associated duties and scope of the audit as set out in the external auditor's engagement letter for the forthcoming year;
- the external auditor's overall work plan for the forthcoming year;

- the external auditor's fee proposal;
- the major issues that arose during the course of the audit and their resolution;
- key accounting and audit judgements and estimates;
- the levels of errors identified during the audit; and
- recommendations made by the external auditor in their management letters and the adequacy of management's response.

The Audit Committee reviewed the independence of the auditor having regards to:

- a report from the external auditor describing their arrangements to identify, report and manage any conflicts of interest; and
- the extent and nature of non-audit services provided by the external auditor.

The Audit Committee is responsible for the development, implementation and monitoring of policies and procedures on the use of the external auditor for non-audit services, in accordance with professional and regulatory requirements. These policies are kept under review to meet the objective of ensuring that Matomy benefits in a cost-effective manner from the cumulative knowledge and experience of its auditor whilst also ensuring that the auditor maintains the necessary degree of independence and objectivity.

During the year under review, Matomy's external auditor, Kost Forer Gabbay & Kasierer, performed a variety of non-audited services. A significant proportion of non-audit services related to the following:

- reviewing Matomy's half-year reporting;
- the provision of tax compliance services in relation to both direct and indirect taxation;
- the provision of advice and documentation in relation to Matomy's preparation and subsequent admission to the High Growth Segment of the London Stock Exchange's Main Market; and
- the provision of regulatory advice in relation to documentation and control.

The assurance provided by Matomy's auditor on the items above is considered by the Group as strictly necessary in the interests of the Group. The level of non-audit services offered reflects the auditor's knowledge and understanding of Matomy's operations. Matomy has also continued with the appointment of other accountancy firms to provide certain non-audit services to the Group in connection with tax and regulatory advice and anticipates that this will continue in 2015.

The provision of tax advisory services, due diligence and regulatory advice is permitted with the Audit Committee's prior approval in line with the approval limits set out above. The provision of internal audit services, valuation work and any other activity that could result in the external auditor reviewing and relying on its own work and conclusions is prohibited. Kost Forer Gabbay & Kasierer was not engaged during the year to provide any services which may have given rise to a conflict of interest.

The Audit Committee considers the effectiveness of the external audit process on an annual basis, reporting its findings to the Board as part of its recommendation. This process is completed through completion of a detailed questionnaire (which includes consideration of the audit partner, the approach, communication, independence, objectivity and reporting). This is completed by members of the Audit Committee and senior members of Matomy's finance team who regularly interact with the external auditor. The results of the questionnaire are reported to and discussed by the Audit Committee. It also assessed the cost effectiveness and value for money aspect of the audit.

The Audit Committee holds private meetings with the external auditor as required to discuss review key issues within their sphere of interest and responsibility.

The Audit Committee considered the length of Kost Forer Gabbay & Kasierer's tenure and the results of the detailed questionnaire when assessing its continued effectiveness, independence and re-appointment. The Committee continues to remain satisfied with the work of Kost Forer Gabbay & Kasierer and that it continues to remain independent and objective. The Committee has therefore recommended to the Board that a resolution is put to shareholders recommending its reappointment together with their terms of engagement and remuneration at the Annual General Meeting of Matomy. This will continue to be assessed on an annual basis.

Accountability

The Board acknowledges that this report should present a fair, balanced and understandable assessment of Matomy's position and prospects.

In this context, reference should be made to the Directors' Responsibilities Statement which includes a statement in compliance with the Code regarding Matomy's status as a going concern, and to the independent auditor's report which includes a statement by the auditor about their reporting responsibilities.

The Board recognises that its responsibility to present a fair, balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators as well as information required to be presented by law. At the request of the Board, the Audit Committee considered whether the 2014 Annual Report is fair, balanced and understandable, and whether it provided the necessary information for shareholders to assess Matomy's performance, business model and strategy. The Audit Committee is satisfied that, taken as a whole, the Annual Report is indeed fair, balanced and understandable.

Internal controls

The Board acknowledges that it is responsible for Matomy's system of internal controls, and the Audit Committee reviews its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The Audit Committee has reviewed the effectiveness of the key procedures which have been established to ensure internal control. As part of this review there are procedures designed to capture and evaluate failings and weaknesses, and in the case of those categorised by the Board as significant, procedures exist to ensure that necessary action is taken to remedy the failings.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. The process is regularly reviewed by the Audit Committee which reports its findings for consideration by the Board.

The key procedures operating within Matomy were as follows:

- during the year under review, the Audit Committe e met to evaluate risk and consider the appropriateness of Matomy's risk assessment systems and internal control policies;
- Matomy maintains a risk register which cover the strategic and operational business risks. This register is updated on an ongoing basis, and is presented to the Audit Committee on no less than a quarterly basis;
- The senior executives of Matomy report to the Executive Directors on a regular basis regarding ongoing financial and operational progress within the respective business units and functions they manage;
- the significant risks faced by the Group are considered regularly by Matomy's Board which is charged with the development and implementation of appropriate monitoring and mitigation plans, where appropriate. Matomy has established policies and procedures designed to ensure adequate levels of customer credit controls;
- Matomy has a comprehensive system of budgetary and re-forecasting control, focused on monthly performance reporting which is at an appropriate detailed level. A summary supported by commentary and performance measures is presented to the Board each month. The performance measures are subject to review to ensure that they provide relevant and reliable indications of business performance;
- Matomy has established procedures for the delegation of authority;
- Matomy's business units operate within a framework of policies and procedures which are maintained online, and cover key issues such as inside training, conflicts and ethics; and
- Matomy has established policies and procedures designed to ensure the maintenance of accurate accounting records sufficient to enable the preparation of consolidated financial statements, in accordance with the financial reporting frameworks applicable to the Group, the main feature of which is a structured system of review and approval by Management and the Board.

Internal auditor

The Israeli Companies Law requires the Board to appoint an internal auditor who is recommended by the Audit Committee. An internal auditor may not be:

- a person (or a relative of a person) who holds 5% or more of Matomy's outstanding Ordinary Shares or voting rights;
- a person (or a relative of a person) who has the power to appoint a director or the general manager of Matomy;
- an office holder or Director of Matomy or a relative thereof; or
- a member of Matomy's independent accounting firm, or anyone on its behalf.

The role of the internal auditor is to examine, among other things, Matomy's compliance with applicable law and orderly business procedures. The Audit Committee is required to oversee the activities and to assess the performance of the internal auditor as well as to review the internal auditor's work plan. The internal auditor will also fulfil the internal audit function recommended by the UK Corporate Governance Code and provide management and the Audit Committee with on-going assessments of Matomy's risk management processes and systems of internal controls. Matomy's internal auditor is Daniel Spira, CPA.

Audit Committee effectiveness

The Board, as part of its general review of its overall effectiveness, concluded that the Audit Committee was working effectively.

This report was approved by the Board and signed on its behalf by:

Gary Hughes

Chairman of the Audit Committee

30 April 2015

Remuneration Committee

The Remuneration Committee comprises three Independent Non-Executive Directors. The Remuneration Committee met for the first time in Q1 2015. A full accounting of the Remuneration Committees activities during 2015 will be provided in Matomy's 2015 annual report.

Remuneration Committee	
Nadav Zohar (chair)	n/a
Gary Hughes	n/a
Nathalie Schwarz	n/a

The Remuneration Committee is responsible for:

- recommending to the Board for approval a remuneration policy in accordance with the requirements of the Israeli Companies Law;
- incentive-based remuneration plans and equity-based plans;
- determining whether to approve transactions concerning the terms of engagement and employment of the Directors, CEO and other senior management; and
- approving the design of and determining targets for performance-related pay schemes and approving the total annual payments made under such schemes and making recommendations with respect to the individual remuneration packages of the Chairman, Directors, CEO and Senior Management.

The Board considers that Matomy complies with the requirements of the Israeli Companies Law and the applicable recommendations of the UK Corporate Governance Code with regard to the composition of the Remuneration Committee.

Director remuneration in 2014

The table below summarises the proposed Directors' remuneration which was approved in connection with Admission (all figures in US dollars):

Director	Base Fee	Audit	Remuneration	Nomination	Deputy Chairman	Total
Gary Hughes	40,000	10,000	4000	-	-	54,000
Nathalie Schwarz	40,000	4000	4000	-	-	48,000
Nadav Zohar	40,000	4000	10,000	1500		55,500
Rupert Howell	40,000	-	-	3000	35,000	78,000

Adoption of remuneration policy

Under the Israeli Companies Law, all public companies are required to adopt a policy governing the Remuneration of "office holders". The Israeli Companies Law defines the term "office holder" of a company to include a Director, the Chief Executive Officer, the Chief Financial Officer and any manager who is directly subordinate to the Chief Executive Officer. In general, all office holders' terms of compensation — including fixed remuneration, bonuses, equity compensation, retirement or termination payments, indemnification, liability insurance and the grant of an exemption from liability — must comply with the company's remuneration policy, once adopted. Pursuant to the Israeli Companies Law, as amended, the remuneration policy must comply with specified criteria and guidelines and, in general, be based following consideration of, among others, the following factors: (i) promoting the company's objectives, business plan and long term policy; (ii) creating appropriate incentives for the company's office holders, considering, among others, the company's risk management policy; (iii) the company's size and nature of operations; and (iv) with respect to variable elements of Remuneration (such as bonuses and equity-based awards), the office holder's contribution to achieving corporate objectives and increasing profits, with a long-term view and in accordance with his or her role.

Pursuant to the Israeli Companies Law, a remuneration policy is required to be approved by the Board of Directors, following the recommendation of the Remuneration Committee, and the shareholders (by a special majority), in that order, at least once every three years. Matomy's Remuneration Committee and Board of Directors have approved a remuneration policy for Executive Officers and Directors which can be found on pages 99 to 108 of this report.

Nomination committee

The Nomination Committee comprises three Independent Non-Executive Directors. The Nomination Committee shall meet as frequently as the Committee chairman deems necessary. Any member of the Nomination Committee may request a meeting if he or she considers that one is necessary.

The Nomination Committee met for the first time in Q1 2015. A full accounting of the Nomination Committee's activities during 2015 will be provided in Matomy's 2015 annual report.

Nomination Committee	
Rupert Howell (chair)	n/a
Nadav Zohar	n/a
Ofer Druker	n/a

The Board's Nomination Committee has been structured to comply with the recommendations of the UK Corporate Governance Code. The Nomination Committee's terms of reference cover issues such as membership, the right to attend meetings, the frequency of meetings and quorum requirements. The terms of reference also set out the Nomination Committee's duties and the authority to carry out its duties.

The duties of the nomination committee include:
- assisting the Board in determining the appropriate structure, size and composition of the Board;
- formulating Director and senior management succession plans;
- making recommendations concerning Chairman and other Director nomination and re-election;
- recommending suitable candidates for the role of Senior Independent Director and for membership of the Audit Committee and Remuneration Committee; and
- reporting to the Board on its proceedings.

Corporate responsibility

Details of Matomy's approach to Corporate Responsibility are set out on pages 72 to 75.

Relations with shareholders

The Board recognises the importance of maintaining good communication with its shareholders, and does this through the Annual Report, preliminary/final and interim financial statements, interim management statements and the Annual General Meeting. In addition, the Chief Executive Officer and Chief Financial Officer jointly give presentations to institutional shareholders and analysts immediately following the release of the preliminary/final and interim results. These presentations are made available on the Matomy website, www.matomy.com.

The Non-Executive Directors are available to meet with major shareholders to discuss issues of importance to them, should a meeting be requested.

Annual general meeting

Voting at the 2015 Annual General Meeting will be by way of poll. The results of the voting at the Annual General Meeting will be announced and details of the votes will be available to view on the Matomy website, www.matomy.com, as soon as possible after the meeting.

Directors' Remuneration Policy

This section of the report sets out the remuneration policy for Executive Directors and Senior Managers, which shareholders will be asked to approve at the 2015 AGM. The Israeli Companies Law and the regulations adopted thereunder require the Remuneration Committee to adopt a policy for the Remuneration of Directors and Executive Offi¬cers, referred to in this section as "offi¬ce holders".

The Remuneration policy must be approved at least once every three years by the Shareholders at a general meeting. The Remuneration Committee intends that this policy will formally come into effect upon approval at the 2015 AGM.

The information provided in this part of the Directors' Remuneration Report is not subject to audit.

Policy overview

Matomy aims to provide a remuneration structure that is aligned with shareholder interests and, as such, is competitive in the marketplace to attract, retain and motivate Executive Directors and Senior Managers of superior calibre in order to deliver continued growth of the business.

The Group's policy is that performance-related components should form a significant portion of the overall remuneration package, with maximum total rewards being earned through the achievement of challenging performance targets based on measures that reflect the best interests of shareholders.

Consideration of shareholder views

The Remuneration Committee will consider shareholder feedback received in relation to the AGM each year at its next meeting following the AGM. This feedback, plus any additional feedback received during any meetings from time to time, will then be considered as part of the Group's annual review of remuneration policy. In addition, the Committee will seek to engage directly with major shareholders and their representative bodies should any material changes be made to the remuneration policy.

Consideration of employment conditions elsewhere in the Group

The Remuneration Committee does not formally consult employees in relation to remuneration policy for Executive Directors and/or Senior Managers. However, Matomy regularly carries out engagement surveys which enable employees to share their views with management. To the extent that employees are shareholders, they can vote on this policy at the AGM.

Remuneration Policy for Executive Directors and Senior Executives

Pursuant to the Israeli Companies Law 5759-1999 (the "Companies Law") as amended by Amendment 20, a public company must adopt a remuneration policy, recommended by its remuneration committee and approved by the board of directors and the shareholders, in that order. In general, all senior executives' terms of remuneration — including fixed remuneration, bonuses, equity remuneration, retirement or termination payments, indemnification, liability insurance and the grant of an exemption from liability — must comply with the company's remuneration policy.

Furthermore, pursuant to Matomy's Remuneration Committee terms of reference (the "TOR"), the Policy (as defined herein) must include also the following principles: (i) a significant proportion of a Senior Executive's remuneration should be structured so as to link rewards to individual performance and performance of Matomy; (ii) the link between variable compensation and long-term performance and measurable criteria; (iii) the relationship between variable and fixed compensation, and the ceiling for the value of variable compensation; (iv) the conditions under which a Director or a Senior Executive would be required to repay variable compensation paid to him or her if it was later shown that the data upon which such variable compensation was based was inaccurate and was required to be restated in the Company's financial statements; (v) the minimum holding or vesting period for variable, equity-based compensation whilst referring to appropriate a long-term perspective based incentives; and (vi) maximum limits for severance compensation.

According to the aforesaid, Matomy has designed this remuneration policy (the "Policy") in order to comply with the Israeli Companies Law and the TOR. This Policy will be brought to the approval of Matomy's Remuneration Committee (the "Remuneration Committee") and Matomy's Board of Directors (the "Board of Directors"), and once adopted by Matomy's shareholders (the "Shareholders"), shall serve as Matomy's Remuneration Policy for the three-year period commencing as at the date of its adoption by the Shareholders (or by the Board of Directors in case each of the Remuneration Committee and the Board of Directors elects to exercise the power granted to it by the Israeli Companies Law to overrule the Shareholders resolution, in accordance with the terms stated therein).

The employment terms of all new Senior Executives (as defined below), as well as any amendments to existing employment terms of any Senior Executives, will be determined in accordance with this Policy. We intend, in the framework of the periodic review of employment agreements that is required by law and under this Policy or the TOR, to consider, among other considerations (that are detailed below), any required adjustments of the terms of employment to the Policy, if any, taking into consideration the contribution of such Senior Executive to our performance, the growth of our business and the best interests of Matomy.

The adoption of this Policy does not confer rights to Senior Executives to any of remuneration's components set forth herein. Senior Executives will only be entitled to the remuneration components that will be specified in his or her applicable employment agreement and/or the mandatort requirements of any applicable law.

All capitalised terms not otherwise defined herein shall have the meaning ascribed to them in the Israeli Companies Law and the regulations promulgated thereunder.

Compensation philosophy and objectives

We believe that the most effective executive remuneration program is one that is designed to reward achievement to encourage a high degree of execution, and that aligns executives' interests with those of Matomy and its Shareholders by rewarding performance, with the ultimate objective of building a sustainable company together with improving Shareholder value. We also seek to ensure that we maintain our ability to attract and retain leading employees in key positions and that the remuneration provided to key employees remains competitive relative to the remuneration paid to similarly situated executives of a selected group of our peer companies and the broader marketplace from which we recruit and compete for talent.

In light of the above, we have established the following remuneration objectives for the Company's executives (the Chief Executive Officer, Chief Financial Officer, Senior Vices Presidents, and all other managers directly subordinated to the CEO, in Israel, whether they are employed by Matomy; all shall be referred to herein as the "Senior Executives"), as indicators of our overall remuneration philosophy:

- Remuneration should be related to performance. We believe that part of the remuneration paid to the Senior Executives should be aligned with the performance of Matomy on both a short- and long-term basis, with a portion of a Senior Executive's potential annual performance-based incentive remuneration and long-term equity-based remuneration at risk if Group and individual performance objectives are not achieved.
- Remuneration should serve to encourage Senior Executives to remain with Matomy. The Policy's components are designed to retain talented executives. We believe that continuity of employment is critical to achieving Matomy's strategic objectives and building Shareholder value. A significant element of the Policy, therefore, is long-term equity-based incentive remuneration awards that vest on a rolling basis over periods of several years. As part of the retention objective, we believe that remuneration should include a meaningful stock component to further align the interests of Senior Executives with the interests of the Shareholders. In addition, since a competitive Policy is essential to our ability to attract and retain highly skilled professionals executive officers, Matomy will seek to establish a remuneration program that is competitive with the remuneration program paid to executive officers in equivalent companies (as defined below).
- Remuneration should be reasonable for our business, our locations and our long-term, multi-year approach to achieving sustainable growth. We believe that an appropriate remuneration package will attract executives and motivate them to achieve Matomy's annual and long-term strategic objectives. At the same time, we believe that remuneration should be set at reasonable and fiscally responsible levels.
- Remuneration should be managed to encourage initiative innovation and appropriate levels of risk. We believe incentive remuneration should be structured to discourage assumption of excessive short-term risk without constraining reasonable risk-taking. To achieve this objective, we believe that the success of Matomy over time will be more effectively assured by connecting a portion of the incentive remuneration to longer-term Group performance.

General process for setting remuneration

The Remuneration Committee shall first determine the appropriate level of total remuneration for each position held by a Senior Executive, then determines the appropriate allocation among annual base cash remuneration, annual performance-based cash incentive remuneration (cash bonus) and long-term stock incentive remuneration, based upon the Remuneration Considerations (as defined below).

In determining the total remuneration, the Remuneration Committee shall take into account the following considerations (collectively, the "Remuneration Considerations"):

(i) the education, professional experience and achievements of the applicable Senior Executive;

(ii) the applicable Senior Executive's position at Matomy, scope of responsibilities, his contribution to the Company, the circumstances of his recruitment and the terms of prior employment agreements with the Company (if any);

(iii) the financial conditions of the Company, the global scope of its business (having world-wide substantial subsidiaries), the complexity of the Company's business and the fact that Matomy's shares are traded on the London Stock Exchange;

(iv) comparison of the terms of employment of the applicable Senior Executive to the terms of employment of other executives at Matomy, as well as to terms of employment of senior executives in the same position in equivalent companies (similar industry, similar revenues, similar market value, similar scope of activities and/or similar number of employees) in each of the relevant jurisdictions in which they are employed, to the extent relevant (the "Equivalent Companies"); and

(v) the ratio between the total remuneration of the applicable Senior Executive and the salary of all other employees of Matomy and its subsidiaries, especially the ratio between the total remuneration and the median and average salary of all such employees.

The total remuneration of Senior Executives shall be reviewed annually, taking into account the Remuneration Considerations and focusing mainly on the applicable Senior Executive's contribution, performance, Matomy's business and financial status, Matomy's budget and other applicable market conditions.

A change of up to 10% in the total remuneration of any Senior Executive (other than the CEO) shall be deemed immaterial and shall only require the approval of the Remuneration Committee.

A change of up to 10% in the total remuneration of the CEO shall require the approval of both the Remuneration Committee and the Board of Directors.

Any change in the total remuneration of any Senior Executive (including the CEO) which is greater than 10% shall be subject to receipt of all the required approvals and consents in accordance with applicable law.

Elements of remuneration

The remuneration of Senior Executives consists of all or part of the following: (i) annual base cash remuneration, (ii) annual performance-based cash incentive remuneration, (iii) long-term equity-based (shares) remuneration; (iv) other executive benefits; and (v) retirement and termination of service or employment arrangements.

The targeted ratio between the fixed elements of remuneration (Base Salary and other executive benefits) and the variable elements of remuneration (Bonus and long-term equity-based remuneration) shall be as follows*:

	CEO	Senior Executives (excluding the CEO)
Annual Base Salary	100%	100%
Other fixed benefits	30%-40%	30%-40%
Annual Bonus	up to 75%	up to 50%
Equity (per vesting annum)**	up to 3%	up to 1.5%

* The percentages above, except equity, reflect ratios compared to the annual Base Salary.
** Commencing as at July 2014 and reflect the percentage out of the issued share capital.

Details of each element of Compensation follows:

Annual base cash remuneration

The Senior Executives' base salary (the "Base Salary") is a fixed, cash component of overall remuneration, which is reviewed and may be adjusted periodically based on a variety of factors, including Executive performance, Company performance, general economic conditions and the subjective business judgement and general business experience of the members of the Remuneration Committee, always taking into account the Remuneration Considerations.

Base Salary ranges are designed to account for varying responsibilities, experience and performance levels. The Base Salary shall not exceed the maximum threshold for annual Base Salary: (i) for Senior Executives (excluding the CEO) – 1,500,000 NIS; and (ii) for the CEO – 1,800,000 NIS.

Any annual increase up to 5% in the Base Salary of the CEO or CFO which is linked to an increase in Matomy's EBITDA and its subsidiaries on a linear basis for the relevant year shall only require the approval of the Remuneration Committee .

Annual performance-based Incentive cash remuneration

Matomy's annual performance-based incentive cash remuneration (the "Bonus") program is designed to tie Executive remuneration to the Group's performance and to encourage Senior Executive's to remain with Matomy. The Bonus program for certain Senior Executives is based on the achievement of financial and/or personal thresholds. Such thresholds may be measurable financial or personal thresholds. The Remuneration Committee and the Board of Directors, as applicable pursuant to this Policy, shall set and designate the maximum permitted thresholds for a Bonus, subject to the approvals required under the Israeli Companies Law. The CEO shall be authorised to determine the annual criteria for payment of any Bonus which falls within the approved permitted thresholds to all Senior Executives (other than the CEO and the Directors), and the annual criteria for payment of the Bonus to the CEO shall be determined by the Remuneration Committee, all in accordance with the provisions of the Policy.

Unless expressly approved otherwise, the Bonus shall not be deemed as part of the salary for all purposes including social benefit and severance payments.

The criteria on which the annual Bonus are based shall be calculated as follows:

(i) **Company performance measures** — Revenues and/or EBITDA, measured against the targets of the annual budget, as approved by the Board of Directors, and/or work plan and/or analyst consensus of Matomy for the relevant year. The weight of Company Performance will constitute at least: (a) for the CEO and CFO – 55% of the total Bonus; and (b) for the other Senior Executives – 70% of the total Bonus.

(ii) **Personal performance measures** — The criteria shall be determined individually when such personal criteria are set. A list of personal Qualitative Goals is attached as Exhibit I hereto (the "Qualitative Goals"). The weight of Personal Performance will constitute up to: (a) for the CEO and CFO – 45% of the total Bonus; (b) for the other Senior Executives – 30% of the total Bonus.

With respect to measurable financial criteria the threshold for the payment of the annual Bonus will be set based on achievement of a certain percentage of one or more of the Company Performance measures.

In addition, the Board of Directors may, in its sole discretion, upon the recommendation of the Remuneration Committee, change the amount of the Bonus (increase or decrease), which changes may not be based on measurable criteria, taking into account, inter-alia, such Senior Executive contribution to Matomy's performance, as well as other events that affected the Group's financial and operational performance (such as the effect of exchange rate). However, such changes to the Bonus shall be immaterial (up to 10%) in comparison to the value of the variable (performance based) components of the remuneration of such Senior Executive.

If Matomy restates any of the financial data that was used in calculating any Bonus (other than restatement required due to changes in financial reporting standards), then the applicable Bonus shall be recalculated using such restated data (the "Restated Bonus"). The balance between the original Bonus and the Restated Bonus, if any (the "Balance") will be repaid to Matomy by deducting such Balance from the first amounts payable to such Senior Executive as Bonus immediately after the completion of such restatement. To the extent that no Bonus will be payable to such Senior Executive in that year then the Balance shall be deducted from the Bonus payable in the next year. Notwithstanding the above, if (i) the Senior Executive's employment relationship with Matomy terminates before the Balance is fully repaid to Matomy, than the Balance shall be deducted from all amounts due and payable to such Senior Executive in connection with such termination (subject to the limitations of any applicable law); and (ii) the Balance is not repaid in full to Matomy during the two (2) consecutive years following the restatement, the Senior Executive shall repay the Balance, or the unpaid portion thereof (as applicable) pursuant to the terms that shall be determined by the Board of Directors, based on recommendation of the Remuneration Committee.

In the event of termination of employment during the calendar year the amount of the Bonus shall be calculated and adjusted for the entire year in accordance with the provisions of this policy, and thereafter shall be prorated in accordance with the actual days of employment of the Senior Executive by the Company during the applicable year (calculated based on 365 days in a year) and paid to the Senior Executive in full together with first salary that will be paid following the approval by the Board of Directors of the FS of such applicable year.

Long-term equity-based incentive remuneration

We believe that equity-based incentives tied to share ownership by Senior Executives are the most important component of total remuneration. The equity-based incentives are intended to reward the Senior Executives for future performance, as reflected by the market price of Matomy's ordinary shares and/or other performance criteria, and are used to foster a long-term link between Senior Executives' interests and the interest of the Company and its Shareholders, as well as to attract, motivate and retain Senior Executives for the long term by: (i) providing Senior Executives with a meaningful interest in Matomy's share performance; (ii) linking equity-based remuneration to potential and sustained performance; and (iii) spreading benefits over time through the vesting period mechanism. The decision on equity-based incentives grant shall take into consideration each Senior Executive's position, scope of responsibilities as well as his or her past performance and contribution to Matomy.

Matomy may issue each Senior Executive options to purchase the Company's shares in accordance with the requirements of Section 102 of the Israeli Income Tax Ordinance [New Version], 5721-1961, as may be amended from time to time or any other applicable tax regimes, pursuant to which the Company has adopted Supplementary Sub Plans Matomy Media Group Ltd. 2012 Equity Benefit Plan, (as amended (the "EBP"). Pursuant to the Company the EBP and/or any other Sub-Plans adopted for jurisdictions outside of Israel and/or any other long-term incentive plan(s) that the Company may adopt in the future, as shall be determined by the Remuneration Committee and the Board of Directors.

The value of the long-term equity-based incentive remuneration (at the date of grant) per vesting annum (on a linear basis), for each Senior Executive shall not exceed: (i) for the CEO – up to 3% of the issued share capital; (ii) for other Senior Executives – up to 1.5% of the issued share capital; (iii) for new Senior Executive (as described below) – up to 1.5% of the issued share capital. Notwithstanding the aforesaid, the Remuneration Committee and the Board of Directors (subject to any additional required approvals) may determine to deviate from the above caps for the purpose of a one-time grant of long-term equity based incentive remuneration in connection with the recruitment of a new Senior Executive.

In order to align Senior Executive and investors' interest for creation of long term value, the long-term equity based incentive remuneration will include the following terms:

(i) the amount of options that may be granted shall be calculated in accordance with the ratio between the economic value (binomial/B&S) of such options and the total remuneration of the applicable Senior Executive in accordance with the ranges stated above;

(ii) the options shall vest in accordance with the terms of the EBP and may include provisions for acceleration of vesting in certain events, such as a merger, a consolidation, a sale of all or substantially all of our consolidated assets, the sale or other disposition of all or substantially all of our outstanding shares. Any amendment in the vesting schedules set out in the EBP with respect to Senior Executives, will be subject to receipt of the required approvals, including the Remuneration Committee and the Board;

(iii) the exercise price shall be determined by the Remuneration Committee, but in any event shall not be lower than fair market value as such terms is defined in the EBP; and

(i) subject to receipt of all the required approvals, the exercise of the options may be made by a cashless mechanism and the exercise price may be adjusted for dividend distribution.

We believe that having successive grants of options assists in achieving and maintaining the objectives of equity-based remuneration. Therefore, within the framework of the annual review of the remuneration of each Senior Executive, the Remuneration Committee may, based on the Remuneration Consideration, issue additional options to each Senior Executive, the quantity of which shall be at the levels which will range from 2%-5% of the Senior Executive's potential remuneration.

Other executive benefits

The Other Executive Benefits are used to provide certain benefits that are mandatory under the applicable law (ie, paid vacation, sick leave and pension plans), as well as to attract, motivate and retain highly skilled professionals executive officers and enabling recruitment of Senior Executive from various locations and their relocation.

Each Senior Executive shall be entitled to receive from the company an executive-level car for work and personal use, including all costs and grossing up of the tax value. The use of the car shall be subject the Company's polices, including with respect to payment of the excess amount in the event of accidents and payment of traffic and parking fines.

The Company shall reimburse the business expenses (that are properly documented and approved in accordance with Matomy's internal policies) of its Senior Executives.

The Company may make available to the Senior Executive, at the Company's cost, a company car, a cellular phone, a laptop computer and internet connection and a business daily newspaper.

Each Senior Executive is entitled to receive between 18 to 30 paid vacation days for each 12 months of employment.

Matomy may contribute on behalf of the Senior Executive, as allowed by the applicable law, to all or part of the following funds: (i) manager's insurance program and/or pension programs with pension funds; (ii) work disability insurance; and (iii) education fund ("Keren Hishtalmut"). All the payments and allowances will be calculated with respect to the entire Base Salary.

The benefits described above shall not constitute part of the remuneration for any purpose including with respect to payments or calculations relating to severance payments, pension entitlements allocation to managers' insurance, education fund, redemption of vacation days, etc.

Retirement and termination of service or employment arrangements

Matomy may provide post-service or employments benefits, remuneration or protection to its Senior Executives (the "Retirement Benefits"). The Retirement Benefits are used to attract and retain highly skilled professional executive officers, as well as express recognition of Senior Executives' contribution to Matomy during their tenure with the Company.

The retirement/termination arrangements may include one or more of the following, as may be approved by the Remuneration Committee and the Board of Directors (unless the termination is in circumstances that negate the payment of a severance amount pursuant to the applicable law):

(i) **Advance notice of termination** — The advance notice shall be as follows (the "Advance Notice Period"): (i) up to a maximum of six (6) months for the CEO; and (ii) up to a maximum of four (4) months for the other Senior Executives. The Senior Executives shall be obligated to work during such period, and the Company may decide, at its sole discretion, to waive actual work during that period, in whole or in part.

(ii) **Adjustment payments** — A Senior Executive may be entitled to adjustment payments as follows: (i) up to a maximum of six (6) months for the CEO; and (ii) up to a maximum of four (4) months for the other Senior Executives, provided that any overlap between the Advance Notice Period during which the Senior Executive is not working will be accounted for the purpose of calculating the total adjustment payment and deducted therefrom. The adjustment payments will be based on the employment term of each Senior Executive with the Company.

The Retirement Benefits will be determined based on the circumstances of such retirement or termination, the terms of service or employment of the Senior Executive, his or her remuneration package during such period, market practice in the relevant geographic location, Matomy's performance during such period and the Senior Executive's contribution to Matomy achieving its goals and maximising its profits.

The Remuneration Committee and the Board of Directors may, at their discretion, determine not to provide some or any Retirement Benefits, in the event of termination for "cause", which will be as defined in the applicable arrangement with the Senior Executive. In addition, the Remuneration Committee and the Board of Directors may determine that any or all Retirement Benefits will be granted in consideration for and/or conditional upon or subject to the fulfillment of one or more conditions or undertakings by the Senior Executive (ie, confidentiality and/or non-compete obligations).

Compensation of Directors

The Company aims to attract and retain highly talented Non-Executive Directors with the appropriate educational background, qualifications, skills, expertise, prior professional experience and achievements, by providing a competitive remuneration program for them.

Directors that are employees of Matomy or non-independent, ie, appointed by or representing a shareholder or a group of Shareholders of Matomy, shall not be entitled to any Directors' fees or other remuneration for their services as a Director, except for reimbursement of certain business expenses associated with service as a Director, such as payment of travel and lodging expenses when attending meetings of the Board of Directors outside their country of usual residence, subject to the prior approval of Matomy.

The External Directors and the Independent Directors shall be entitled to the fees and reimbursement of expenses payable pursuant to the Israeli Companies Law and the regulations promulgated pursuant thereto (as may be updated from time to time). The fees payable to External Directors and the Indipendent Directors shall be based on the relative method as described in the regulations promulgated pursuant to the Israeli Companies Law.

The Directors shall not be entitled to Bonus or Equity-Based Incentive Remuneration with regard to their service as Directors.

D&O insurance; indemnification and release

The Company will release its Directors and Senior Executives from liability and provide them with indemnification to the fullest extent permitted by the Israeli Companies Law and the Company's Articles of Association, and will provide them with indemnification and release agreements for this purpose (the "Indemnification and Release Agreement"). In addition, Directors and Senior Executives will be covered by D&O liability insurance policy ("D&O Insurance") with liability limits that shall not exceed $10,000,000 per event and subject of payment of premium at market range. The Company may purchase D&O insurance policies covering the liability of its Directors and officers as same shall be from time to time (including Directors or officers that are deemed a controlling shareholder of the Company or that are associated with the controlling shareholder(s) of the Company) provided that (i) the purchase of the such policy is in market terms and does not have material adverse effect on Matomy's assets liabilities or profitability, and (ii) such purchase has been approved by the Remuneration Committee.

The Remuneration Committee and the Board of Directors shall review the Indemnification and Release Agreement and the D&O Insurance from time to time, in order to ascertain whether they provide appropriate coverage.

Exhibit I

Qualitative goals — for the purposes of determining entitlement to annual bonus

- Implementation or completion of specified projects or processes;
- customer satisfaction;
- productivity;
- the formation of joint ventures;
- research or development collaborations, or the completion of other transactions;
- market share;
- completion of acquisitions of assets;
- acquisitions of businesses or companies;
- completion of divestitures and asset sale;
- greater geographic and product diversification;
- enhancing Matomy's succession planning and performance-driven culture by adding new talent in key roles;
- defending pending litigation matters and protecting Matomy's intellectual property;
- launching research and development initiatives;
- expansion of customer and strategic partner base;
- production performance;
- -creation and advancement of technology;
- development and management of the employee base;
- maintenance of worldwide regulatory compliance;
- improving technical achievements;
- adherence to ethical standards; and
- risk management.

Directors' Responsibilities Statement

Directors' responsibilities statement in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group Financial Statements and approve them in accordance with applicable laws and regulations.

Matomy's Articles of Association require the Directors to prepare Group Financial Statements for each financial year. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United Sates ("US GAAP").

Under Matomy's Articles of Association, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of their profit or loss for that period.

In preparing each of the Group Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the consolidated financial statements have been prepared in accordance with US GAAP principles; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain Matomy's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of Matomy and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Matomy website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The Board considers that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess Matomy's performance, business model and strategy.

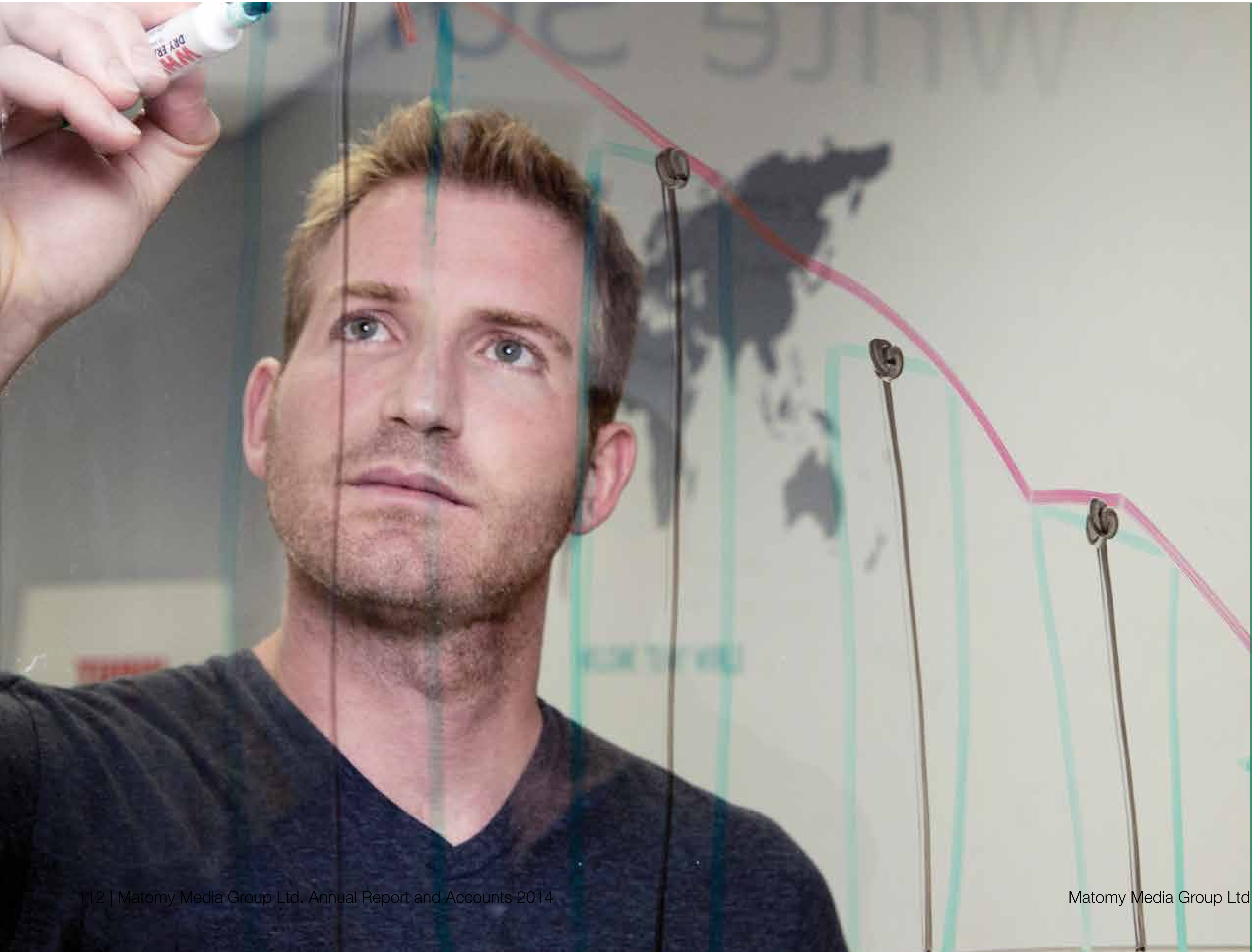
Directors' responsibilities statement pursuant to Disclosure and Transparency Rules 4.1.12R
Each of Matomy's Directors confirms that, to the best of his or her knowledge:

- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of Matomy and the undertakings included in the consolidation taken as a whole; and

- the management report, which comprises the Directors' Report and the Strategic Report, includes a fair review of the development and performance of the business and the position of Matomy and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

IDO BARASH
Company Secretary

4 Financial Statements



Independent auditor's report to the members of Matomy Media Group Ltd.

We have audited the accompanying consolidated financial statements of Matomy Media Group Ltd. and its subsidiaries ("the Company"), which comprise the consolidated balance sheets as of 31 December 2014 and 2013, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the two years in the period ended 31 December 2014, and the related notes to the consolidated financial statements.

Opinion on financial statements of Matomy Media Group Ltd.:
In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries at 31 December 2014 and 2013 and the consolidated results of their operations and their cash flows for each of the two years in the period ended 31 December 2014 in conformity with U.S. generally accepted accounting principles.

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

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

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

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

KOST FORER GABBAY & KASIERER
A Member of EY Global
5 March 2015
Tel Aviv, Israel

Consolidated balance sheets

Year ended 31 December 2014 (US dollars in thousands)

ASSETS	2014	2013
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**

Consolidated balance sheets

Year ended 31 December 2014 (US dollars in thousands)

LIABILITIES AND EQUITY	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**

Consolidated income statement

Year ended 31 December 2014
(US dollars in thousands, except earnings per share data)

	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**

Consolidated statement of comprehensive income

Year ended 31 December 2014 (US dollars in thousands)

	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 Financial Statements were approved by the Board of Directors and authorised for issue on 6 March 2015.
They were signed on its behalf by:

Ilan Shiloah
Chairman of the Board

Ofer Druker
Chief Executive Officer

Sagi Niri
Chief Financial Officer

Consolidated statements of changes in equity

Year ended 31 December 2014 (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.

Consolidated statements of changes in equity

Year ended 31 December 2014 (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.

Consolidated statements of cash flows

Year ended 31 December 2014 (US dollars in thousands)

	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)**

Consolidated statements of cash flows

Year ended 31 December 2014 (US dollars in thousands)

	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**

Consolidated statements of cash flows

Year ended 31 December 2014 (US dollars in thousands)

	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)**

Consolidated statements of cash flows

Year ended 31 December 2014 (US dollars in thousands)

	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	**$ -**

Consolidated statements of cash flows

Year ended 31 December 2014 (US dollars in thousands)

	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	**$ -**

Notes to Group financial statements

Year ended 31 December 2014
(US dollars in thousands, except where noted otherwise)

1. a. General information

Matomy Media Group Ltd together with its subsidiaries (collectively, "the Company") provides digital performance-based advertising 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.

1. b. Acquisitions

Acquisitions 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.

Continued Notes to Group financial statements

Year ended 31 December 2014 (US dollars in thousands, except where noted otherwise)

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.

Continued Notes to Group financial statements

Year ended 31 December 2014 (US dollars in thousands, except where noted otherwise)

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.

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

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

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.

Continued Notes to Group financial statements

Year ended 31 December 2014 (US dollars in thousands, except where noted otherwise)

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.

Continued Notes to Group financial statements

Year ended 31 December 2014 (US dollars in thousands, except where noted otherwise)

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.

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.

Continued Notes to Group financial statements

Year ended 31 December 2014 (US dollars in thousands, except where noted otherwise)

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**

Continued Notes to Group financial statements

Year ended 31 December 2014 (US dollars in thousands, except where noted otherwise)

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.

Continued Notes to Group financial statements

Year ended 31 December 2014 (US dollars in thousands, except where noted otherwise)

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.

	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

Acquisition of MobFox Mobile Advertising GmbH

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.

Continued Notes to Group financial statements

Year ended 31 December 2014 (US dollars in thousands, except where noted otherwise)

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 (five-year weighted-average useful life). Technology is amortised over its estimated useful life of four years on a straight-line basis.

2. Summary of significant accounting policies

Basis of preparation
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:

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.

Continued Notes to Group financial statements

Year ended 31 December 2014 (US dollars in thousands, except where noted otherwise)

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:

	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**

Continued Notes to Group financial statements

Year ended 31 December 2014 (US dollars in thousands, except where noted otherwise)

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.

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.

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.

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.

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.

Continued Notes to Group financial statements

Year ended 31 December 2014 (US dollars in thousands, except where noted otherwise)

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

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

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.

Continued Notes to Group financial statements

Year ended 31 December 2014 (US dollars in thousands, except where noted otherwise)

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.

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.

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.

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.

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").

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 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.

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.

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.

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.

Continued Notes to Group financial statements

Year ended 31 December 2014 (US dollars in thousands, except where noted otherwise)

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.

- **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:

	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%

Continued Notes to Group financial statements

Year ended 31 December 2014 (US dollars in thousands, except where noted otherwise)

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.

Concentration 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.

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.

Continued Notes to Group financial statements

Year ended 31 December 2014 (US dollars in thousands, except where noted otherwise)

The following table presents the notional amount of derivative instruments:

	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.

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.

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.

Continued Notes to Group financial statements

Year ended 31 December 2014 (US dollars in thousands, except where noted otherwise)

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.

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.

Recent 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.

3. Other receivables and prepaid expenses

	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**

Continued Notes to Group financial statements

Year ended 31 December 2014 (US dollars in thousands, except where noted otherwise)

4. Property and equipment, net

a. Cost:

	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.

5. Investment in affiliated companies

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

	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**

Continued Notes to Group financial statements

Year ended 31 December 2014 (US dollars in thousands, except where noted otherwise)

The above 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 US, 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.

6. Goodwill

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

	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**

Continued Notes to Group financial statements

Year ended 31 December 2014 (US dollars in thousands, except where noted otherwise)

7. Other intangible assets, net

a. Other intangible assets:

	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

Continued Notes to Group financial statements

Year ended 31 December 2014 (US dollars in thousands, except where noted otherwise)

8. Accrued expenses and other liabilities

a. Current:

	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:

	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.

Continued Notes to Group financial statements

Year ended 31 December 2014 (US dollars in thousands, except where noted otherwise)

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.

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 (EUR 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.

Continued Notes to Group financial statements

Year ended 31 December 2014 (US dollars in thousands, except where noted otherwise)

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

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.

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 27 March 2014 of 6-to-one bonus shares (equivalent to a 7-for-1 stock split).

Continued Notes to Group financial statements

Year ended 31 December 2014 (US dollars in thousands, except where noted otherwise)

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

	2014		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.

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

Continued Notes to Group financial statements

Year ended 31 December 2014 (US dollars in thousands, except where noted otherwise)

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.

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 contractua 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.

Continued Notes to Group financial statements

Year ended 31 December 2014 (US dollars in thousands, except where noted otherwise)

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.

Continued Notes to Group financial statements

Year ended 31 December 2014 (US dollars in thousands, except where noted otherwise)

12. Earnings per share

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

	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**

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.

Continued Notes to Group financial statements

Year ended 31 December 2014 (US dollars in thousands, except where noted otherwise)

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 31 December 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:

Continued Notes to Group financial statements

Year ended 31 December 2014 (US dollars in thousands, except where noted otherwise)

	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**
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.

Continued Notes to Group financial statements

Year ended 31 December 2014 (US dollars in thousands, except where noted otherwise)

NOTE 13: TAXES ON INCOME (Cont.)

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

	Year ended 31 December 2014	Year ended 31 December 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	Year ended 31 December 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	Year ended 31 December 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**

Continued Notes to Group financial statements

Year ended 31 December 2014 (US dollars in thousands, except where noted otherwise)

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.

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:

	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

Continued Notes to Group financial statements

Year ended 31 December 2014 (US dollars in thousands, except where noted otherwise)

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:

	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.

Continued Notes to Group financial statements

Year ended 31 December 2014 (US dollars in thousands, except where noted otherwise)

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.

1. Revenues from external customers:

	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.

Continued Notes to Group financial statements

Year ended 31 December 2014 (US dollars in thousands, except where noted otherwise)

15. Financial expenses, net

	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)**

Matomy Media Group Ltd. Shareholder information

Company Secretary
Ido Barash

Registered Office
6 Hanechoshet Street
Tel Aviv 6971070
Israel

Investor Contact
Keith Trivitt
Matomy Media Group Ltd.
6 Hanechoshet Street
Tel Aviv 6971070
Israel
T: +1 646 264 0144
E: ktrivitt@matomy.com

Registrars
Capita Registrars (Guernsey) Limited)
Longue Hougue House
St Sampson
Guernsey GY2 4JN

Auditors
Kost Forer Gabbay & Kasierer
A member of Ernst & Young Global
3 Aminadav Street
Tel Aviv 6706703
Israel

Legal Advisers to Matomy as to US and English law
Simmons & Simmons LLP
CityPoint
One Ropemaker Street
London EC2Y 9SS
United Kingdom

Legal Advisers to Matomy as to Israeli law
S. Friedman & Co.
2 Weizmann Street
Tel Aviv 61330
Israel

Joint Corporate Brokers
Canaccord Genuity Limited
88 Wood Street
London EC2V 7QR
United Kingdom

Shore Capital Group
14 Clifford Street
London W1S 4JU
United Kingdom

Company website
Investor and shareholder related information can be found on the Company website at: investors.matomy.com