FOR IMMEDIATE RELEASE
28 August 2015

Matomy Media Group | 2015 Interim Results

Interim results for six-month period ended 30 June 2015

Matomy Media Group Ltd., one of the world's leading digital performance-based advertising companies, announces its interim results for the six-month period ended 30 June 2015.

Strong growth in mobile, video, email and domain monetisation activities, driven by enhanced programmatic capabilities

Non-GAAP Financial Highlights

($ millions)	H1 2015	H1 2014PF*	Change
Revenue	125.0	129.1	(3.2)%
Adjusted gross profit	34.2	37.4	(8.6)%
Adjusted EBITDA	9.7	12.7	(24.0)%

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

GAAP Financial Highlights

($ millions)	H1 2015 GAAP	H1 2014 GAAP	Change
Revenue	125.0	107.6	16.2%
Gross profit**	27.9	28.8	(2.9)%
Operating profit**	3.2	6.5	(51.8)%
Pre-tax profit**	2.5	13.9	(82.0)%
Net income**	1.5	12.6	(88.1)%
Earnings per share**	0.01	0.18	(94.4)%

** *GAAP financial data in H1 2014 included a one-time accounting gain of $7.3 million, attributable to the acquisition of Team Internet. Additionally, the H1 2015 results include amortisation charges of $4.1 million, attributable to the acquisitions of Team Internet, MobFox and Avenlo, which occurred after H1 2014. Without the effect of these adjustments, the results would have been as follows:*

($ millions)	H1 2015	H1 2014	Change
Gross profit	29.8	28.8	3.5%
Operating profit	7.3	6.5	12.3%
Pre-tax profit	6.6	6.6	0.0%
Net income	4.5	5.3	(15.1)%
Earnings per share	0.04	0.08	(51.0)%

Business and operating highlights

- Revenue increased 16.2% to $125.0 million on a GAAP basis (H1 2014: $107.6 million).
- Continued growth of strategic business activities:
    - Aggregate mobile traffic across all media channels contributed approximately 28% of Group revenue (H1 2014: 12%);
    - Aggregate programmatic advertising activity across all media channels represented nearly 60% of Group activity;
    - Video activity revenue increased 81% to $25.2 million (H1 2014: $13.9 million);
    - Social media activity revenue increased 24% to $8.4 million (H1 2014: $6.8 million);
    - Mobile activity (mobile web and in-app) revenue increased 19% to $13.4 million (H1 2014: $11.3 million);
    - Email activity revenue grew 28% to $12.2 million, due to improved data and deliverability capabilities; and
    - Aggregate domain monetisation activity increased 9% to $21.6 million (H1 2014: $19.8 million on a pro-forma basis), supported by proprietary programmatic capabilities.
- Acquired a 70% majority stake in data-driven email marketing business Avenlo, which helped the Group's email activity grow by 27% in Q2 2015 from the previous quarter.
- Completed the full technical and operational integration of MobFox, strengthening Matomy's mobile programmatic advertising capabilities, industry relationships and client base.
- Strong balance sheet maintained in H1 2015, whilst net cash increased to $26.6 million (H1 2014: $21.9 million net debt) due to funds raised in Matomy's 2014 initial public offering.
- The ongoing industry-wide shift towards real-time bidding and programmatic advertising (collectively "RTB") has triggered several changes in Matomy's operational and business structure, which include: increased focus on the Group's mobile activity; additional investment in the US market, supported by the relocation of Matomy's CEO to New York; strengthening the dedicated programmatic advertising unit; and increased technological focus on these activities.
- The shift towards RTB has also triggered restructuring of the existing business units to leverage operational advantages and provide a unified media offering that supports shorter service and decision-making cycles for both advertising clients and media partners.
- Following its 23 April 2015 trading update, Matomy is confident that the changes it made place it firmly on the path towards sustained, long-term operational and financial success.
- Based on current business trends, Matomy's Board expects the Group to deliver full-year adjusted EBITDA in the range of $25 million – $27 million, broadly in line with previous guidance.

Ofer Druker, Chief Executive Officer of Matomy, said:

"The digital advertising industry is undergoing significant changes that are causing certain disruptions to different aspects of the marketplace. As such, we experienced a challenging first half of the year in the display business unit. However, these challenges have validated our diversified business model, and contributed to increased focus on our main strategic growth engines through enhanced programmatic capabilities, as well as to the strength of our recent acquisitions. These are now all strong pillars of our global activity.

"Our Board and management team support the strategic and operational changes we implemented to grow our business. We have seen particularly strong momentum since June, reflecting some of the actions we took to reorganise and refocus certain parts of the business around our strategic growth drivers. Additionally, we have completed the integration of the business activities of MobFox, and are in near-final stages of completion of the full integration with Avenlo. Taken together, these developments are helping to accelerate the year-on-year growth of our mobile, video and programmatic-based activities, all of which support the achievement of our operational and financial targets for the year.

"We are confident that the changes we have made to our operations, combined with further planned investments and prudent cost reductions, will strengthen our market position and drive our long-term profitable and sustainable growth."

Enquiries:

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

Matomy will host an analyst conference call at 11.00am BST / 6.00am EDT Friday 28 August 2015 to discuss these results. Matomy CEO Ofer Druker, and CFO Sagi Niri, will host the call. The conference call can be accessed at +44 (0) 808 238 9578 (UK), +1 888 771 4371 (US) or +972 1809 212 582 (Israel), conference ID# 4043 3226.

About Matomy Media Group Ltd.

Matomy Media Group Ltd. (LSE:MTMY) is one of the world's leading digital performance-based advertising companies, delivering results across web, mobile and social media platforms. Matomy provides a single gateway to all digital media channels, and combines internal media capabilities with advanced optimisation technology to ensure quality leads and sales for its advertising clients and maximum monetisation for its media partners. Matomy's multi-channel performance-based advertising solutions include: a display ad network; mobile, social and video advertising; email marketing; search marketing and search engine optimisation; an incentivised advertising platform; and domain monetisation.

For more information:
www.Matomy.com
Facebook: www.facebook.com/MatomyMediaGroup
Follow Matomy on Twitter: @MatomyGroup
LinkedIn: www.linkedin.com/company/matomy-media-group

Notes to Editors

1. ***Active customers***

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

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

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

3. ***Adjusted EBITDA***

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

CHAIRMAN and CHIEF EXECUTIVE OFFICER'S STATEMENT

Introduction

The first half of the year was challenging due to shifting marketplace conditions and the internal regulation changes made by some of Matomy's media trading partners, which we reported in our 23 April 2015 trading update. Immediately following these changes, we made several important adjustments to Matomy's business activities, and reorganised key parts of our operations, to ensure the Group is better positioned to meet the evolving and expanding needs of its advertising clients and media partners. These improvements helped make June our best trading month of the year to date, with a strong uptick in revenues from our mobile, programmatic, email and domain monetisation activities. Each of these activities will be important revenue drivers for Matomy in the second half of the year.

As part of the corporate reorganisation, we lowered operational costs in the first half of the year due to our programmatic capabilities maturing and scaling to a level that allowed us to replace certain higher-cost managed media activities with lower-cost programmatic capabilities. Matomy's strong media channel diversification further benefitted the Group in H1 2015 by offsetting a decline in our display activity with significant revenue increases in our strategic growth activities of mobile, social and video advertising, as well as growth in our email and domain monetisation activities. Additionally, we have seen positive indications from the recently integrated operations of MobFox and Avenlo, with Avenlo in particular helping Matomy save on data acquisition costs associated with the Group's email marketing activity.

We are particularly pleased with the growth in our mobile activity, with aggregate mobile traffic across all media channels contributing approximately 28% of Group revenues in the first half of the year (compared to 12% in H1 2014), bringing us closer to our stated goal of generating at least 50% of revenues from mobile activity within five years.

Heading into the second half of the year, we anticipate operational and financial improvements within the Group, primarily attributable to four distinct yet interrelated developments. These are:

- **Growth in Matomy's mobile and programmatic advertising capabilities and activity.** The acquisitions in H2 2014 and H1 2015 of MobFox and Avenlo, respectively, have added considerable new mobile and programmatic advertising capabilities to the Group. In H1 2015, we completed the technical and operational integration of the MobFox business, ensuring that all facets of Matomy's performance-based advertising activities are able to benefit from the mobile programmatic advertising and real-time bidding (RTB) capabilities and enhanced technology that MobFox brings to our business. The MobFox business continues to grow, both in terms of capabilities and revenue, and is helping spur further revenue growth across several of Matomy's digital media channels.

- **Enhanced data-driven email marketing capabilities as a result of the Avenlo acquisition.** The addition of Avenlo, a market leader in data-driven email acquisition marketing and ad targeting, further supports the Group's growing email marketing activity. Data-driven services are a crucial element in performance-based advertising, and the data analysis and ad targeting capabilities that Avenlo provides will assist Matomy across all of its media channels.
- **The relocation of the Group's Chief Executive Officer to its New York City office.** In a 20 July 2015 strategic update, Matomy announced that Chief Executive Officer Ofer Druker would be relocating to the Group's New York City office from his former base at Matomy's global headquarters in Tel Aviv, Israel. Mr Druker's relocation is a key strategic step as part of the Group's increased focus on the large and growing North American digital advertising market. The US represents the largest near-term market opportunity for sales, partners and investors for Matomy. As such, Matomy intends to invest additional resources in its mobile, social and video advertising capabilities, as well as its programmatic and data-driven services, all of which present significant near-term growth opportunities in the Americas. Having Mr Druker based in the United States bolsters Matomy's global expansion plans, and enables the Group to capitalise on North American-based opportunities, further strengthening Matomy's relations with business partners and potential investors. Mr Druker continues to have full management oversight of Matomy, in line with his role as Group Chief Executive.
- **Strengthened corporate structure.** At the outset of 2015, we identified the need to strengthen Matomy's corporate structure to reflect the needs of a publicly traded company and allow our CEO to concentrate on strategic value, enhancing new and existing activities and ensuring retention of our key operational and business leaders. As such, we initiated a corporate restructuring plan that sharpened focus of Matomy's business units and improved the Group's service offering, customer experience, efficiency and innovation in support of its overall growth strategy. Additionally, Chief Financial Officer Sagi Niri has assumed additional operational responsibilities to ensure comprehensive operational and financial oversight and strategic guidance for all aspects of the business in all markets in which the Group operates.

We are pleased with how Matomy weathered several marketplace changes that occurred in the first half of 2015. We made considerable investments in key aspects of our business, particularly within our mobile, email and programmatic capabilities, which we believe will enable us to benefit from continued advertiser demand for these activities. Furthermore, we made prudent cost reductions in all parts of our business, which have helped strengthen our operational and financial position heading into the important second half of the year. We look forward to further strengthening our global performance-based advertising capabilities as we seek additional growth and expansion, as well as a strong increase in shareholder value.

Market overview

There are a number of important structural trends driving the growth of the rapidly evolving digital advertising sector in which Matomy operates. 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 advertising budget. 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 $194.5 billion in 2018, just $20 billion behind worldwide TV ad spend.

Mobile, social and video advertising are playing an increasingly important role in shaping the online ad industry. Connected devices are accelerating consumer access to high-speed mobile networks and enabling consumers to watch and interact with online content anytime, anywhere. The development of the “always-on, always-connected” environment has shifted consumers from a “lean-back” digital media experience via desktop devices to a “lean-forward” experience in which mobile and tablet devices increasingly are their first engagement point with brands and advertising. This trend is propelling rapid developments and marketplace shifts, as advertisers seek new and more efficient ways to engage and acquire new and existing customers that align with consumers’ changing digital media consumption habits.

One of these important marketplace shifts is the recent growth of programmatic advertising. Already widely accepted in the US and Western European markets, programmatic advertising technologies are reshaping the way digital media inventory is bought and sold. 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 will reach $14.2 billion by 2016 from an estimated $4.4 billion in 2014.

In an industry of this nature, it is essential constantly to evolve and adapt, something Matomy has demonstrated well over the course of the history of the business. Matomy will therefore look to continue to develop and invest in its existing and new capabilities, and will respond in an agile fashion to industry developments.

H1 2015 operating performance*

In the first half of 2015, Matomy's revenue improved by $17.4 million, to $125.0 million on a GAAP basis (H1 2014: $107.6 million). This growth was driven by the acquisitions made in 2014 and 2015, a significant increase in video revenues and continued strong trading performance by the Group’s mobile and social advertising activities. Active advertising customers increased by 215% to 5,183 (H1 2014: 1,644). This increase includes additional active advertising customers attributable to the acquisitions of Team Internet, Mobfox and Avenlo.

The growth in the mobile and video activities is particularly encouraging as both represent key areas of strategic focus for Matomy across all geographic regions of Group operations. Revenues from mobile web and in-app activity increased by $2.1 million, or 19%, to $13.4 million for the six-month period ended 30 June 2015 from $11.3 million in the same period last year. This growth is partially attributable to strong trading performance and profitability from the acquired MobFox business. Aggregate mobile traffic across all media channels contributed approximately 28% of Group revenue on a pro-forma basis (H1 2014: 12%). Similarly, Matomy’s video activity experienced considerable growth in H1 2015 due to increased advertiser demand, particularly in the key North American market. Revenues from video activity in H1 2015 reached $25.2 million, representing 81% growth from the same period last year.

Matomy’s acquisition in June 2014 of a controlling stake in Team Internet, the German domain monetisation and direct search navigation business, continues to pay off in terms of enhanced performance-based and programmatic advertising capabilities, as well as significant revenue growth from this activity. Team Internet produced revenue of $25.5 million in H1 2015 compared to $21.5 million in H1 2014 (on a non-consolidated pro-forma basis), a 19% increase. Team Internet offers considerable synergies with the Group's performance-based advertising capabilities, such as email and web performance-based services, both of which have already started to generate significant new revenue streams for the Group.

Geographically, Matomy saw its strongest growth in the Americas (including North and South America) with revenue up $11.4 million, to $77.3 million (H1 2014: $65.9 million). This growth was mainly attributable to continued growth in the video media channel, which is primarily located in the United States, as well as enhanced email revenues due to the Avenlo acquisition with its primarily North American customer base.

The increase in the Americas was offset by a small decrease in European revenues of $2.0 million, to $30.1 million in the six-month period ended 30 June 2015 (H1 2014: $32.1 million). This decrease reflects Matomy’s increased activity in the mobile and video channels, which are more focused in the Americas than in Europe.

During the first half of 2015, Matomy focused its R&D activity mainly in developing further automation and efficiency capabilities to its platform, including RTB and continuous integration and adaptability of the Group's proprietary performance-based advertising platform to support all of its media channels. This was done in conjunction with additional improvements to Matomy's programmatic media buying capabilities and business intelligence infrastructure.

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

Outlook

After a challenging first half of the year for our industry, our business has seen more positive momentum across June, July and August. Despite the sector having inherently limited forward visibility, we continue to focus on the growth engines of programmatic, mobile and performance, and have undertaken a determined cost reduction across the business. On this basis, we now expect our adjusted EBITDA for the full year to be in the range of $25 million – $27 million, broadly in line with previous guidance.

Ilan Shiloah — **Ofer Druker**
Chairman — **Chief Executive Officer**

OPERATING REVIEW*

Revenues by Media Channel

The following table sets out Matomy's revenues by media channel for the six-month period ended 30 June 2015 and 2014.

Six-month period ended 30 June

($ millions)	**2015**	**2014**
Display and video	64.0	70.1
Mobile (web and in-app)	13.4	11.3
Email	12.2	9.5
Social	8.4	6.8
Domain monetisation	21.6	-
Other(1)	5.4	9.9
Total	**125.0**	**107.6**

(1) Primarily comprised of revenues from the Search and virtual currency / incentivised media channels.

Display and video

Display and video media channel revenues decreased by $6.1 million, or 9%, to $64.0 million for the six-month period ended 30 June 2015 from $70.1 million in the same period last year. Whilst there was significant growth in the video media channel ($11.3 million, representing 80% growth), the display media channel was affected by changes in the digital advertising ecosystem that were driven by increased regulations affecting both media supply and advertiser demand.

Mobile (web and in-app)

Mobile media channel revenues increased by $2.1 million, or 19%, to $13.4 million for the six-month period ended 30 June 2015 from $11.3 million in the same period last year. This increase was driven primarily by improvements to Matomy's auction mechanism that improved optimisation of the Group's CPM value and the establishment of new methodologies for its demand-side platform. Additionally, the completion of the integration of the technical and operational components of the MobFox mobile programmatic business bolstered Group mobile activity and revenues.

Email

Email media channel revenues increased by $2.7 million, or 28%, to $12.2 million for the six-month period ended 30 June 2015 from $9.5 million in the same period last year, due to an increase in the use of data and improved deliverability capabilities. Additionally, the acquisition of the data-driven email marketing business Avenlo contributed to increased demand from the Group's advertising clients and new sources of media partners.

Social

Social media channel revenues increased by $1.6 million, or 24%, to $8.4 million for the six-month period ended 30 June 2015 from $6.8 million in the same period last year due to an increased focus on sales to new clients, particularly those obtained via Matomy's digital advertising agency partners.

Domain monetisation

Domain monetisation media channel revenues are derived from Team Internet, which Matomy acquired in June 2014. Its results are consolidated from July 2014 onwards.

Other media channels

Other media channel revenues decreased by $4.5 million, or 45%, to $5.4 million for the six-month period ended 30 June 2015 from $9.9 million in the same period last year. This decrease is due to diminished activity within the Group's virtual currency and search business units.

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

FINANCIAL REVIEW

Revenue

In the first half of 2015 Matomy's revenue improved by $17.4 million, to $125.0 million, on a GAAP basis (H1 2014: $107.6 million). This growth was driven by the acquisitions made in 2014 and 2015, together with a significant increase in video revenues and solid trading performance from the Group's social and mobile activities.

Cost of sales and other expenses

Cost of revenues for the Group increased by $18.3 million, or 23%, to $97.1 million (77.6% of total revenues) for the six-month period ended 30 June 2015 from $78.8 million (73.2% of total revenues) in the same period last year. Cost of revenues was significantly affected by the amortisation of certain intangible assets acquired during the past year. Excluding the amortisation of intangible assets acquired during the past year, cost of revenues would have increased by 21% to $95.2 million (76.1% of total revenues).

Operating expenses increased by $2.4 million, or 11%, to $24.7 million (H1 2014: $22.3 million). Operating expenses as a percentage of revenues were 20% (H1 2014: 21%). Excluding the amortisation of intangible assets acquired during the past year, operating expenses would have increased by $0.2 million to $22.5 million, or 18% of revenues.

Sales and marketing expenses increased 28% to $12.9 million (H1 2014: $10.0 million). This increase includes expenses attributable to acquisitions made in H2 2014 and H1 2015 (i.e., Team Internet, MobFox and Avenlo) of $1.3 million, amortisation expenses of $2.2 million from those acquisitions, and increased costs of $0.2 million attributable to Matomy becoming a publicly traded company. These increased expenses were offset by efficiency savings across the rest of the Group.

General and administrative expenses increased due to expenses attributable to consolidation of the H2 2014 and H1 2015 acquisitions of $0.7 million and costs of $0.2 million attributable to Matomy becoming a publicly traded company. Due to efficiency savings throughout the Group, this increase was fully offset and Matomy succeeded to achieve a Group-wide decrease of $0.1 million (1%) to $8.2 million (H1 2014: $8.3 million) in general and administrative expenses.

Research and development

Research and development expenses decreased by $0.3 million, or 7%, to $3.6 million (H1 2014: $3.9 million), primarily attributable to foreign currency fluctuations, efficiency savings made by unifying the management of the various R&D teams from the recent acquisitions under one centralised R&D management, and the effect of the H1 2014 and H2 2015 acquisitions, which increased R&D expenses by $0.7 million.

Equity gains

Net equity gains of affiliated companies were negligible for the six-month period ended 30 June 2015, compared with a gain of $7.6 million for the six-month period ended 30 June 2014. This decrease is due to the one-time gain recorded in June 2014 as a result of revaluing the prior equity interest in Team Internet held before Matomy acquired a controlling 70% stake. Subsequent to acquiring control of Team Internet, Matomy has not had any significant equity investments.

Taxes on income

Taxes on income decreased to $1.0 million for the six-month period ended 30 June 2015 (38% of income before taxes), compared to $1.3 million in the same period last year (20%). The change in effective tax rate was primarily due to the Team Internet acquisition, with German corporate taxes being higher than the Group average, and increased profits in Matomy USA.

Net income

Net income decreased by $11.1 million, or 88%, to $1.5 million for the six-month period ended 30 June 2015, compared to $12.6 million in the same period last year.

Earnings per share

Matomy's basic earnings per share decreased by $0.17 to $0.01 for for the six-month period ended 30 June 2015 (H1 2014: $0.18 EPS). This reflected the decreased net income due to the factors noted above.

Cash flow

Cash and cash equivalents increased by $28.3 million, or 198%, to $42.6 million as at 30 June 2015, compared to $14.3 million as at 30 June 2014.

Cash flows from operating activities of $9.0 million were higher in H1 2015 than in H1 2014 ($1.2 million), due to a combination of factors, in particular the effect of a decrease of $9.5 million in trade receivables during H1 2015. This reflected significantly increased collection efforts with customers, as well as reduced activity with customers with long payment terms.

Net cash used in investing activities of $9.8 million (H1 2014: $22.8 million) was mainly related to the Avenlo acquisition and advances paid for the purchasing of intangible assets, whilst in H1 2014 this was primarily related to the Team Internet acquisition.

Cash flows from financing activities also decreased to $4.4 million outflow (H1 2014: $24.3 million inflow), primarily due to a $21.6 million term loan taken out in H1 2014 to fund the acquisition of the controlling stake in Team Internet. As at 30 June 2015, Matomy had $16.0 million in term loans. Of those, $6.6 million are due within one year.

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 six-month period ended 30 June 2015.

Going concern

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

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

Principal risks

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

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

Forward-looking statements

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

Directors’ responsibility

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

By order of the Board:

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

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The Board of Directors
Matomy Media Group Ltd.

Review Report of Independent Auditors

We have reviewed the interim consolidated financial information of Matomy Media Group Ltd. and its subsidiaries (collectively "the Company"), which comprise the interim consolidated balance sheets as of 30 June 2015, and the related interim consolidated statements of net income, comprehensive income, changes in equity and cash flows for the six-month period ended 30 June 2015 and 2014.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the interim consolidated financial information in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial information in conformity with U.S generally accepted accounting principles.

Auditor's responsibility

Our responsibility is to conduct our reviews in accordance with auditing standards generally accepted in the United States applicable for reviews of condensed financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States, the objective of which is the expression of an opinion regarding the financial information. Accordingly, we do not express such an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the consolidated financial information referred to above for it to be in conformity with U.S. generally accepted accounting principles.

Kost Forer Gabbay & Kasierer

Tel Aviv, Israel
August 28, 2015

KOST FORER GABBAY & KASIERER
A Member of EY Global

INTERIM CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	30 June 2015 Unaudited	31 December 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 42,649	$ 47,988
Trade receivables	39,798	49,316
Other receivables and prepaid expenses	6,774	7,562
Total current assets	89,221	104,866
LONG-TERM ASSETS:		
Property and equipment, net	2,872	2,859
Other long-term assets	4,690	2,492
Investment in affiliated companies	2,035	2,051
Other intangible assets, net	34,864	26,916
Goodwill	86,730	75,094
Total long-term assets	131,191	109,412
Total assets	$ 220,412	$ 214,278

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

INTERIM CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	30 June 2015 Unaudited	31 December 2014
CURRENT LIABILITIES:		
Short-term bank credit and current maturities of bank loan	$ 6,647	$ 6,697
Trade payables	28,208	34,938
Accrued expenses and other liabilities	11,468	10,013
Deferred revenues	2,453	2,900
Total current liabilities	48,776	54,548
LONG-TERM LIABILITIES:		
Deferred tax liability	8,040	8,403
Accrued expenses and other liabilities	10,010	5,402
Bank loan	9,360	12,420
Total long-term liabilities	27,410	26,225
REDEEMABLE NON-CONTROLLING INTEREST	41,976	34,062
EQUITY:		
Matomy Media Group Ltd. shareholders' equity:		
Ordinary shares	239	236
Additional paid-in capital	96,269	93,977
Accumulated other comprehensive loss	(3,200)	(3,165)
Retained earnings	15,173	13,915
Treasury shares	(6,231)	(6,231)
Total Matomy Media Group Ltd. shareholders' equity	102,250	98,732
Non-controlling interests	-	711
Total equity	102,250	99,443
Total liabilities and equity	$ 220,412	$ 214,278

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

INTERIM CONSOLIDATED STATEMENTS OF NET INCOME

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

	Six months ended 30 June, 2015	Six months ended 30 June, 2014
	Unaudited	
Revenues	$ 125,015	$ 107,591
Cost of revenues	97,069	78,802
Gross profit	27,946	28,789
Operating expenses		
Research and development	3,636	3,895
Selling and marketing	12,866	10,028
General and administrative	8,231	8,339
Total operating expenses	24,733	22,262
Operating income	3,213	6,527
Financial expenses, net	734	259
Income before taxes on income	2,479	6,268
Taxes on income	(954)	(1,270)
Gain (loss) on remeasurement to fair value and equity gains (equity losses of affiliated companies) , net	(16)	7,628
Net income	1,509	12,626
Revaluation of redeemable non-controlling interest in subsidiaries	(57)	253
Net loss (income) attributable to redeemable non-controlling interests in subsidiaries	(196)	57
Net loss attributable to non-controlling interests in subsidiaries	2	74
Net income attributable to Matomy Media Group Ltd.	$ 1,258	$ 13,010
Basic earnings per ordinary and preferred shares	$ 0.01	$ 0.18
Diluted earnings per ordinary and preferred shares	$ 0.01	$ 0.16

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

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

U.S. dollars in thousands

	Six months ended 30 June,	
	2015	2014
	Unaudited	
Net income	$ 1,509	$ 12,626
Foreign currency translation adjustments	(35)	(36)
Comprehensive income	1,474	12,590
Revaluation of redeemable non-controlling interest in subsidiaries	(57)	253
Comprehensive loss (income) attributable to redeemable non-controlling interests in subsidiaries	(196)	57
Comprehensive loss attributable to other non-controlling interests in subsidiaries	2	74
Comprehensive income attributable to Matomy Media Group Ltd	$ 1,223	$ 12,974

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

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

U.S. dollars in thousands, except share data

	Ordinary shares		Preferred A shares		Additional paid-in capital	Accumulated other comprehensive income	Accumulated deficit	Treasury shares	Total Matomy Media Group Ltd. shareholders' equity	Non-controlling interests	Total equity
	Number	Amount	Number	Amount							
Balance as of 1 January 2014 (audited)	55,933,409	$ 138	15,267,119	$ 40	$ 23,698	$ 380	$ 5,989	$ (1,115)	$ 29,130	$ (7)	$ 29,123
Exercise of options	17,500	*)	-	-	19	-	-	-	19	-	19
Stock-based compensation	-	-	-	-	606	-	-	-	606	-	606
Treasury shares upon the acquisition of Team internet **)	(1,625,659)	-	-	-	-	-	-	(6,866)	(6,866)	-	(6,866)
Comprehensive income:											
Foreign currency translation adjustments	-	-	-	-	-	(89)	-	-	(89)	-	(89)
Net income	-	-	-	-	-	-	13,010	-	13,010	(74)	12,936
Balance as of 30 June 2014	54,325,250	$ 138	15,267,119	$ 40	$ 24,323	$ 291	$ 18,999	$ (7,981)	$ 35,810	$ (81)	$ 35,729

*) Represents an amount lower than $1.

**) See note 8c.

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

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

U.S. dollars in thousands, except share data

	Ordinary shares		Preferred A shares		Additional paid-in capital	Accumulated other comprehensive 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 2015 (audited)	90,290,596	$ 236	-	$ -	$ 93,977	$ (3,165)	$ 13,915	$ (6,231)	$ 98,732	$ 711	$ 99,443
Stock-based compensation	-	-	-	-	714	-	-	-	714	-	714
Exercise of options	791,900	2	-	-	761	-	-	-	763	-	763
Issuance of shares for Avenlo acquisition	298,670	1	-	-	871	-	-	-	872	-	872
change in parent's ownership interest in subsidiary	-	-	-	-	(54)	-	-	-	(54)	(709)	(763)
Comprehensive income:											
Foreign currency translation adjustments	-	-	-	-	-	(35)	-	-	(35)	-	(35)
Net income	-	-	-	-	-	-	1,258	-	1,258	(2)	1,256
Balance as of 30 June 2015	91,381,166	$ 239	-	$ -	$ 96,269	$ (3,200)	$ 15,173	$ (6,231)	$ 102,250	$ -	$ 102,250

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Six months ended 30 June, 2015	Six months ended 30 June, 2014
	Unaudited	
Cash flows from operating activities:		
Net income	$ 1,509	$ 12,626
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,696	1,649
Stock-based compensation	714	606
Accrued severance pay, net	(11)	16
Deferred tax assets, net	(1,058)	(351)
Gain on remeasurement to fair value of investment in initially consolidated investee, net of tax	-	(7,263)
Decrease (increase) in trade receivables	9,518	(3,495)
Decrease (increase) in other receivables and prepaid expenses	1,195	(290)
Accrued interest on long term bank loan	(49)	8
Equity losses (gains) of affiliated companies, net from dividend received	16	(259)
Decrease in long-term lease deposits	21	47
Increase (decrease) in trade payables	(6,725)	229
Decrease in accrued expenses and other liabilities	(1,419)	(1,509)
Decrease in deferred revenues	(447)	(781)
Net cash provided by operating activities	8,960	1,233
Cash flows from investing activities:		
Purchase of property and equipment	(555)	(583)
Acquisition of Avenlo Media Group (b)	(5,570)	-
Research and development costs	(986)	-
Purchase of Intangibles assets	(92)	-
Decrease in indemnification asset	-	200
Investment in bank deposit	(58)	-
Advances for purchase of intangible assets	(2,580)	-
Acquisition of Team Internet (c)	-	(22,383)
Net cash used in investing activities	(9,841)	(22,766)
Cash flows from financing activities:		
Short-term bank credit, net	(1)	5,827
Receipt of bank loan	-	21,600
Payment of bank loan	(3,060)	(1,728)
Dividend paid to redeemable non-controlling interests of subsidiary	(1,161)	-
Exercise of options	763	19
Increase in parent's ownership interest in subsidiary	(763)	-
IPO costs	(139)	(1,451)
Net cash provided by (used in) financing activities	(4,361)	24,267
Effect of exchange rate differences on cash	(97)	(54)
Increase (decrease) in cash and cash equivalents	(5,339)	2,680
Cash and cash equivalents at the beginning of the period	47,988	11,632
Cash and cash equivalents at the end of the period	$ 42,649	$ 14,312

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

		Six months ended 30 June,	
		2015	2014
		Unaudited	
(a)	Supplemental disclosure of cash flows activities :		
	Cash paid during the period for:		
	Income taxes	$ 2,337	$ 2,252
	Interest paid	$ 366	$ 287
	Interest received	$ 12	$ -
(b)	Acquisition of Avenlo Media Group Inc.		
	Estimated fair value of assets acquired and liabilities assumed at the acquisition date:		
	Other intangible assets	$ 12,021	$ -
	Goodwill	11,635	-
	Long term deferred tax liability	(796)	-
		22,860	-
	Less - contingent consideration to selling shareholder	(8,514)	-
	Less - amount acquired by issuance of shares	(872)	-
	Less - Redeemable non-controlling interest	(7,904)	-
		$ 5,570	$ -
(c)	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	-	52,878
	Long term deferred tax liability	-	(7,752)
	Long term liability	-	(3,492)
	Redeemable non-controlling interest	-	(35,214)
	Treasury shares	-	6,866
	Previous investment in books according to the equity method	-	(2,839)
	Gain on remeasurement to fair value, before tax	-	(9,881)
		$ -	$ 22,383
(d)	Supplement information and disclosure of non-cash investing and financing activities		
	Dividend from affiliated company declared but not yet paid	$ -	$ 976
	Dividend declared to redeemable non-controlling interest of subsidiary	$ 243	$ -

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

NOTE 1:- GENERAL

a. General:

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

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

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

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

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

b. Acquisitions:

1. Acquisition of 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% from the issued and outstanding shares of Team Internet. Pursuant to the addendum agreement, Team Internet's shareholders have the right to individually transfer all of their remaining shareholding (being 30% in aggregate) to the Company in equal instalments of 10% in each of the periods between 1 September 2016 and 31 August 2017, 1 September 2017 and 31 August 2018 and 1 September 2018 and 31 August 2019 ("the Put Options). The Put Options' exercise prices are calculated based on Team Internet's preceding 12 months EBITDA multiplied

NOTE 1:- GENERAL (Cont.)

by certain percentage of Matomy's effective EBITDA multiple of the preceding four quarters (which will be no less than 8).

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

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

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

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

NOTE 1:- GENERAL (Cont.)

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

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

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

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

**) A redeemable non-controlling interest is created, presented in mezzanine equity separate from other shareholders' equity, relating to Team Internet's minority shareholders' interests was valuated at $ 35,214. The redeemable non-controlling interest includes the following components: (1) 30% of the fair value excluding 20% lack of control, (2) option to sell their remaining shares to the Group (the Put Option) and (3) 80% of the gains derived from the Group's shares held by Team Internet.

Unaudited pro forma condensed results of operations:

The following represents the unaudited pro forma condensed results of operations for the six months ended 30 June, 2014, assuming that the acquisitions of Team Internet occurred on 1 January, 2013. The pro forma information is not necessarily indicative of the results of operations that would have actually occurred had the acquisitions been consummated on those dates, nor does it purport to represent the results of operations for future periods.

		Six months ended 30 June, 2014
		Unaudited
Revenues	$	129,088
Net income attributable to Matomy Media Group Ltd.	$	5,967
Basic net earnings per share	$	0.09
Diluted net earnings per share	$	0.07

NOTE 1:- GENERAL (Cont.)

2. Acquisition of Avenlo Inc:

On 15 April 2015, the Company completed the acquisition of 70% of the issued and outstanding shares of a newly formed company, Avenlo Media Group Inc. ("Avenlo") that has purchased the principal business activity and operations of Maven Marketing Group Inc., for a total consideration of $ 22,860. The purchase price is composed of the following: (1) cash consideration of $ 5,570, (2) issuance of Company shares valued at $ 872 (3) contingent consideration valued at $ 8,514 as of the acquisition date to be paid upon achieving certain milestones over a period of 3 years following the acquisition date and (4) Redeemable non-controlling interests valued at $7,904. According to the agreement, Avenlo's shareholders have the right to individually transfer all of their remaining shareholding, (being 30% in aggregate) to the Company in three equal instalments of 10% every year starting 21 April 2016 ("the Put Options). The Put Options' exercise prices are calculated based on Avenlo's EBITDA multiplied by a changing multiplier according to the agreement. In addition, The Company will have corresponding call options to the put options.

Purchase price of Avenlo's shares is composed as follows:

	Amount
Cash consideration	$ 5,570
Issuance of Company shares	872
Contingent consideration	8,514
Redeemable non-controlling interest	7,904
Total net assets acquired	$ 22,860

Avenlo is a leading performance email marketing and ad targeting company, and is incorporated under the laws of Canada. 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 Avenlo acquired and the liabilities assumed. In performing the purchase price allocation, management has considered, inter alia, Avenlo'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 Avenlo's operations have been included in the consolidated financial statements commencing 1 April 2015. Management estimates that the difference between the consolidation date and the acquisition date has an immaterial effect on its results of operations.

NOTE 1:- GENERAL (Cont.)

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

Technology	$ 9,947
Customer relationships	2,074
Goodwill	11,635
Total assets acquired	23,656
Long term deferred tax liability	(796)
Total liabilities assumed	(796)
Net assets acquired	22,860

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. Unaudited interim financial information

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six-month period ended 30 June 2015 are not necessarily indicative of the results that may be expected for the year ended 31 December 2015.

The Company has prepared its consolidated financial information in accordance with accounting principles generally accepted in the United States ("US GAAP"). In the preparation of the consolidated financial information, it applied the significant accounting policies, on a consistent basis to the annual financial statements of the Company as of 31 December 2014.

b. Principles of consolidation:

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

c. Use of estimates:

The preparation of the consolidated financial information in conformity with US GAAP requires management to make estimates, judgments and assumptions. The Company's management believes that the estimates, judgments and assumptions it uses are reasonable based upon information available at the time they are made. These estimates,

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

judgments and assumptions can affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial information, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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

d. Recently issued accounting standards:

In May 2014, the Financial Accounting Standards Board, or FASB, issued an Accounting Standard Update, or ASU, on revenue from contracts with customers, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. This ASU, which will be effective for the Company beginning January 1, 2017, allows for either full or modified retrospective methods of adoption. On July 9, 2015, the FASB agreed to delay the effective date by one year. In accordance with the agreed upon delay, the new standard is effective for us beginning in the first quarter of 2018. Early adoption is permitted, but not before the original effective date of the standard. The Company is currently evaluating the method of adoption, as well as the effect that adoption of this ASU will have on its consolidated financial statements.

NOTE 3:- FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

NOTE 4:- DERIVATIVE INSTRUMENTS

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

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

NOTE 4:- DERIVATIVE INSTRUMENTS (Cont.)

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

The following table presents the notional amount of derivative instruments:

	30 June 2015	31 December 2014
	Unaudited	
Total options acquired	$ 13,407	$ 16,035
Total options sold	17,477	16,792

The net gains recognised in "financial income, net" during the six months period ended 30 June 2015 and 2014 were $ 383 and $ 146, respectively.

NOTE 5:- NON CONTROLLING INTERESTS

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

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

The following table summarises the movements in the redeemable non-controlling interests:

	Six months ended 30 June	
	2015	2014
Redeemable non-controlling interests at beginning of Period	$ 34,062	$ 2,502
Revaluation of redeemable non-controlling interest in subsidiaries	57	(253)
Dividend distributed to redeemable Non-controlling interests	(243)	-
Increase in redeemable Non-controlling interests due to new subsidiary	7,904	35,214
Net income (loss) attributable to redeemable non-controlling interests	196	(57)
	$ 41,976	$ 37,406

NOTE 6:- COMMITMENTS AND CONTINGENT LIABILITIES

The Company rents its facilities under operating lease agreements with an initial term expiring in 2021. As of 30 June 2015, the Company's total future minimum lease commitments under non-cancellable operating leases were $ 5,829

The Company leases its motor vehicles under cancellable operating lease agreements until June 2015. The minimum payment under these operating leases, upon cancellation of these lease agreements, was $ 11 as of 30 June 2015.

The Company has provided the lessors with a bank guarantee and promissory note in an aggregate amount of $ 367 (NIS 1,383 thousands) as of 30 June 2015.

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

NOTE 7:- BANK LOANS AND CREDIT LINE

a. On 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. As of 30 June 2015, the Company was in full compliance with the financial covenants.

b. The Company's line of credit and loans from an Israeli bank are secured by way of: (i) a fixed charge over the unpaid equity of the Company and its subsidiary; and (ii) a floating charge over all of the assets of the Company and its subsidiary. As of 30 June 2015, this credit line was not in use.

c. In June 2014, an American Bank granted the Company $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 2016. The line is secured by a valid and perfected first priority lien on and security interest in all of the assets of its subsidiary, Matomy USA, Inc. and is subject to certain financial covenants, as described in note 7c to the annual financial statements and to additional financial covenant. As of 30 June 2015, this credit line was not in use.

d. On 11 July 2013, Team Internet borrowed $ 504 (kEUR 450) from a German bank pursuant to a loan agreement requiring repayment after two years (30 September 2015). The interest rate on the loan is 2.65% and is payable every three months commencing 30 September 2013.

NOTE 8:- EQUITY

a. A summary of the activity in options granted to employees and directors in the six months period ended 30 June 2015 is as follows:

	Number of options	Weighted-average exercise price (in US dollars)	Weighted-average remaining contractual term (in years)	Aggregate intrinsic value
Outstanding at 1 January 2015	10,185,971	$ 1.59	4.86	20,731
Granted	497,000	$ 2.87		
Exercised	(767,932)	$ 0.99		
Forfeited	(171,262)	$ 1.97		
Outstanding at 30 June 2015	9,743,777	$ 1.70	4.46	4,423
Exercisable at 30 June 2015	6,107,077	$ 1.16	3.30	3,802

As of 30 June 2015, the Company's total compensation cost relating to options granted to employees and directors and not yet recognised amounted to $ 2,244.

The weighted average grant date fair values of options granted for the six months period ended 30 June 2015 was $ 1.32.

b. Options issued to non-employees:

The Company's outstanding options to non-employees as of 30 June 2015 were as follows:

Issuance date	Options for Ordinary shares	Exercise price per share (in US dollars)	Options exercisable	Exercisable through
January 2010	32,044	$ 0.21	32,044	December 2017

e. Treasury shares

As of 30 June 2015, Team Internet holds 1,211,236 of the Company's shares which are classified as treasury shares and valued at $ 5,116. Team Internet's redeemable non-controlling interest are entitled to an 80% share in gains derived from these shares, amounting to $ 2,258.

NOTE 9:- EARNINGS PER SHARE

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

	Six months ended 30 June, 2015	Six months ended 30 June, 2014
	Unaudited	
Net income attributable to Matomy Media Group Ltd.	$ 1,258	$ 13,010
Dilutive effect:		
Deemed dividend	-	(569)
Diluted net income attributable to Matomy Media Group Ltd.	$ 1,258	$ 12,441
Weighted average ordinary shares outstanding (in thousands)	90,643	71,206
Dilutive effect:		
Employee stock options (in thousands)	4,940	6,362
Diluted weighted average ordinary shares outstanding (in thousands)	95,583	77,568
Basic earnings per ordinary shares and preferred shares (in dollars)	$ 0.01	$ 0.18
Diluted earnings per ordinary shares and preferred shares (in dollars)	$ 0.01	$ 0.16

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 2,321,806 and 389,333 for the six months period ended 30 June 2015 and 30 June 2014, respectively.

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