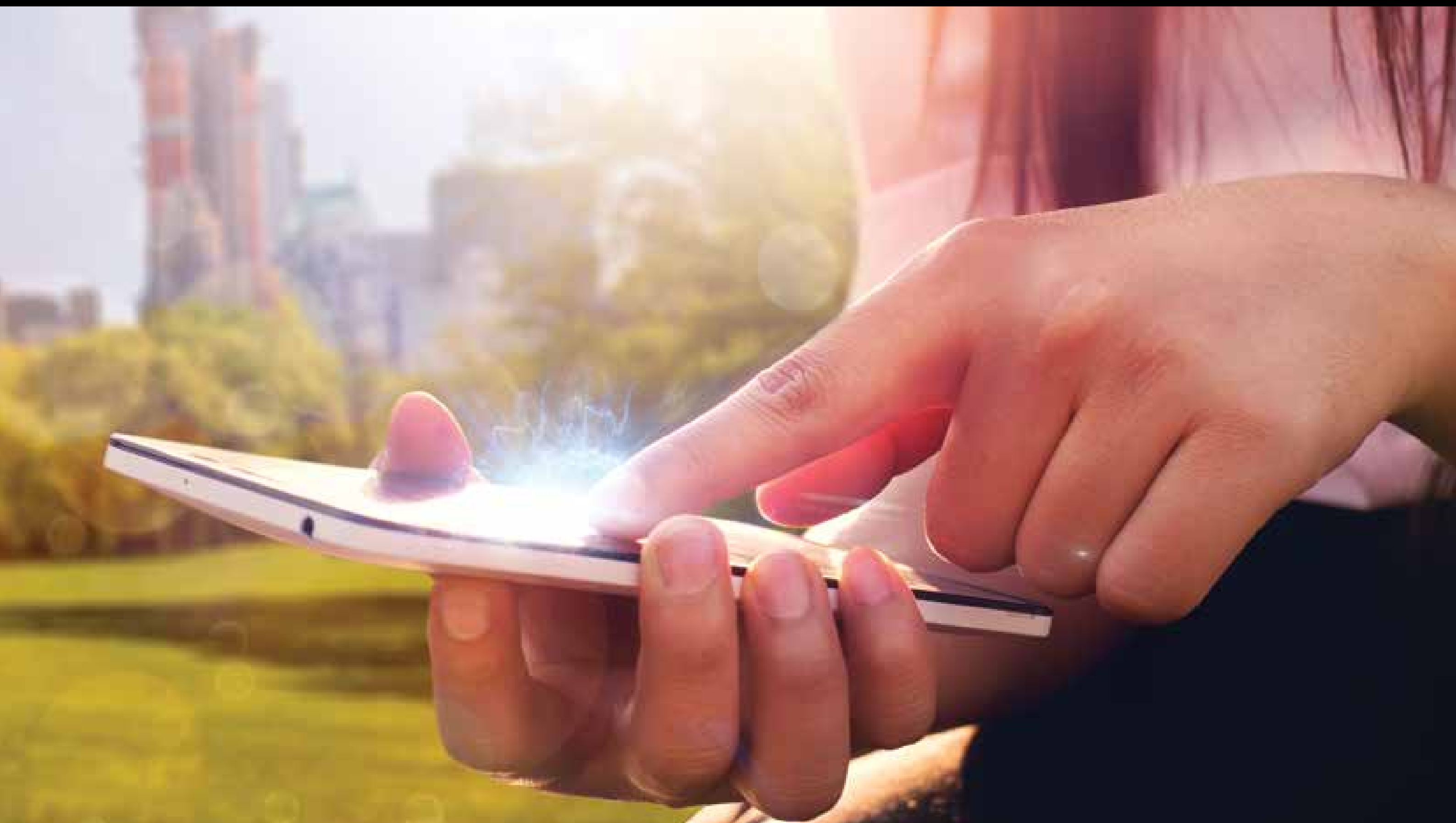
GLOBAL DIGITAL PERFORMANCE



2015 Annual Report and Accounts

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ABOUT MATOMY

Matomy Media Group Ltd. (LSE:MTMY/TASE: MTMY.TA) 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 optimization technology to ensure quality leads and sales for its advertising clients and maximum monetization for its media partners.

The media channels include: a display ad network, mobile, social, video, email marketing, search marketing (SEM and SEO) and domain monetization.

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Financial Highlights

Matomy ended 2015 with a strong balance sheet. We grew revenues and profits in identified strategic growth areas of mobile, video, and domain monetization advertising whilst adjusted EBIDTA increased 27% to $25.7 million.

Revenue ↑
$271m (+14%)
FY2014: $237.4m

Adjusted EBITDA[(1)] ↑
$25.7m (+27%)
FY2014: $20.3m

Adjusted net income ↑
$8.2m (+14%)
FY2014: $7.2m

Balance sheet ↓
$13.5m
After self-funding a payment of $20 million in connection with the acquisition of Optimatic
FY2014: $28.9m

Operating profit ↑
$12.1m (+40%)
FY2014: $8.6m

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

Operational Highlights

Matomy has continued to enhance its programmatic capabilities and invest in new product innovation to support our proprietary technology, particularly within our strategic growth activities of mobile and video advertising.

Aggregate mobile traffic revenue[(1)] ↑
$78.2m
Mobile contributes approximately 30% of Group revenues
FY2014: $39.1m

Aggregate programmatic activity ↑
60%
Revenues generated from aggregate programmatic advertising activity
FY2014: 49%

Aggregate video activity [(1)] ↑
$72.3m (+84%)
FY2014: $39.7m

Domain Monetisation [(2)] ↑
$54.3m (+23%)
FY2014: $44.1m

(1) Aggregate mobile traffic across all media channels.

(2) On a pro-forma basis, as if Matomy had acquired Team Interenet in January 2014.

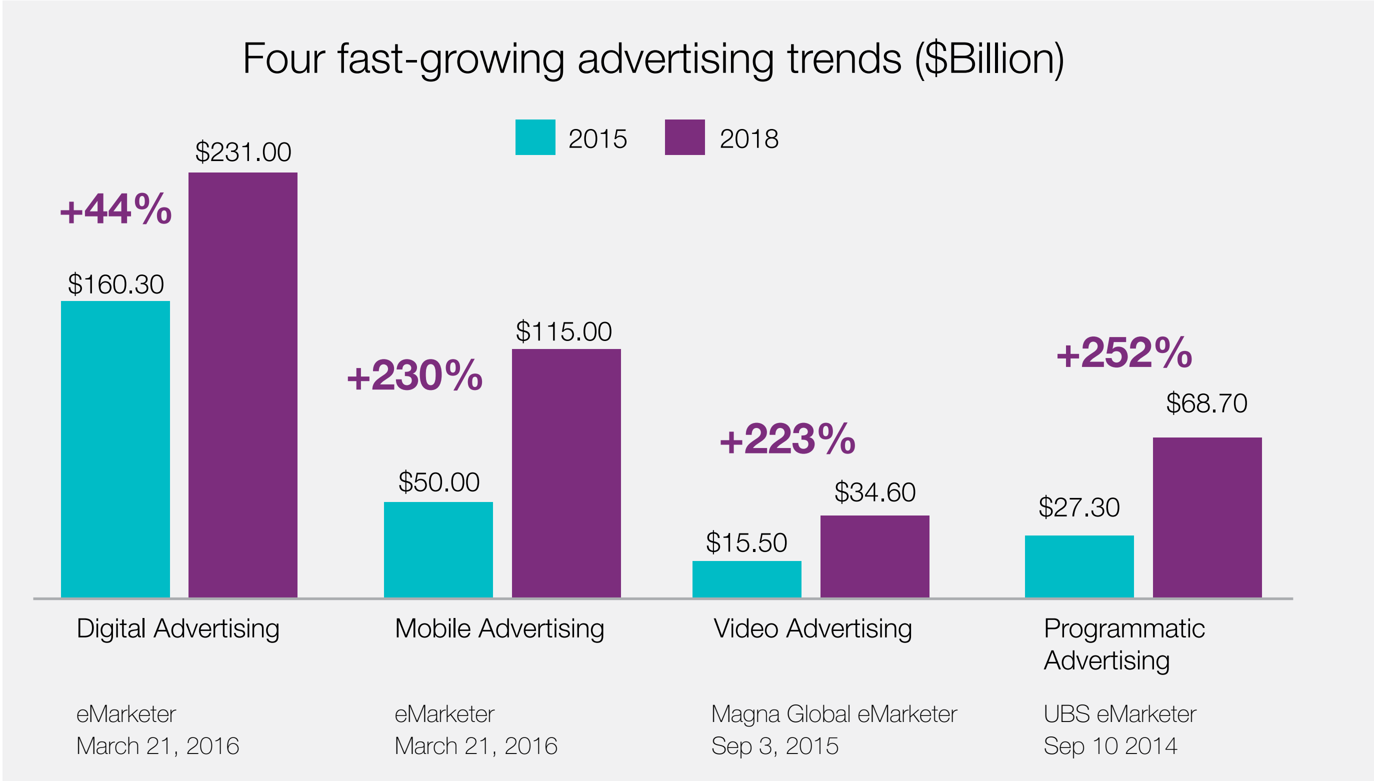
Matomy Overview

Global leader in programmatic, performance-based marketing

Matomy is committed first and foremost to delivering on a single promise for our customers and media partners: results.
Our performance-based marketing solutions deliver specific, verifiable results.

A world leading media company that delivers smart technology solutions and a personalized approach to advertising, Matomy is constantly evolving the mix of media and methods used to achieve the superior results for which we are known. We are now recognized among the top tier of programmatic mobile and video advertising providers enabling marketers and publishers to achieve their customer acquisition and monetization goals with a high return on investment.

Matomy operates at the intersection of the four fastest-growing segments in advertising: digital, mobile, video and programmatic. Digital advertising continues to grow as a percentage of global ad spending.



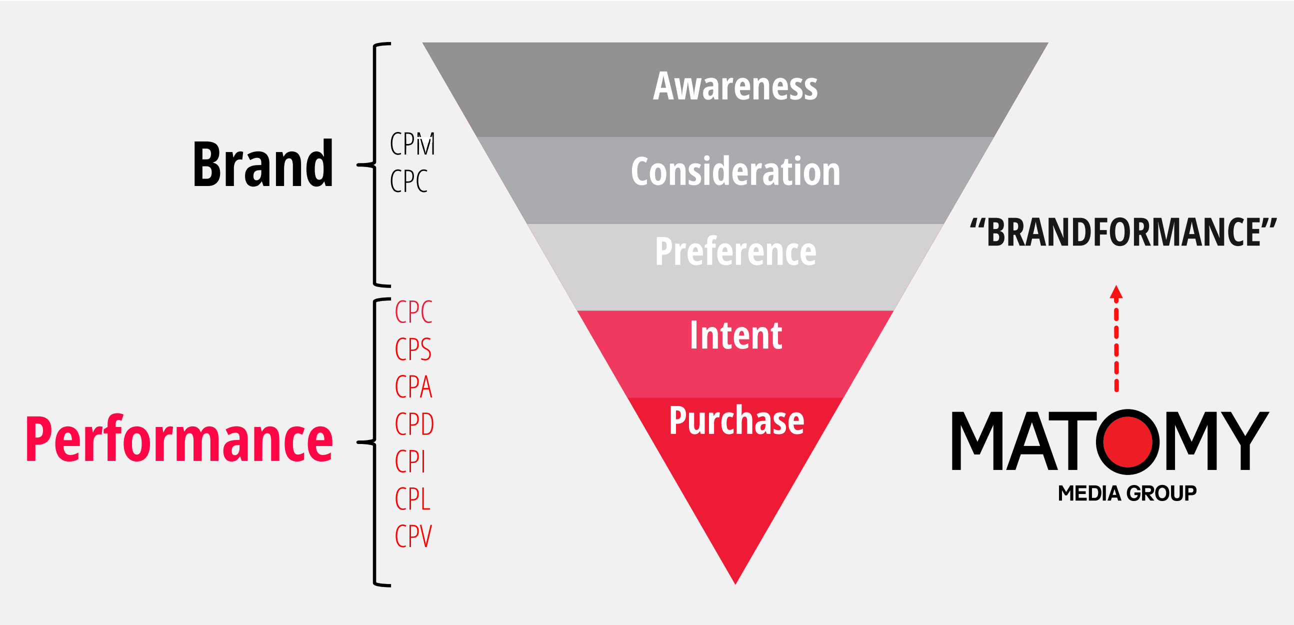
INDUSTRY OVERVIEW

Digital advertising spend in the U.S. is on track to surpass TV advertising next year. This year, of $192.02 billion in ad spend in the U.S. in 2016, $68.82 billion will be spent on digital with $70.60 billion spent on TV. Contributing to this shift is an increase in marketers reallocating budget traditionally assigned to TV to all forms of digital advertising, including mobile, social and video.

eMarketer March 2016

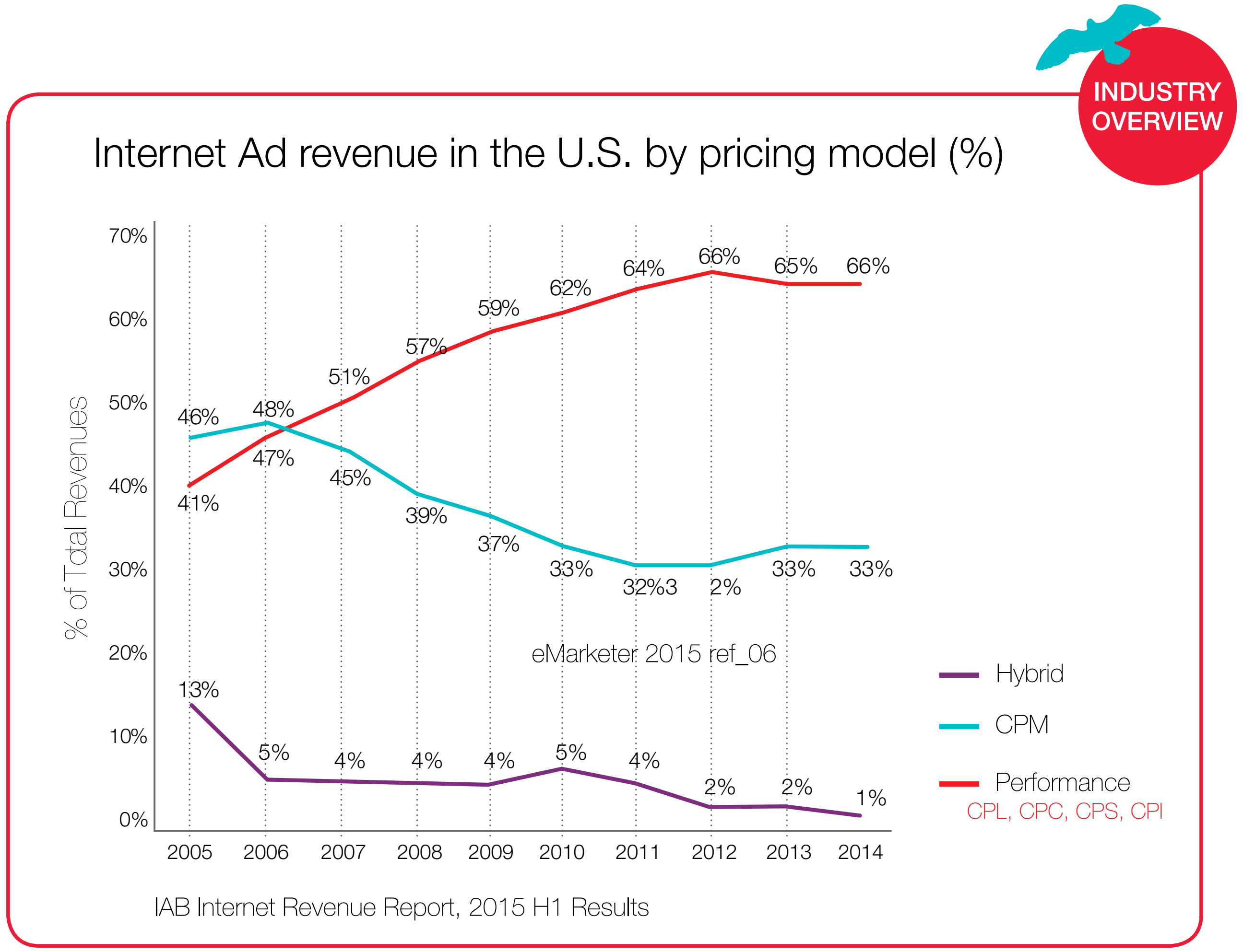
Performance-based business model

Matomy's business model is centred on performance-based, measurable marketing, which comprises 66% of the U.S. digital advertising market according to the Interactive Advertising Bureau. Matomy offers customers the ability to generate risk-free, measurable and validated results that are pre-defined before campaigns begin.



Customers are also expanding their use of performance-based campaigns to include typical brand objectives like instilling brand preference. In fact, brand advertisers are increasingly using performance-like or "Brandformance" metrics to measure their advertising engagement with consumers. More and more brand advertisers are utilizing Matomy's video and mobile advertising capabilities to reach and engage their customers.

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



Matomy is evolving the discipline of performance-based marketing

Matomy's roots are firmly planted in performance advertising, but as the advertising industry has evolved, so has Matomy. By combining comprehensive internal development efforts and several key acquisitions, Matomy is now at the forefront of applying technology to the challenges of performance-based marketing through the most advanced media channels: mobile, video, domain monetization and email marketing.

Adding to investments in mobile and video, Matomy developed several key innovations that greatly improve effectiveness for two traditional tools of performance advertising, email marketing and domain monetization. Matomy is implementing programmatic capabilities across all media channels. Matomy has also invested in utilizing data to dramatically improve results across channels, and will continue to add to capabilities in this area over the next two years.

Email. Email has always been a go-to tool for performance marketers, but it is becoming even more effective as more consumers view email from their mobile devices. Email also becomes a key to understanding connectivity between users and all of the different devices they may use, whether mobile, desktop or tablet. This key becomes a "passport" that can be used for finding audiences for display, mobile and video advertising across other channels. Matomy's acquisition of Avenlo has accelerated the ability to monetize targetable audiences.

Domain Monetization. Matomy has seen domain monetization become a very effective media channel for performance-based marketing. Matomy acquisition, Team Internet, has developed market-leading programmatic technologies that match the optimum performance advertising message with domain visitors. Interacting with 150 million unique visitors per month with 35% from mobile devices, Matomy's Domain Monetization Business Unit and Team Internet offer customers a highly effective channel for achieving their performance-based objectives.

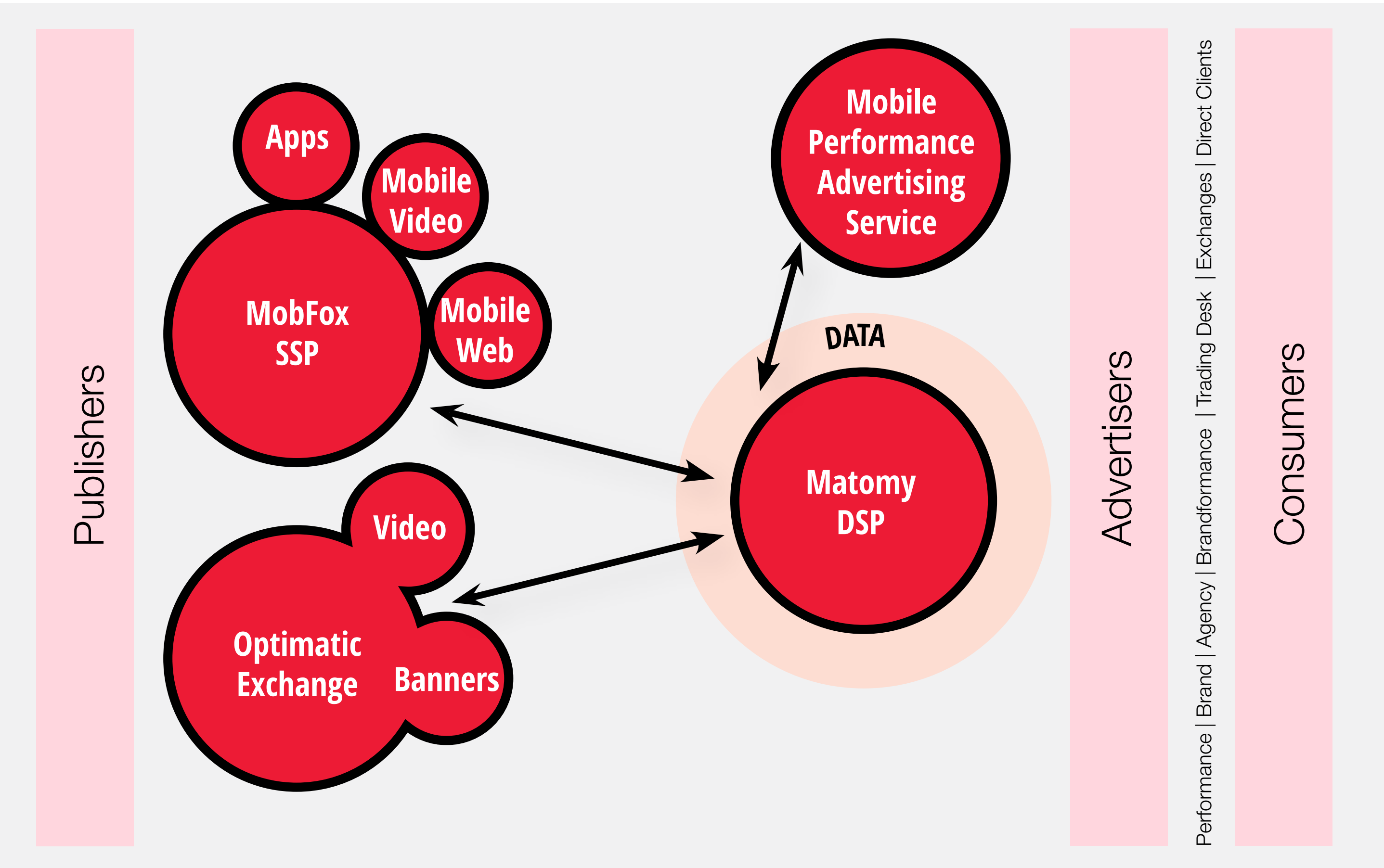
INDUSTRY OVERVIEW

"Email advertising is seeing a resurgence with mobile delivery increasing engagement with email advertising spend currently rising by 8.4%. It will grow from $275 million in 2015 to $341 million in 2018."

eMarketer 2015

Multi-channel Programmatic Technology Platform

Built for performance and scale, Matomy technology enables programmatic media buying and management, audience targeting, data analysis and campaign monitoring and reporting across display, mobile and video. Programmatic now accounts for more than 60% of Matomy revenue. Matomy places a major emphasis on effective media management and has accelerated these capabilities through the acquisitions of Mobfox and Optimatic, which offer advanced SSP capabilities in mobile and video.



The acquisitions of MobFox and Optimatic propel Matomy's capabilities in the area of programmatic advertising for mobile and video. Programmatic media buying generates massive scale while cutting costs and driving increased efficiency across the entire advertising ecosystem through automation. Matomy is now among the leading tier of providers of programmatic mobile and video advertising.

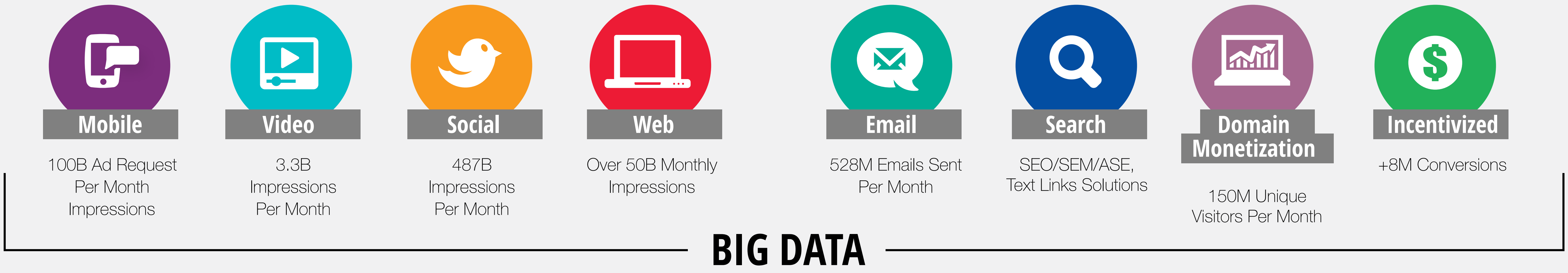
INDUSTRY OVERVIEW

"By 2017 programmatic advertising will jump to 72% of total US digital display advertising spend, or $27.47 billion."

eMarketer April 2016

Integrated performance advertising solution

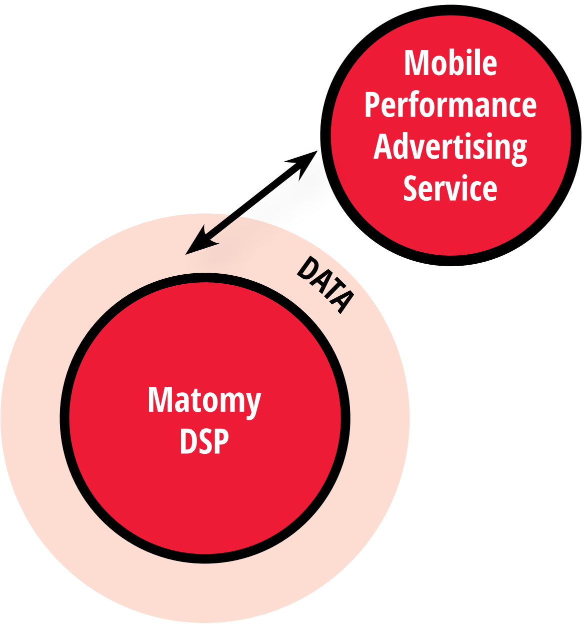
The Matomy Performance Platform is an integrated performance advertising solution utilizing high-impact media channels to achieve results. Customers partner through one point of contact to leverage all Matomy capabilities.



Matomy offers programmatic performance-based advertising leading with mobile and video. Matomy supports 8 high-impact media channels to engage with consumers. One point of contact assures the best results across channels. Integrated campaign management and optimization. The Matomy platform uses data and insights to optimize campaigns across channels.

Performance marketing for a mobile-first world

Smartphones are now the primary way that many consumers engage with media and the world around them.
In North America 79% of consumers own smartphones. Elsewhere, 72% of Western Europeans and 45% of consumers in Asia-Pacific own smartphones, with over 500 million smartphones used in China alone.



Matomy's multi-channel advertising technology is built to engage consumers across the media channels they use most.
As more consumers engage with media via mobile devices, Matomy is ready with industry-leading mobile display and video capabilities. In fact by 2017, Matomy expects 50% of it's advertising revenue will be from mobile interactions.

Projected to grow from $50 billion in 2015 to $115 billion in 2018 mobile advertising is increasing as a percentage of digital advertising and is increasing even faster as a percentage of total media.

eMarketer March 21, 2016

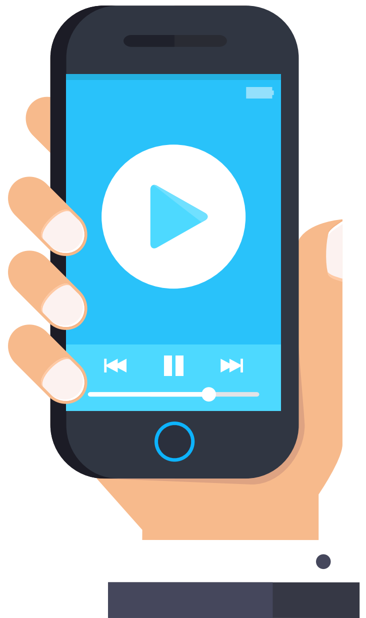
INDUSTRY OVERVIEW

Video is the most engaging advertising format

Video, whether seen on mobile or desktop devices, delivers the most engaging advertising experience.

Consumers are now watching more digital video than ever before – increasingly on their mobile devices. In fact, as the fastest-growing advertising category on mobile, video is estimated to reach $6.31 billion in the U.S. alone by 2018.

Matomy manages video advertising on publisher networks as well as supporting media buying on several of the most popular exchanges. With the addition of Optimatic, Matomy offers expanded video advertising opportunities including access to an advanced video advertising platform supporting top publishers and video supply side platform (SSP) capabilities. Advertisers and publishers turn to Matomy to generate reach, scale and quality in video advertising. Matomy's goal for 2016 is to become recognized as a global leader in programmatic video advertising.



Video on desktop devices reached $11.24 billion in worldwide spend in 2015 and is projected to grow to $19.21 billion by 2018. Mobile video is growing much faster with $4.25 billion worldwide spend in 2015 growing to $15.29 billion by 2018 or more than 360%.

Magna Global eMarketer Sep 3, 2015

INDUSTRY OVERVIEW

Matomy matches advanced, forward-looking technology with the advertising needs of today.

Matomy's programmatic mobile and video advertising are now the preferred choice when it comes to performance-based advertising, and data from these campaigns are used to optimize faster, and with higher ROI. The learning and insights resulting from these campaigns are then used to make decisions across Matomy's additional media channels.

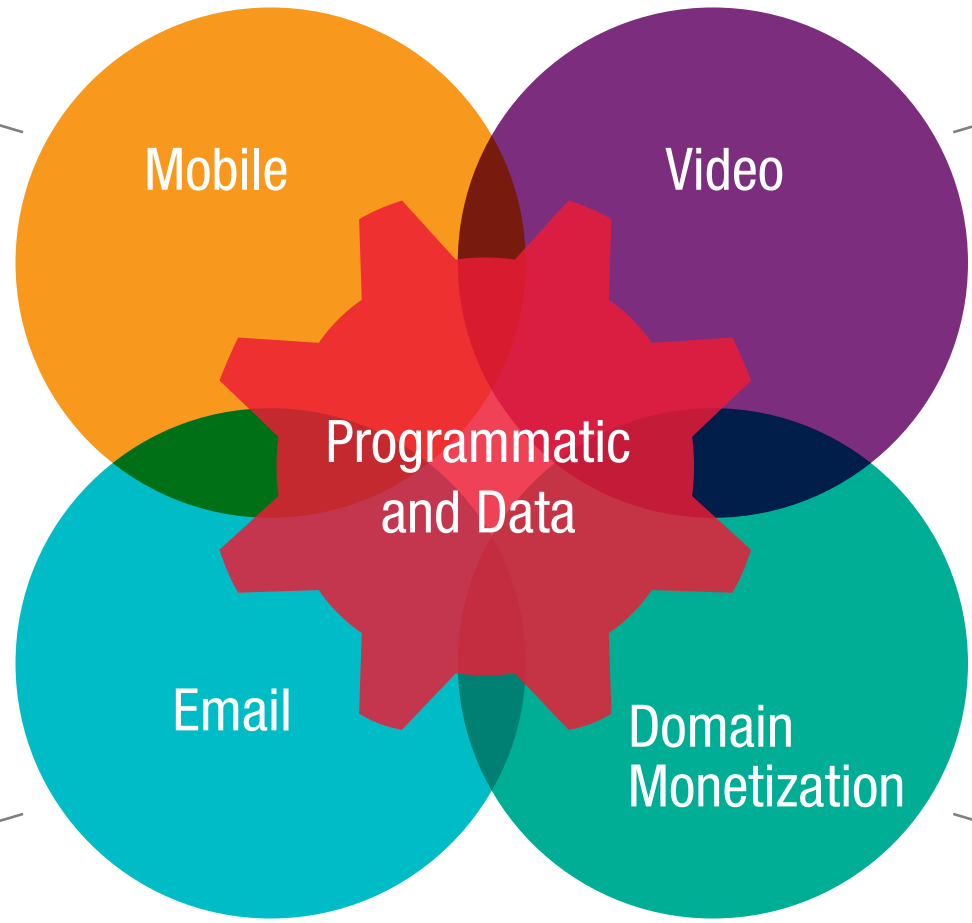
Unlike many of Matomy's competitors who concentrate on only one media channel, Matomy is able to deliver more effective advertising for customers by combining multiple channels of influence. By bringing together advanced capabilities in digital, mobile, video, and programmatic advertising, Matomy is well positioned to be the performance-based marketing partner of choice.

Programmatic mobile and video advertising becomes the first channel for performance

Data from all Matomy performance campaigns enables learning and insights to optimize faster and with higher ROI

Mobile Performance Advertising with consultative selling approach brings in new customers and introduces them to the full range of Matomy's performance marketing offerings

Video is integrated across all of Matomy's performance offerings.



Email is now mostly opened from mobile devices providing insights that feed more effective targeting for mobile and video campaigns

Domains support key insights across regional markets and give Matomy a competitive advantage in new markets.

Matomy's success is built on mutually successful relationships between customers and media partners

Matomy is broadening its customer base to include many new advertisers and media buyers. Matomy works with many leading advertisers in over 100 countries and is constantly growing its base of customers.

Matomy offers advertisers one of the world's largest and most diversified sources of digital media.

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Introduction to Strategic Report

Matomy made substantial progress towards our strategic goals in the past year, providing a strong foundation from which to accelerate growth in 2016.

OFER DRUKER
Chief Executive Officer

Positioned for Strong Growth

Since our founding in 2007, Matomy has been committed first and foremost to delivering on a single promise for our customers and media partners: results. Matomy's performance-based marketing solutions deliver specific, verifiable results that enable marketers and publishers to achieve their customer acquisition and monetization goals with a high return on investment. We begin 2016 with focus and determination to become the recognized global leader in digital performance-based marketing.

The need for performance-based marketing is becoming increasingly recognized by the market as advertisers face increased accountability for their spending along with a requirement to prove ROI. Growing numbers of advertisers and media partners are choosing to work with Matomy and our proven solutions to enable them to achieve their specific digital advertising targets.

While Matomy's mission has never changed, we are constantly improving the mix of media and methods we use to achieve the superior results for which we are known. Accordingly, this past year was one of transition for Matomy, as the company focused more intently on mobile and video advertising, which are widely considered to be the strongest two growth engines of the digital advertising industry.

We began 2015 with strong momentum on the mobile front, as we incorporated the MobFox acquisition from late 2014. Matomy continued to enhance mobile capabilities with MobFox, which is now recognized as one of the top global mobile supply side platforms (SSP). Matomy also advanced our capabilities in video advertising and joined the leading tier of video advertising providers with our acquisition of the video advertising platform and SSP, Optimatic, in late 2015.

Both MobFox and Optimatic help propel Matomy's capabilities in the area of programmatic advertising, another fast growing front within the digital advertising industry. Programmatic media buying cuts costs and drives increased efficiency across the entire advertising ecosystem through automation. Matomy is now among the leading tier of providers of programmatic mobile and video advertising enabling us to improve efficiencies, lower operating expenses and improve our capability to generate scale.

Among other accomplishments, Matomy continued to build its global presence by entering the markets of China and South Korea in 2016. Matomy also expanded its presence in North America by moving several senior executives, including the office of the CEO, to New York City. This past year was also Matomy's first full year as a publically traded company on the London Stock Exchange.

Looking ahead, we start 2016 with a broad set of complementary tools for mobile and video advertising and publishing. Consumers are increasingly connected through their mobile devices, and video has become one of the most effective formats to deliver messages and build engagement. We strongly believe that we have the right capabilities to support our growth and market leadership.

Matomy will continue to make investments in mobile, video, social, and programmatic activities while also pursuing expansion into new customer categories and continued enhancements to our proprietary performance-based marketing platform. Naturally we also plan to continue seeking value-enhancing M&A opportunities.

Additionally, we will continue to strengthen our internal operations in line with the needs of a public company in a dynamic market. We will organize the company to address our most compelling market opportunities while we improve our service offering, customer experience, efficiency and innovation in support of our overall growth strategy.

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

Strategic report signed on behalf of the Board

OFER DRUKER
Chief Executive Officer
30 April 2016

Chairman's Statement

RUPERT HOWELL
Non-Executive Chairman

I am pleased to have this opportunity to introduce Matomy's annual report after the company's first full year of trading as a public company. The past year saw Matomy invest further in acquisitions, people and capabilities in areas that represent the largest advertising market opportunities. With these investments beginning to yield results, Matomy is well positioned for growth as a global leader in digital performance-based marketing.

Progress and Investment

2015 saw Matomy make significant progress in aligning revenue, operations and technology with the largest and fastest growing opportunities within the expanding category of performance-based marketing.

The Interactive Advertising Bureau (IAB), of which Matomy is a member, states that "Advertisers are increasingly demanding measurement and verifiable consumer actions as part of their digital advertising budgets. Because of this, virtually every digital advertising campaign, in some way, is beginning to define itself as 'performance marketing.'" This trend continues to benefit Matomy as advertisers seek out partners who can help them define and execute on performance-based marketing objectives.

Throughout the past year Matomy has demonstrated the ability to capitalize quickly on changing trends in the digital advertising industry. Specifically, Matomy continues to evolve the capabilities expected for effective performance-based marketing through enhancements to mobile, video and programmatic technologies. Matomy looks forward to partnering closely with advertisers to help them achieve their marketing objectives with greater efficiency leveraging these new technology investments.

Reflecting this trend, mobile advertising continues to be one of Matomy's key strategic channels of growth. Our acquisition of MobFox, a mobile SSP, in late 2014 is the foundation for this growth through a complete package of results-driven, mobile marketing strategies that significantly increase advertisers' return on investment.

Video represents another key opportunity for growth. The acquisition of Optimatic, a video advertising platform and SSP, in November 2015 greatly strengthens Matomy's position in the market and has already resulted in improved top line growth and contributed to improved EBITDA. With technology from the Optimatic acquisition, Matomy gains the ability to conduct very effective and targeted media buying supported by an extendable video platform from which to offer valuable new capabilities. Optimatic will be fully integrated across Matomy's lines of business in 2016.

Underpinning these mobile and video capabilities is a commitment to lead the market in programmatic advertising, which we believe is the future of advertising due to the unparalleled efficiencies and improved results that it brings to advertisers. Matomy is constantly innovating to improve productivity and efficiency in its programmatic offerings.

We continue to invest in new product innovation that supports our proprietary technologies and unique selling points. We also seek complementary acquisitions that further strengthen these capabilities. Our solutions will continue to evolve as we remain committed to providing our advertising customers and media partners with a unique multi-channel digital performance-marketing solution supported by high levels of service and an unparalleled understanding of the market.

Board composition and diversity

We recognize the importance of diversity at the Board level, and our board members have a wide range of skills and experiences from a variety of business backgrounds to support the strategic and operational direction of the company.

Governance

As a Chairman and as a Board we view good corporate governance as vital to our success. The Board meets regularly to discuss strategy and to hold 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 key priorities for 2016 are as follows:

• Position Matomy as the leading global mobile performance-based marketing provider by growing revenue for MobFox, leveraging key features that differentiate our platforms and their associated product offerings from competitors, to drive broader market reach and become recognized as a global leader in mobile advertising.

• Focus R&D investment on innovatve programmatic capabilities to support growth while significantly improving efficiencies and increasing value to customers and media partners.

• Broaden the range of customers served by Matomy by launching a new mobile programmatic performance advertising solution as a managed service.

• Increased focus on the North American advertising market, with emphasis on investments and resource allocation in mobile, social and video to help drive growth.

• Following the successful initial entry into the Chinese and South Korean markets, accelerate expansion in Asia by building strong local teams with unique offerings for these markets.

• Leverage the recent dual listing on the Tel-Aviv Stock Exchange to enhance share liquidity, trading volumes and the geographic diversity of shareholders.

• Identify strategic acquisitions which complement Matomy's existing offerings and enhance value to customers.

• Continue to invest in technological innovation and human capital while maintaining control over costs.

We are pleased with our progress during 2015 and look forward to expanding Matomy's leadership position in performance-based marketing and growing our base of customers while delivering a strong increase in shareholder value.

RUPERT HOWELL
Non-Executive Chairman
30 April 2016

CEO's Statement

OFER DRUKER
Chief Executive Officer

Matomy was founded on a simple promise to our customers and media partners: to deliver results.

Mission

Matomy's performance-based marketing solutions deliver specific, verifiable results. We enable advertisers to achieve their customer acquisition goals and other KPIs with a high return on investment exceeding expectations.

Numerous trends have collectively upended many of the most basic assumptions guiding performance-based marketing. These include the revolution in how consumers engage with their digital world through their mobile devices, the proliferation of video content delivered through smartphones, tablets, desktop computers and connected TVs, and the accelerating pace of automation of all aspects of the advertising ecosystem.

Recognizing the many benefits that arise from such fast changing dynamics, Matomy is committed to evolving our approach to performance-based marketing in a way that leads the entire industry forward, moving the focus to mobile marketing as well as the most engaging advertising format: video.

It is with this perspective in mind that we entered 2015, with a very clear focus and determination to become the recognized global leader in digital performance-based marketing. During the year we achieved several important milestones, including ramping up the revenues and operational performance of Mobfox, acquiring Optimatic - an important participant in the programmatic video space, furthering our presence in fast-growing Asian markets, increasing Matomy's share liquidity with dual listing and moving the office of the CEO to the global center of advertising and media in New York City.

The market recognizes the power of our performance-based marketing solutions. More and more advertisers and media partners are working with us to better enable them to achieve their specific digital marketing targets. As the global advertising market continues to expand, we expect increased demand for verifiable, performance-based marketing results.

Looking ahead, our growth strategy remains firmly focused on achieving scale within our identified strategic growth areas of mobile, social, video and programmatic advertising. We continue to make investments within each of these areas to improve our proprietary performance-based marketing engine while also pursuing expansion into new geographies and new customer categories. We are also keen to continue seeking value-enhancing M&A opportunities.

Additionally, we continue to strengthen our internal operations in line with the needs of a public company. At the start of 2015, we initiated a corporate restructuring that sharpened 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 our overall growth strategy.

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

Achievements

2015 was a transitional year for Matomy as the company focused firmly on mobile and video, which along with programmatic media buying, are widely considered to be the strongest growth engines in the digital marketing industry. This transition was achieved through a combination of substantial internal development of an effective set of programmatic tools, strong growth and the acquisitions of MobFox (a mobile SSP) in late 2014 and the acquisition of Optimatic (a video advertising platform that also offers SSP services) in late 2015. In particular, our investments in programmatic capabilities enabled us to improve efficiencies, lower operating expenses and increase the ability to increase scale across all our lines of business.

After a challenging first half of 2015, Matomy grew revenues and profits, and ended the year with a strong balance sheet and an excellent set of technological capabilities to fuel our future growth. We implemented several strategic initiatives that will accelerate our growth in 2016 and position Matomy for long term success.

We made significant headway growing our mobile offering, which is one of our key strategic growth channels. Our success accelerated significantly with our acquisition of MobFox in late 2014, which resulted in an increase in mobile revenues of 100% year over year now accounting for approximately 30% of Matomy's total revenue. We are proud of this result and expect this contribution to increase significantly over the next few years as the mobile segment continues to evolve into one of Matomy's core revenue drivers.

Video is another core area of growth, and we are most excited by the acquisition of Optimatic which brings Matomy the capabilities of a leading video management platform in addition to being a leading video SSP. Aligning Matomy's efforts in the direction of video we increased the ability to buy video media across multiple properties and exchanges and developed a mobile video DSP which is already yielding results.

Underpinning these enhancements to our technology platform is a commitment to forge ahead as a leader in programmatic advertising, which we believe is advertising's future due to the unparalleled efficiencies and improved results that it brings to advertisers. Matomy is constantly innovating to improve productivity and efficiency in its digital advertising offering.

As one of the leading companies to offer the full suite of digital advertising services via a single gateway function we are well positioned to capitalize on the significant market opportunities we see before us. By offering a wide breadth of digital media services along with comprehensive end-to-end managed solutions, we expect Matomy to become a leading choice for advertisers who are selecting a digital advertising partner.

Results

Our business offerings have continued to deliver solid performance. In many cases, such as our mobile and video activity, results exceeded expectations helping us grow worldwide market share. Furthermore, we maintained tight controls over costs as we streamlined processes and improved operational efficiency. Our efforts to prioritize cost control contributed to lower operating expenses on going for the year 2015, notwithstanding our investments in our long term strategy.

For 2015 we reported a 14% increase in revenue to $271.0 million on a GAAP basis (FY2014: $237.4 million), driven primarily by our identified strategic growth areas of mobile, video, domain monetization and email. Adjusted EBITDA increased by 27%, delivering a 9.5% adjusted EBITDA margin. Excluding the effects of amortization of new acquisitions and the one-time $7.3 million gain, we recorded in 2014 from the Team Internet acquisition, our earnings per share increased to $0.15 (2014: $0.04), while on a GAAP basis, EPS decreased to $0.07. (2014: $0.10)

Geographically, Matomy is seeing the strongest growth in the Americas, which is Matomy's largest market, with revenue in that region increasing 21% ($31.7 million) to $180.8 million (FY2014: $149.1 million). This was driven by our increased focus on the U.S. market, due to the ongoing industry-wide shift towards real-time bidding and programmatic advertising, as well as increased advertiser demand for video. Our European business saw challenging conditions which led to a decrease in revenues of 19%, or $12.7 million, to $54.5 million as we shifted our focus toward the U.S. and Asia.

Revenues in Asia climbed 34% ($2.9 million) to $11.5 million for the year ended 31 December 2015 as we initiated our expansion into Asia. We have recently completed the first stage of our expansion into Asia with very encouraging preliminary results. This is a market that we believe holds great promise for us, and we continue to direct resources toward increasing our presence there in the near future.

Matomy's display and video advertising continued to contribute the largest portion of the Group's overall global revenue, at 49%. The Group's domain monetization segment experienced the largest percentage revenue growth in 2015, increasing by $31.7 million, or 140%, to $54.3 million. This increase was partially driven by the inclusion in 2015 of a full year of revenues from Team Internet (acquired in mid-2014), and by advertiser and publisher growth, the acquisition of the NameDrive domain parking business as well as the introduction of new ad types with DNTX. On a pro-forma basis, assuming Team Internet had been acquired in January 2014, revenue generated from domain monetization increased 23% from $44.1 million in 2014. Email also saw significant growth, rising 67% to $34.4 million (2014: $20.5 million) as we saw, inter alia, the enhancement of direct CPMs budgets towards existing email activity.

Group operating profit increased 40% in the period on a GAAP basis to $12.1 million from $8.6 million in 2014.

Outlook

We begin 2016 with a broad set of complementary tools for mobile and video advertising and publishing. Consumers are increasingly connected through their mobile devices, and video has become one of the most effective formats to deliver messages and build engagement. We strongly believe that we have the right capabilities to support our growth and market leadership.

We are encouraged by our progress and are confident about both our short-term and long-term prospects. The series of strategic and operational changes which we implemented in 2015 have enabled the business to come through a challenging first half of the year and report encouraging year-end results.

In 2016 our focus will be to build on our previous success with MobFox to establish Matomy as a global leader for mobile performance-based advertising. Our MobFox investment will be key to driving future revenue growth and propelling our mobile business forward. We have set ourselves a goal of generating 50% of our revenue with mobile by the end of 2017.

We will also leverage the Optimatic acquisition and Matomy's existing video capabilities and customers to become a global leader in programmatic video advertising. Accordingly, as we continue to grow and generate an increasing majority of our revenues from programmatic advertising, we expect our business to evolve and follow the prevailing industry practice and trends for programmatic.

We invest consistently in new product innovation and seek complementary acquisitions that further strengthen our capabilities. Our solutions continue to evolve as we remain committed to providing our customers and media partners with our unique multi-channel digital advertising solution supported by high levels of service understanding of the market.

We see significant, untapped global market potential where Matomy's solutions are ideal. 2016 will mark our continued expansion into the Asia-Pacific market, as we expand our Asian offices in China and South Korea this year. Furthermore, the U.S. continues to represent a major opportunity for us and we have already taken steps to grow our presence in the North American market, including relocating multiple members of senior management and functions to New York City.

On behalf of our Board of Directors and the entire management team, I want to thank our customers, media partners, employees and shareholders for their continued confidence and support during this exciting period in Matomy's evolution.

OFER DRUKER
Chief Executive Officer
30 April 2016

Vision and growth strategy

Matomy is making great strides towards becoming the world's leading performance-based marketing company. Our strategy for 2016 will enable us to pursue this goal.

Position Matomy as the leading global mobile performance-based marketing provider

Consumers now turn to their mobile devices first as they start each day, and increasingly they use these devices to organize almost every aspect of their lives. Matomy already sees a large portion of its campaigns delivered on mobile devices and has made significant progress leveraging the MobFox acquisition to accelerate this growth.

In 2016 we will move further in the direction of mobile by investing directly in revenue-enhancing opportunities for MobFox and by fully integrating mobile programmatic capabilities across Matomy's business units. Our MobFox investment will help drive future revenue growth while propelling our mobile advertising revenue. Matomy aims to generate at least 50% of its revenue from mobile by the end of 2017 as a clear milestone in establishing Matomy among the global leaders in mobile performance-based marketing.

Grow video advertising revenue

Consumers are also making clear their preference for the video format for engaging with content and, as a result, with advertising. We will leverage the Optimatic acquisition in addition to Matomy's existing Video Business Unit to become recognized as a leader in programmatic video advertising. With video advertising increasingly being delivered over mobile devices, strengthening our video advertising revenue will simultaneously support our mobile growth objectives.

Focus R&D investment on innovating programmatic capabilities across the company

Across the entire advertising industry much if not most investment in advertising technology is being focused on programmatic media buying and the accompanying data science capabilities that support it. In fact, Matomy already utilizes programmatic capabilities for 60% of its mobile and video advertising. As Matomy expects to increase the percentage of the revenue it generates from programmatic advertising, we will invest R&D resources to ensure that our programmatic capabilities lead the industry in supporting performance-based marketing activities. We expect our business to evolve and follow the prevailing industry practices and trends for programmatic.

Accelerate expansion in critical markets with offerings and infrastructure tailored to needs in each region

For Matomy, two regions stand out in terms of influence and opportunity: North America and Asia. Matomy will grow revenue in North America emphasizing mobile, video, social, and programmatic capabilities. Following a successful entry into China and South Korea, Matomy will accelerate expansion in Asia by building strong local teams with unique offerings for these markets.

Pursue value-enhancing acquisitions

Matomy will pursue strategic acquisitions that add technology and capabilities in areas such as mobile, video or programmatic advertising. Matomy anticipates that companies offering capabilities that create value from data and insights will be an area of interest for 2016.

In 2015 Matomy acquired both Optimatic and Avenlo. Optimatic, acquired in November 2015, is a leading provider of video ad platform technology and a video supply side platform (SSP) headquartered in New York City. Avenlo, acquired in April 2015, is a Toronto-based ad targeting and email marketing firm.

Leverage the company's dual listing on exchanges in both London and Tel Aviv

Matomy will utilize our listing on two of the major global exchanges to enhance share liquidity, trading volumes and both the number and geographic diversity of shareholders.

Become the leading global mobile performance-based marketing provider

Matomy delivers high-ROI performance advertising for a new, mobile-first world.

Strategy in action

MobFox

BY MATOMY MEDIA GROUP

MobFox is named a top mobile supply side platform (SSP) for 2016

Digital advertising is now fully established as the growth engine of the global advertising industry, with total spending worldwide progressing from $160.3 billion in 2015 to $231 billion by 2018 according to ZenithOptimedia.

Digital Ad Spending Worldwide, by Format, 2012-2018

billions and % change

	2012	2013	2014	2015	2016	2017	2018
Display	**$33.7**	**$43.3**	**$59.2**	**$74.0**	**$86.8**	**$99.7**	**$112.4**
—% change	-	28.5%	36.7%	25.0%	17.3%	14.9%	12.7%
Paid search	**$40.7**	**$47.9**	**$59.8**	**$69.1**	**$80.0**	**$88.4**	**$96.9**
—% change	-	17.7%	24.8%	15.6%	15.8%	10.5%	9.6%
Classifieds	**$11.0**	**$12.8**	**$15.1**	**$17.2**	**$18.7**	**$20.3**	**$21.7**
—% change	-	16.4%	18.0%	13.9%	8.7%	8.6%	6.9%
Total	**$85.4**	**$104.0**	**$134.1**	**$160.3**	**$185.5**	**$208.4**	**$231.0**
—% change	-	21.8%	28.9%	19.5%	15.7%	12.3%	10.8%

Note: includes mobile
Source: ZenithOptimedia, "Advertising Expenditure Forecasts March 2016"; eMarketer calculations, March 21, 2016

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Including display, mobile and video advertising, search, and even email, digital advertising is projected to surpass TV advertising within the next year. Within digital advertising it is the mobile channel that is currently garnering the most headlines. Projected to grow from $50 billion in 2015 to $115 billion in 2018 mobile advertising is increasing as a percentage of digital advertising and is increasing faster as a percentage of total media.

Mobile Ad Spending Worldwide, 2015 & 2018

	2015	2018
Mobile ad spending (billions)	**$50**	**$115**
—% of digital ad spending	31.3%	49.6%
—% of total media ad spending	9.2%	18.7%

Note: includes smartphones and tablets, whether on search, classified, display or in-app ads
Source: ZenithOptimedia, "Advertising Expenditure Forecasts March 2016," March 21, 2016

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This growth in mobile ad spending is being driven by consumer adoption of mobile devices with more than 2 billion smartphone users worldwide.

Within digital marketing, performance-based advertising is also growing. Performance is a category of advertising where the advertiser pays only when there are measurable results. According to the Interactive Advertising Bureau performance-based advertising now accounts for 66% of the US digital advertising market. Performance-based advertising is steadily advancing as it becomes easier to measure consumers' actions as a result of engaging with a digital ad.

Matomy has always specialized in performance-based advertising frequently comprising cost-per-lead (CPL), cost-per-sale (CPS) and cost-per-install (CPI) campaigns. Now with the growing use of mobile devices consumers are increasingly engaging with Matomy's performance advertising via their mobile devices. The intersection of these two strong trends of performance and mobile presents a tremendous opportunity for Matomy.

Two additional developments in the digital advertising industry are also fueling Matomy's growth opportunities in the area of mobile performance-based advertising. The driver of these is programmatic advertising. Simply put programmatic refers to the automation of media buying, but it also extends to automating all of the aspects of advertising that support the buying and selling of ads within the digital ecosystem. Programmatic advertising helps us reduce cost and increase the efficiency of advertising spending and the potential to generate massive scale quickly. The acquisition of MobFox in 2014 added numerous advanced capabilities to Matomy's strong platform from which to increase revenue at the intersection of mobile, performance and programmatic.

> "This growth in mobile ad spending is being driven by consumer adoption of mobile devices with more than 2 billion smartphone users worldwide expected in 2016."

The other development is a further increase in adoption of video advertising delivered to consumers using both desktop and mobile devices. Video on desktop devices has been growing for several years reaching $11.24 billion in worldwide spend in 2015 and projected to grow to $19.21 billion by 2018 (eMarkter). Mobile, by contrast, is experiencing a much faster rate of growth with $4.25 billion in 2015 growing to $15.29 billion by 2018 or more than 360%. Matomy's acquisition of Optimatic adds expertise and capabilities in the fast growing category of video advertising.

Digital Video Ad Spending Worldwide, by Device, 2014-2018

billions, % change and % of total digital ad spending

	2014	2015	2016	2017	2018
Desktop	**8.75**	**11.24**	**13.88**	**16.58**	**19.21**
—% change	28.6%	28.4%	23.5%	19.5%	15.8%
—% of total digital ad spending	6.4%	7.0%	7.6%	8.1%	8.5%
Mobile	**2.40**	**4.25**	**6.98**	**10.61**	**15.39**
—% change	196.1%	76.7%	64.2%	52.1%	45.0%
—% of total digital ad spending	1.7%	2.7%	3.8%	5.2%	6.8%
Total	**11.16**	**15.48**	**20.85**	**27.19**	**34.60**
—% change	46.4%	38.8%	34.7%	30.4%	27.2%
—% of total digital ad spending	8.1%	9.7%	11.5%	13.4%	15.3%

Source: Magna Global and Wells Fargo estimates as cited in Wells Fargo, "Online Video: Migration of Light Linear Viewers Continues," Sep 3, 2015

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Mobile is not only changing how consumers interact with media, but it is also altering how they engage with advertising. Advertisers are likewise responding to these changes in the ways they engage, acquire and retain new and existing customers. For example, consumers are increasingly using their mobile device as a key factor in their purchase decisions. Whether they use their mobile device to research new products and services, check prices when they are in a store or simply view a video that offers an advertisement, these interactions provide marketers with myriad opportunities to influence consumers' purchase decisions.

Matomy is particularly well positioned to take advantage of these multiple and simultaneous changes within the digital advertising ecosystem. We used 2015 to incorporate the MobFox acquisition into Matomy's mobile platforms while investing directly in the development of new and complementary technology within MobFox. The introduction of Matomy's mobile DSP was a direct result of this investment.
For 2016 we anticipate both further integration and more investment in new capabilities that support utilizing the mobile channel for performance-based advertising while increasing the scale of advertising opportunities.

Furthermore, as one of the first companies to offer performance-based advertising through our own mobile media channels, Matomy is developing insights we are using to direct ongoing investment in mobile performance advertising capabilities. Customers of all the traditional performance campaign types benefit from the ability to reach an increasingly mobile base of consumers with results-driven advertising.

The rapid adoption of mobile devices, smartphones in particular, has given rise to an entire mobile economy of apps, games, and other commerce that takes place via these devices. The companies that create these apps and games are similar to publishers from the desktop world in that they are constantly looking to expand their subscriber or user base as well as monetize the time that users spend with their content. This gives rise to a strong need for mobile performance-based advertising to realize these dual objectives.

For Matomy, meeting these needs represents the ideal application of our years of experience in performance advertising coupled with our expertise in mobile programmatic advertising. Examples of campaigns that fully utilize Matomy's capabilities include advertising for user acquisition (UA) and monetization. UA involves increasing the user base for apps and games as well as encouraging ongoing engagement with these media properties. For developers who chose to monetize through advertising, Matomy provides a programmatic platform for offering advertising inventory from apps and games to advertisers. For many app and game developers Matomy would perform both of these functions simultaneously.

In conclusion, the global shift in consumer behavior towards using mobile devices as the primary tool for engaging with media is presenting Matomy with unparalleled opportunities to grow revenue for mobile performance-based advertising. Our past investments, including MobFox, complement this direction and provide momentum behind Matomy becoming the global mobile performance-based marketing leader.

In the following sections we detail Matomy's strategic opportunities and plans in the areas of video, programmatic, geographic focus and acquisitions.

"Matomy is particularly well positioned to take advantage of these multiple and simultaneous changes within the digital advertising ecosystem."

Grow video advertising revenue for Optimatic and across Matomy

With the acquisition of Optimatic, Matomy is in a very strong position to capitalize on the growth of video advertising.

Strategy in action

Optimatic

In 2015 Matomy acquired Optimatic, a leading video advertising and supply side platform, strengthening its position in the fast growing area of video advertising

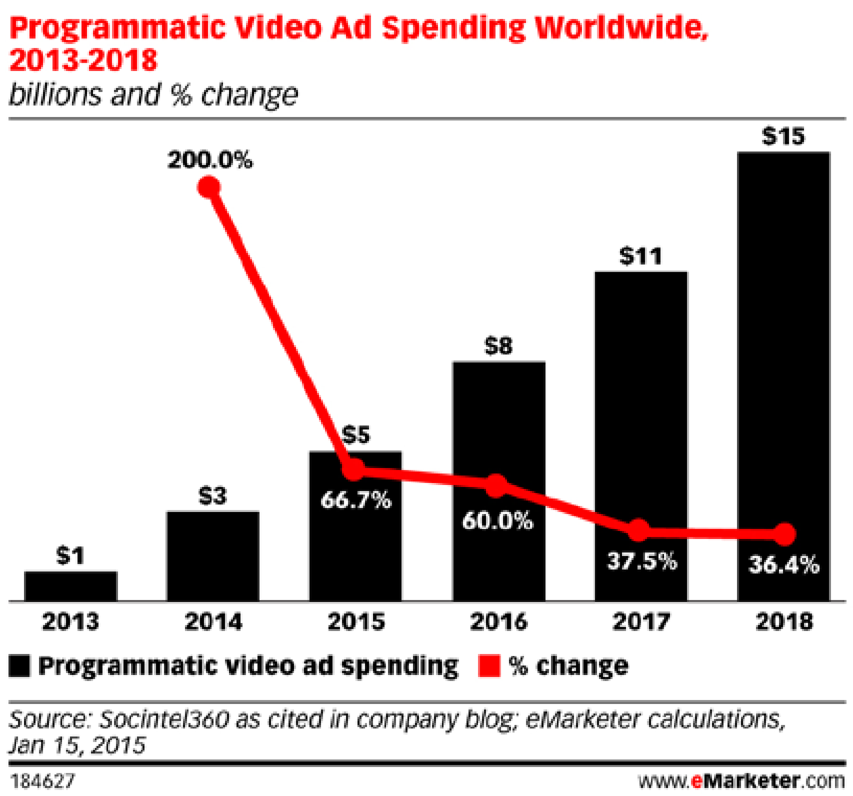
Within digital advertising video has the highest projected rate of growth of any advertising format according to eMarketer, March 2016. Video represented 9.7% of total digital advertising spend in 2015 but will be 15.3% by 2018 according to eMarketer, Sep 3, 2015. One big reason for this anticipated growth is a realization that the technology required to deliver effective video advertising is only now catching up with the need, and the most critical technology required for video advertising is the ability to buy and deliver video media programmatically.

Programmatic video advertising spending is growing much faster than the video category as a whole. Advertisers spent $5 billion on programmatic video in 2015, but will triple their use of programmatic video by 2018 to $15 billion according to eMarketer, Sep 3, 2015.

Matomy launched its video advertising business based on core capabilities in media buying and management. These capabilities enable Matomy to manage video advertising on publisher networks as well as support media buying on several of the most popular exchanges.

Matomy's acquisition of Optimatic, expands its video capabilities with the addition of an advanced video advertising platform that top publishers use to manage their video inventory along with a video supply side platform (SSP). These capabilities greatly strengthen Matomy's capacity to generate reach, scale and quality for advertisers.

This year, Matomy is investing heavily in tools that enable advertisers and publishers to optimize the value of video and extend video advertising to mobile devices. The MobFox acquisition will play an important role in building Matomy's mobile video business by providing immediate scale as well as mobile expertise.



Investing in innovative programmatic capabilities across the company

Programmatic advertising is the new foundation for performance-based marketing.

Strategy in action

MobFox
BY MATOMY MEDIA GROUP

Matomy continues to build new programmatic capabilities for MobFox and Optimatic as well as apply these technologies across all of Matomy's lines of business

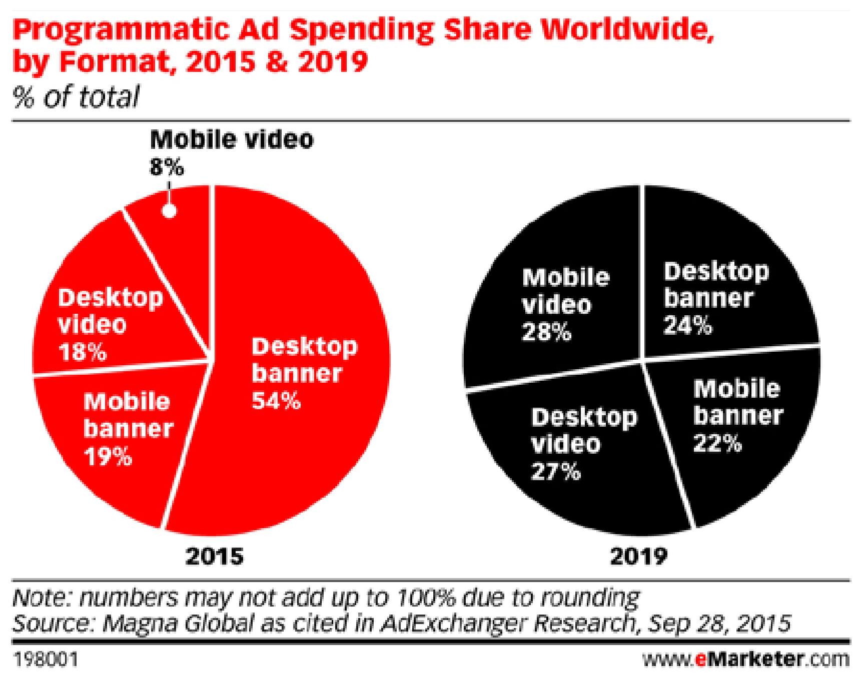
Programmatic now cuts across every aspect of advertising. Programmatic technologies automate time-consuming tasks, remove overall cost from the transactions of media buying and placement and deliver unprecedented efficiency to advertisers' media investments. Whereas programmatic capabilities began initially within individual media channels, like display, mobile and video, platforms are evolving to include all media types within the same programmatic engine. Matomy is among the leaders in developing an advertising platform that fully leverages programmatic media buying and delivery across all media channels, and Matomy's application of this technology leadership towards performance-based marketing objectives further differentiates the company within this fast growing industry.

By 2017, eMarketer estimates that programmatic advertising as a percentage of total US digital display advertising spend will jump to 72%, or $26.78 billion. This is fueled by the growing adoption of new media buying models including private marketplaces and programmatic direct deals. It is also being driven by the rapid rise of programmatic mobile ad revenues and the increased availability of more premium inventory via these channels.

It is important to note that within the fast growing segment of programmatic advertising, both advertising channels and formats vary significantly. eMarketer shares that while desktop banners accounted for more than half of all worldwide programmatic ad spending in 2015, this figure is due to shrink to 24% by 2019. This is good news as the segments that are more valuable to Matomy - and more engaging for consumers – fully eclipse this decline with their rates of growth. The mobile programmatic channel which includes both banners and video grows from 27% in 2015 to 50% in 2019. Likewise, advertising delivered as video grows from 26% in 2015 to 55% of all worldwide programmatic ad spending by 2019.

Matomy currently enjoys a very strong position within the advertising industry with regard to mobile and video programmatic capabilities, but it is exactly in this area where we will focus our development investments for 2016 to further increase our leadership position. One specific area where Matomy will invest is in the utilization of data within our programmatic advertising platform. Data are widely regarded as the fuel that makes programmatic work by automatically learning from previous advertising activities. This learning can then support finding the most appropriate audience for a given advertising campaign, along with the most effective method for reaching that audience. In turn, data from these interactions provides further insights for ongoing campaigns.

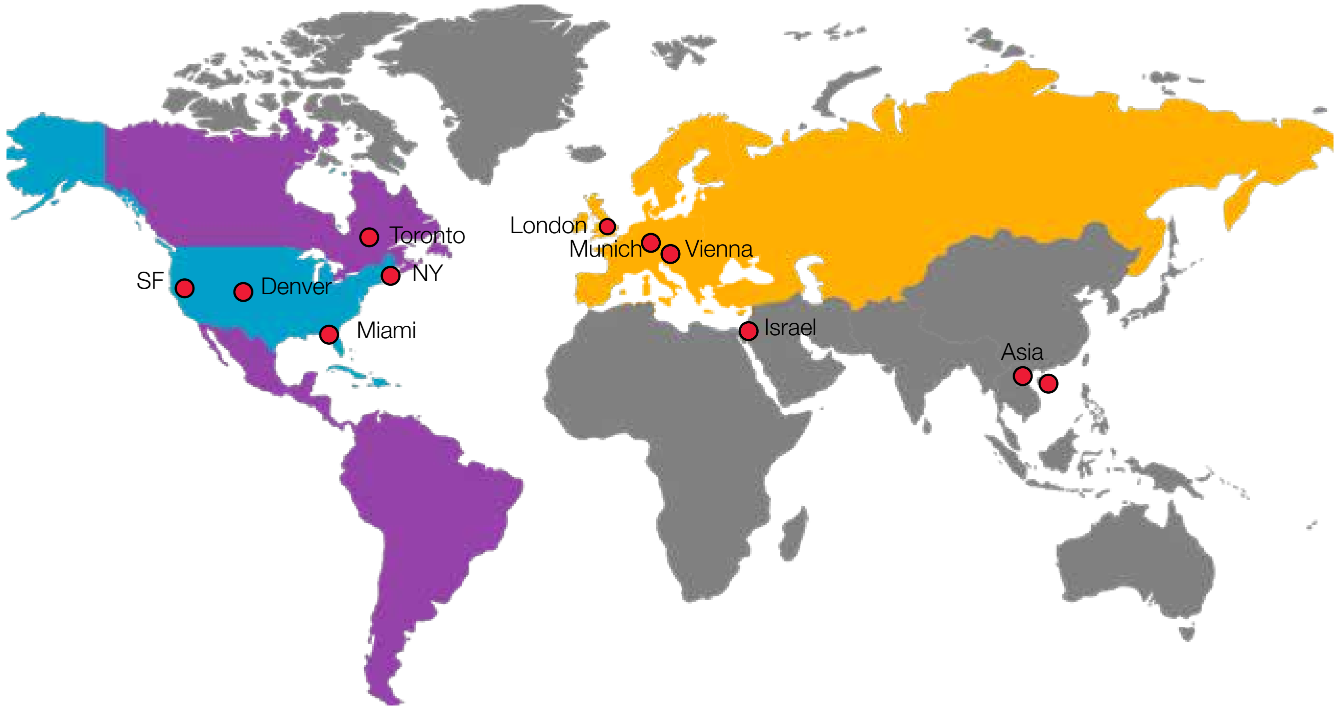
Matomy's expertise in performance-based advertising provides further fuel for our programmatic advertising capabilities. A significant strength and differentiator for Matomy is the ability to apply learning from one advertising channel to another to improve results. With the Matomy programmatic advertising platform, mobile, video, display, email and affiliate channels all work together to deliver the most effective results for our advertisers.



Accelerating expansion into critical markets of North America and Asia

Delivering performance-based advertising in Asia for North American companies and in North America for Asian companies is a large and growing business opportunity.

Matomy entered the markets of China and South Korea in 2016



Advertisers are increasingly thinking about their campaigns from a global perspective as the opportunities to reach billions of consumers in an interconnected world increase. Most of this increase is being driven by global adoption of smartphones as people who may never have had access to the Internet are gaining access and are discovering new products and services as a result. eMarketer research estimates that in 2015 54% of global smartphone users resided in the Asia-Pacific region compared with 11.3% in North America. Yet the concentration of global advertisers, agencies and technology providers in North America means that this region remains a critical location. Matomy will accelerate expansion in both regions in 2016.

Returning to the advertising markets of Asia, eMarketer estimates that in 2016 there will be more than 2 billion smartphone users worldwide with one-quarter of these users living in China alone. eMarketer further notes that many of the consumers in emerging countries are accessing the Internet mobile-first and mobile-only leading

Smartphone User Share Worldwide, by Region, 2014-2020
% of total

	2014	2015	2016	2017	2018	2019	2020
Asia-Pacific	54.5%	54.4%	54.1%	54.2%	54.7%	55.5%	56.1%
Western Europe	12.2%	11.8%	11.6%	11.3%	10.9%	10.5%	10.1%
North America	12.0%	11.3%	10.9%	10.5%	10.0%	9.7%	9.3%
Latin America	8.3%	8.7%	9.0%	9.2%	9.4%	9.4%	9.4%
Central & Eastern Europe	7.2%	7.7%	7.9%	8.1%	8.0%	7.8%	7.7%
Middle East & Africa	5.8%	6.1%	6.4%	6.7%	7.0%	7.2%	7.4%

Note: individuals of any age who own at least one smartphone and use the smartphone(s) at least once per month; numbers may not add up to 100% due to rounding
Source: eMarketer, April 2016

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advertisers to allocate their digital advertising expenditures to mobile accordingly. This presents an ideal opportunity for Matomy to leverage our strength in mobile performance-based advertising in the markets of China where mobile advertising is predicted to grow from $15.82 billion in 2015 to $52 billion, and South Korea, where mobile advertising will grow from $1.6 billion to $3.36 billion over the same period according to eMarketer, Sep 15.

Additional opportunities accrue to Matomy from having a strong presence in both North America and Asia. One example of this is the need for mobile app and game developers in North America to acquire new users for their products in the fast growing markets of Asia. Similarly, a large base of Asian mobile developers are looking to monetize their apps and games via advertising for companies that may be located in North America. Matomy's mobile programmatic advertising capabilities provide a compelling opportunity to enable developers in both regions to achieve their performance-based goals.

Pursue value-enhancing acquisitions

Smart acquisitions enable Matomy to bring valuable capabilities to market faster.

Strategy in action

Optimatic

Matomy accelerated its presence in the programmatic video market by acquiring Optimatic in 2015

Matomy continues to invest in companies that increase growth and add value to our core lines of business. In 2015 Matomy invested in the ad targeting and email marketing firm, Avenlo, and a leading video ad platform provider and supply side platform, Optimatic.

Avenlo enhances the technology underpinning Matomy's email acquisition marketing solutions through advanced ad targeting and data management. Similar to programmatic advertising, data is a crucial element in performance-based advertising, and Avenlo adds significant capabilities in targeting ads across media channels.

Optimatic strengthens Matomy's digital video capabilities and complements our growth in mobile programmatic advertising with mobile video. Optimatic's proprietary video advertising platform enables clients to obtain video inventory programmatically with the support of SSP features.

Looking ahead Matomy will pursue acquisitions that add substantial value potentially including providers of technology that complement our strategic objectives in performance and programmatic advertising.

Leverage Matomy's dual listing on exchanges in both London and Tel Aviv

Matomy is committed to building value for new and existing shareholders.

Strategy in action

MTMY

Matomy trades actively on both the London Stock Exchange and, more recently, the Tel Aviv Stock Exchange

After our first full year trading as a public company we are especially pleased to enter 2016 with listings on both the London (LSE) and Tel Aviv Stock Exchanges (TASE). We expect our more recent listing in Tel Aviv to make our shares more accessible to Israeli investors in addition to enhancing share liquidity, trading volumes and increasing the number and variety of our shareholders. We look forward to opportunities throughout the year to share education with the investor community regarding Matomy's market and growth prospects.

Business and financial review

Matomy's revenue increased 14% to $271.0 million on a GAAP basis, while adjusted EBITDA rose 27% to $25.7 million.

Income statement

For 2015 Matomy reported a 14% increase in revenue to $271.0 million on a GAAP basis (FY2014: $237.4 million), driven primarily by our identified strategic growth areas of mobile, video, domain monetisation and email activity. Adjusted EBITDA increased by 27%, delivering a 9.5% adjusted EBITDA margin. Excluding the effects of amortisation of new acquisitions and the one-time $7.3 million gain recorded in 2014 from the Team Internet acquisition, earnings per share increased to $0.15 (2014: $0.04), while on a GAAP basis, EPS decreased to $0.07 (2014: $0.10).

Several factors contributed to revenue growth, including the effect of the 2014 and 2015 acquisitions and a surge in the mobile and video media channels, mainly in the programmatic environment, offset by a decrease in web display revenues, which corresponded to the shift into increased mobile consumption.

Summary income statement

(US dollars in thousands, except earnings per share data)

	2015	2014
Revenues	$270,976	$237,443
Cost of revenues	208,849	178,479
Gross profit	**62,127**	**58,964**
Operating expenses		
Research and development	8,080	7,823
Selling and marketing	25,943	23,356
General and administrative	15,988	19,151
Total operating expenses	50,011	50,330
Operating income	**12,116**	**8,634**
Financial expenses, net	2,179	4,051
Income before taxes on income	**9,937**	**4,583**
Taxes on income	2,681	1,766
Gain on remeasurement to fair value and equity gains (equity losses and impairment) of affiliated companies, net	(24)	6,969
Net income	**7,232**	**9,786**
Revaluation of redeemable non-controlling interest in subsidiaries	(76)	(1,820)
Net loss (income) attributable to redeemable non-controlling interests in subsidiaries	(545)	(65)
Net loss (income) attributable to other non-controlling interests in subsidiaries	2	102
Net income attributable to Matomy Media Group Ltd.	**$6,613**	**$8,003**
Basic earnings per ordinary and preferred share	**$0.07**	**$0.10**
Diluted earnings per ordinary preferred share	**$0.07**	**$0.09**

Cost of revenues

$ millions, except as otherwise indicated	2015	2014
Direct media costs	194.5	169.8
Other cost of revenues	14.4	8.6
Cost of revenues	208.9	178.4
Gross margin	23%	25%

Cost of revenues increased by $30.5 million, or 17%, to $208.9 million (77% of total revenues) for the year ended 31 December 2015 from $178.4 million (75% of total revenues) the year prior.

Matomy's cost of revenues primarily consists of direct media costs, and therefore the majority of the increase in cost of revenues in 2015 was driven by revenue growth, with adjusted gross margin remaining stable.

Cost of revenues also reflected an increase in allocated costs, in particular amortisation of technology assets from the 2014 and 2015 acquisitions, which contributed an additional $3.3 million in 2015, as well as server costs and other allocated expenses relating to the new acquisitions, all of which led to a decrease in gross margin.

Operating expenses

$ millions	2015	2014
Research and development	8.1	7.8
Sales and marketing	25.9	23.4
General and administrative	16.0	19.1
Total operating expenses	50.0	50.3
Total operating expenses as a percentage of revenues	18%	21%

Operating expenses decreased by $0.3 million or 0.6%, to $50.0 million for the year ended 31 December 2015 (FY2014: $50.3 million). Operating expenses as a percentage of revenues improved 3 percentage points to 18% for 2015 (FY2014: 21%) resulting in an operating margin of 4.5% (2014: 3.6%).

Operating expenses decreased both as a result of corporate restructuring which included decreasing headcount and increased business focus, and increase in automated programmatic technological tools which increase efficiency and reduce manual labour. In 2015 almost 60% of Matomy's activities were programmatic.

Research and development expenses increased by $0.3 million, or 3%, to $8.1 million (FY2014: $7.8 million). This reflects an increased investment in programmatic proprietary technologies leading to increased R&D headcount in 2015 compared to 2014, partly offset by the effect of R&D capitalisation during 2015.

Sales and marketing expenses increased by $2.5 million, or 11%, to $25.9 million (FY2014: $23.4 million). This increase primarily represents customer relationship amortisation costs which increased by $2.4 million in 2015 compared to 2014, due to the 2015 new acquisitions and the first full year of amortisation of the 2014 acquisitions. This was offset by reduced salary and related allocated costs after restructuring of the existing business units to leverage operational advantages and provide a unified media offering. In total, the 2015 acquisitions contributed sales and marketing expenses of $0.6 million.

General and administrative expenses decreased by $3.1 million, or 17%, to $16.0 million (FY2014: $19.1 million), primarily due to the one-time IPO bonuses of $3.1 million paid during 2014. While $0.7 million expenses were added by the 2015 acquisitions, these were offset by the efficiencies generated by the restructuring process and resulting reduction in headcount.

Financial expenses

Financial expenses, net, decreased by $1.9 million to $2.2 million for the year ended 31 December 2015 (FY2014: $4.1 million). This decrease reflects revaluations recorded on assets and liabilities not denominated in dollars, caused by movements in foreign exchange rates, which were much less significant than those recorded during 2014, in particular the USD–ILS and USD–EUR rates. In relation to these movements, Matomy recorded a decrease in financial expenses of $1.8 million arising from the use of hedging instruments. A further decrease of $0.2 million was due to the repayment of loans over the period, leading to a reduction in interest payable.

Equity gains

Equity gains (losses) of affiliated companies, net, were negligible in the year ended 31 December 2015 compared to a gain of $7.0 million in the prior year. This change primarily reflects the one-off gain of $7.3 million recorded in 2014, resulting from revaluing the prior equity interest in Team Internet held before Matomy acquired a controlling 70% stake in June of that year. In addition, an impairment of $0.5 million in the Uppsite investment was recognised in 2014 due to Uppsite's intention to enter liquidation, as well as various smaller gains and losses from the other affiliated companies.

Taxes on income

Taxes on income increased by $0.9 million to $2.7 million for the year ended 31 December 2015 (FY2014: $1.8 million), reflecting the increased pre-tax income.

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 27% in the year ended 31 December 2015, and 39% in the year ended 31 December 2014.

Matomy's effective corporate tax rate was lower in 2015 compared to 2014 primarily due to significant exchange rate movements between the Israeli shekel and other currencies during 2014, which increased finance expenses and reduced pre-tax income in the consolidated results when presented in the Group reporting currency of US dollars, but did not affect the results denominated in Israeli shekels on which Matomy's tax expenses in Israel are calculated. The effective corporate tax rate in 2014 without taking into account these finance expenses would have been 17.7%. The increase in 2015 to an effective corporate tax rate of 27% was due to increased profits in Germany and the US, where corporate tax rates are higher.

The Israeli statutory corporate tax rate was 26.5% in both 2015 and 2014. 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 (including Matomy USA, Inc. and Optimatic, Inc.) are subject to US federal, state and foreign income taxes. In 2015, Matomy's US operations had taxable income which was partially offset by brought forward losses, resulting in a liability for state tax only and a minimal foreign income tax liability, while in 2014, Matomy's US operations had net operating losses and incurred minimal state and foreign income tax liabilities. To date, Matomy has not been required to pay US federal income taxes since its US operations have accumulated net operating losses.

Team Internet is subject to German corporate and trade taxes. The effective tax rate of Team Internet on a standalone basis was 32% in 2015 (33% in 2014).

Net income

Net income decreased by $2.6 million to $7.2 million for the year ended 31 December 2015 (FY2014: $9.8 million), primarily due to the one-time accounting gain of $7.3 million recorded in 2014 which was attributable to the acquisition of Team Internet.

Revaluation of redeemable non-controlling interests

As of 31 December 2015, Matomy's $35.4 million in redeemable noncontrolling interests consisted of:

- $1.1 million relating to Matomy Social;
- $33.0 million relating to Team Internet; and
- $1.3 million relating to Avenlo.

The statements of income for the years ended 31 December 2015 and 31 December 2014 also reflect the previously existing non-controlling interest in Matomy Mexico.

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.

Amortisation of intangible assets

Amortisation expenses amounted to $11.4 million for the year ended 31 December 2015, an increase of $5.6 million from amortisation expenses of $5.8 million for the year ended 31 December 2014. Of this increase, $1.9 million was due to amortisation of the intangible assets Matomy acquired in the Avenlo and Optimatic acquisitions, and a further $3.9 million increase reflected the first full year of amortisation of the Team Internet acquisition.

Exceptional items

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

Liquidity and cash flows

The following table sets out selected cash flow information for Matomy for the years ended 31 December 2015 and 2014.

$ millions	2015	2014
Net cash provided by (used in) operating activities	18.7	(0.4)
Net cash used in investing activities	(29.5)	(33.8)
Net cash provided by (used in) financing activities	(9.9)	71.2
Effect of exchange rate differences on cash	-*	(0.6)
Increase (decrease) in cash and cash equivalents	(20.7)	36.4
Cash and cash equivalents at beginning of period	48.0	11.6
Cash and cash equivalents at end of period	27.3	48.0

* Represents amounts less than $0.1 million.

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

Matomy's net cash used in / provided by operating activities increased by $19.1 million to an $18.7 million inflow for the year ended 31 December 2015 (FY2014: $0.4 million outflow).

In 2015, net cash provided by operating activities consisted of $7.2 million in net income and $10.8 million relating to noncash expenses, and $0.6 million relating to net changes in working capital. Noncash expenses were primarily depreciation and amortisation of $12.6 million, significantly higher than prior years due to amortisation related to the 2014 and 2015 acquisitions, stockbased compensation expense of $0.9 million, less decreases in deferred taxes of $2.4 million.

For the year ended 31 December 2014, Matomy's net cash used in operating activities consisted of $9.8 million in net income, less $1.0 million relating to noncash expenses, less $9.2 million used to fund net changes in working capital. Noncash expenses were primarily depreciation and amortisation of $6.9 million, stockbased 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 2015 were mainly driven by a decrease of $5.0 million in trade receivables, less the effects of an increase of $3.0 million in other receivables and a decrease of $1.5 million in trade payables. The remaining amount consisted of smaller movements in various other assets and liabilities. Trade receivables in 2015 were influenced by improved collection procedures implemented during the year, reducing the balance of video advertising customers, which typically have longer payment terms. Other receivables increased in 2015 primarily due to the acquisition of domains held for sale.

(B) Net cash used in investing activities

Net cash used in investing activities decreased by $4.3 million to $29.5 million for the year ended 31 December 2015 (FY2014: $33.8 million). In 2015, net cash used in investing activities included a $17.9 million investment in Optimatic, a $5.6 million investment in Avenlo, $2.7 million paid to acquire an advertiser list, and a $3.3 million investment in property and equipment including capitalised R&D costs.

For the year ended 31 December 2014, net cash used in investing activities included a $22.4 million investment in Team Internet, a $10.0 million investment in MobFox and a $1.6 million investment in property and equipment including capitalised R&D costs.

(C) Net cash used in / provided by financing activities

Net cash used in / provided by financing activities decreased by $81.1 million to a $9.9 million outflow for the year ended 31 December 2015 (FY2014: $71.2 million inflow).

In 2015, net cash used in / provided by financing activities related primarily to a $5.3 million net decrease in outstanding term loans, $5.8 million total payments to non-controlling interests and earnout payments, less $1.2 million of proceeds from option exercises during the year.

For the year ended 31 December 2014, net cash used in financing activities related 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.

As of 31 December 2015, Matomy had $13.8 million in term loans. Of those, $6.4 million are due within one year.

(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 foreign functional currency of euros 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.

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, 2014 and 2015 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 2015 and 2014, 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

On 13 November 2015, Matomy completed the acquisition of 100% of the issued and outstanding shares of Optimatic Media Inc. ('Optimatic') for a total consideration of $33.6 million. Optimatic is a leading programmatic technological video platform company that enables top-tier publishers to manage their inventory programmatically and a full suite of digital video Supply Side Platform capabilities. Optimatic developed a unique proprietary video platform and is considered a leader in the video space.

On 15 April 2015, Matomy 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 $22.9 million. On 8 March 2016, subsequent to the balance sheet date, Matomy signed an amendment to the purchase agreement, revising the total consideration to $10.8 million. Avenlo is a performance email marketing and ad targeting company, incorporated in Canada.

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

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.

Earnings per share

Matomy's basic earnings per share decreased by $0.03, or 29%, to $0.07 for the year ended 31 December 2015 (FY2014: $0.10 EPS). This change was influenced by a 17% decrease in after-tax profit, which as noted above, was primarily due to the one-time $7.3 million accounting gain in 2014. In addition, there was a 16% increase in the weighted average number of outstanding shares mainly due to the inclusion of the shares issued in Matomy's IPO for a full financial year (compared to 6 months in 2014), as well as an increase in share option exercises in 2015 compared to 2014, and the share issue related to the Avenlo acquisition in Q2 2015.

Treasury shares

As part of the acquisition of Team Internet in 2014, 1,625,659 ordinary shares of Matomy, which were owned by Team Internet and acquired through the transaction, were reclassified as treasury shares. Team Internet's minority shareholders are entitled to an 80% share in gains derived from these shares, 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.

As of 31 December 2015 Team Internet holds 1,211,236 shares in Matomy.

Financial Obligations and Covenants

Matomy's financial obligations and commitments as at 31 December 2015 were as follows:

$ million	Due within 1 year	Due >1 year	Total
Term loans	6.4	7.4	13.8
Operating lease obligations	2.1	7.0	9.1
Total	8.5	14.4	22.9

In June 2014, Matomy entered into a $21.6 million term loan agreement with an Israeli bank. In relation to this loan, Matomy is required to comply with certain covenants, as defined in the loan agreement and its amendments. As of 31 December 2015, Matomy was in full compliance with the financial covenants.

Matomy also has access to a line of credit from the same bank. As of 31 December 2015, this credit line was not in use.

The line of credit and loans are secured by way of: (i) a fixed charge over Matomy's unpaid equity; and (ii) a floating charge over certain of its assets of Matomy.

In August 2015, Matomy's subsidiary Buyname entered into a term loan of $1.3 million from a German bank.

Financial reporting

This financial information has been prepared under US GAAP principles and in accordance with Matomy's accounting policies. There have been no material changes to Matomy's accounting policies during the year ended 31 December 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 as set out in detail in the section entitled 'Risk Factors' of the Group's IPO prospectus (the 'Prospectus') dated 9 July 2014 and updated from time to time. These include, inter alia, the following:

- Certain internet and technology companies may intentionally or unintentionally adversely affect Matomy's operations, mainly due to announced or unannounced changes and restrictions by such companies.
- The delivery of digital ads and the recording of the performance of digital ads are subject to complex regulations, legal requirements and industry standards, including with respect to fraud, transparency, viewability and overall ad quality.
- Matomy relies partly 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.
- Akey part of Matomy's growth strategy relates to acquisitions and the ability to effectively integrate and manage them.
- Matomy is an Israeli-domiciled company having its shares admitted to trading on the High Growth Segment of the London Stock Exchange plc's Main Market and on the Tel Aviv Stock Exchange. As such the rights and obligations of shareholders are governed by Israeli law and differ in some respects from English law and share trading is subject to certain settlement mechanics between the UK and Israel.

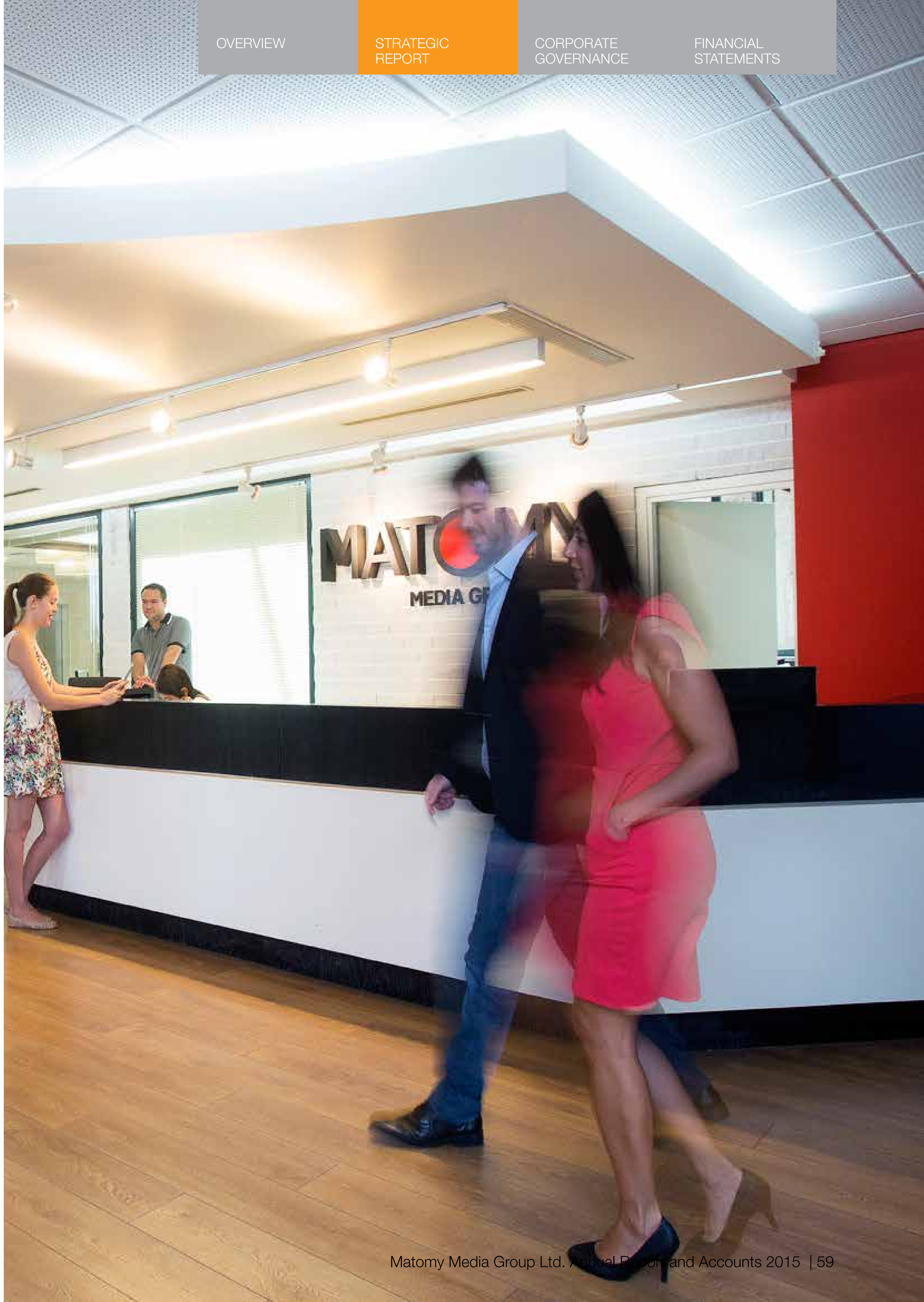
Forward-looking statements

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

Directors' responsibility

The Directors confirm that to the best of their knowledge 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 4.1.

Sagi Niri
Chief Financial Officer



Principal Risks and Uncertainties

The tables below summarise, in the opinion of the Board, the principal 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 it properly identifies, peritonitises, evaluate and mitigates.

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, the Senior Management team 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 effect 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 effect	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, ,including with respect to fraud, transparency, viewability and overall ad quality. 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 data it may be exposed the risk of non-compliance with applicable laws.	Matomy continues to invest in legal and compliance resources in all the jurisdictions relevant to its business. 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. However, 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 in all the jurisdictions relevant to its business 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 Undertakes 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 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 putted 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 generate 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 $50,000, in aggregate, to charities in the countries in which it operates.

Throughout 2015, 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'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.

1

2

1 & 2 | Matomy volunteers worked with local charities in Israel having sports and fun day.

3 | School Children: Matomy volunteers deliver toys and educational materials to students during Children's Day 2015.

3

Environment

Each of Matomy's branch offices has established environmental plans that help minimize Matomy's environmental footprint. 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 2015 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 used 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 January 2015 to 31 December 2015

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 health 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 66% of the Group's employees are male and 34% female. Within Matomy's Senior Management team, approximately 46% of the team are male and 54% 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 appropriate 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 branch 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.

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MATOMY Media Group Ltd. BOARD

The Board has delegated certain responsibilities to committees

Audit Committee

Gary Hughes (Charmain, resigned from the board in October 2015)

Nadav Zohar (Chairman), appointed in November 2015

Harel Beit-On

Nathalie Schwarz

Second External Director to be appointed

(3 Non-Executive Directors + Chairman)

Remuneration Committee

Second External Director to be appointed (Chairman)

Nadav Zohar, (Charmain, until October 2015)

Gary Hughes (resigned from the board in October 2015)

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

General Counsel

EVP Media

SVP Business Development & Sales

SVP Finance

CEO, Team Internet

CEO, Optimatic

Board of Directors

Our business is managed by our Board of Directors. Biographical details of the Directors and Senior Management as at 30 April 2016 are as follows.

Name	Rupert Howell	Ofer Druker
Title	Non-Executive Chairman	Chief Executive Officer
Biography	Rupert Howell, was appointed to act as Deputy Chairman and Senior Independent Director of Matomy in March 2014. He is currently Group Development Director of Trinity Mirror plc, the UK's biggest newspaper group and non-executive Chairman of the Hey Human/Brave/Closer Group, an independent UK marketing agency. Previously, he was the Managing Director of the Broadcast and Online division at ITV plc from 2007 to 2010. Prior to joining ITV plc he held a number of roles at McCann Erickson from 2003 to 2007, including President of EMEA, Chairman of the UK & Ireland Group and Regional Director of EMEA Operations. He was a co-founder of Howell Henry Chaldecott Lury, a UK-based advertising agency, where he worked from 1987 until 1997 when it was acquired by Chime Communications plc, where he was Chief Executive Officer from 1997 to 2002. Prior to founding Howell Henry Chaldecott Lury he was employed by Grey Group, Young & Rubicam and Ogilvy Group. He was President of the European Association of Communications Agencies from 2006 to 2007 and President of the Institute of Practitioners in Advertising from 2000 to 2001. He holds a BSc in Management Sciences from Warwick University.	Ofer Druker, is the co-founder of Matomy and currently serves as Chief Executive Officer. Previously, he was Chief Executive Officer at Xtend Media, which he co-founded in 2006. Xtend Media was acquired by Matomy in 2008. Previously, he was President of Soho Digital International, a subsidiary of Direct Revenues from 2005 to 2006, and President of International Sales at Cydoor Desktop Media, an Israeli company from 1998 to 2005. 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.
Year Appointed	2014	2007
Committee Member-ship(s)	• Nomination Committee (Chairman)	• Nomination Committee
External Appointments	Rupert is Group Development Director of Trinity Mirror plc and Non-Executive Chairman of Hey Human/Brave Group	None

Continued Board of Directors

			
Name	**Sagi Niri**	**Ilan Shiloah**	**Harel Beit-On**
Title	Chief Financial Officer / Chief Operational Officer	Non-Executive Director	Deputy Chairman & Non-Executive Director
Biography	Sagi Niri, joined Matomy in 2008 and currently serves as Chief Operations Officer. Prior to joining Matomy he was Chief Controller at McCann Erickson Israel Group from 2000 to 2008 and a manager at Deloitte Israel. He holds a BA in Corporate Finance from the College of Management—Academic Studies and an MBA in Finance from Manchester University. He has been a member of the Institute of Certified Public Accountants in Israel since 2000.	Ilan Shiloah joined Matomy in 2007 as Chairman and to date continues to serve in this role. He is currently Chairman of McCann WorldGroup, Israel, which consists of McCann Erickson, Universal McCann and McCann Digital, and the Chairman and major shareholder of TheTime, an investment company based in Tel Aviv that focuses on young innovative technology start-ups in the area of new media. Previously, he was Chief Executive Officer of P.O.C., a leading Israeli strategic consulting firm. He holds a BA and MBA in Economics & Management from Tel Aviv University.	Harel Beit-On, was appointed to act as a Non-executive Director of Matomy in July 2010. He is a cofounder of the Viola Group, an Israeli technology orientated private equity investment group and a shareholder of Matomy. He is currently Chairman of the TASE-listed B. Gaon Holdings Ltd, an holding company focused on the Water & Ag-Tech markets, and serves as an active board member of a number of portfolio companies of the Viola Group. Previously, he held a number of roles, including Chief Executive Officer, President and Chairman, at the previously NASDAQ-listed Tecnomatix, a leading software provider, from 1985 to 2005 before it was acquired by UGS. He was also Chairman of the previouslyNASDAQ listed ECtel, a provider of Integrated Revenue Management solutions, from 2004 to 2006. He holds a BA in Economics from the Hebrew University and an MBA from the Massachusetts Institute of Technology.
Year Appointed	2008	2007	2010
Committee Member-ship(s)			• Audit Committee
External Appointments		Ilan is Chairman of McCann WorldGroup Israel and The Time.	Harel is chairman of Lumenis and serves as an active board member of a number of portfolio companies of the Viola Group.

Continued Board of Directors

			
Name	**Nadav Zohar**	**Nathalie Schwarz**	**Rishad Tobaccowala**
Title	Independent Non-Executive Director	Independent Non-Executive Director	Independent Non-Executive Director
Biography	Nadav Zohar was appointed as an independent Non-executive Director of Matomy in March 2014. He is a Global head of Corporate Development at Gett. Previously, Nadav was Senior Consultant of Impact Equity Corporation, 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.	Nathalie Schwarz, was appointed to act as a Non-executive Director of Matomy in March 2014. She is currently a non-executive director of the Main Market-listed Wilmington Group plc, a provider of information, compliance and education services for professional markets in the United Kingdom and internationally and served in the past as a non-executive director of Photon Kathaas plc, a Singaporean company specialising in the production and distribution of Indian films. Previously, she was Commercial and Corporate Development Director at Channel 4 Television Corporation from 2005 to 2011, nonexecutive director of Amiad Water Filtration Systems Ltd. from 2005 to 2008 and Chief Executive of Channel 4 Radio from 2005 to 2007. Prior to joining Channel 4, she was Group Strategy and Development Director at Capital Radio plc from 2001 to 2005 and was also its company secretary and general counsel from 1998 to 2001. She was an associate at the international law firm Clifford Chance LLP from 1993 to 1998. She holds an LLB (Hons) from the University of Manchester.	Rishad Tobaccowala, was appointed to act as a Non-executive Director of Matomy in February 2014. He is Chief Strategist and member of the Directoire+ of Publicis Groupe, the world's third largest communication firm where he helps drive a business and marketing transformation agenda. Tobaccowala was most recently the Chairman of DigitasLBi and of Razorfish, two global firms owned by the Publicis Groupe focused on marketing and business transformation. Rishad was also the Chief Strategy and Innovation officer of VivaKi, a global leader in digital advertising solutions. Over his 34 year career in marketing, Tobaccowala and has worked, helped grow, founded/co-founded or incubated for a variety of companies including Leo Burnett, Starcom, SMG Next, Starcom IP, Giant Step, Play, and Denuo.
Year Appointed	2014	2014	2015
Committee Member-ship(s)	• Audit Committee • Remuneration Committee • Nomination Committee	• Audit Committee • Remuneration Committee	
External Appointments	Nadav serves on several boards of portfolio growth media and technology companies managed by Impact Equity Corporation.	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.

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 2015.

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%); Avenlo Inc. (70%); Matomy Social Ltd. (80%); Team Internet AG (70%) and Optimatic Inc. (100%).

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 24 to 73. 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 86 to 97. 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 2015 are set out on pages 114 to 165. Revenue during 2015 amounted to $271.0 million (2014: $237.4 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 2015, the authorised share capital of Matomy was 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 93,093,626 ordinary shares.

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	23.86%
Ilan Shiloah	11,117,555	11.88%
Viola A.V Adsmarket L.P	9,028,245	9.65%

At the Extraordinary Meeting of the Shareholders of Matomy, held on 27 October 2015, Shareholders approved that, the Directors are authorised to allot and issue, amongst other, the following:

- up to an aggregate nominal amount equal to one-third of the Company's issued share capital as of the date of the 2015 Annual General Meeting
- up to an aggregate nominal amount equal to two-thirds of the Company's issued share capital as of the date of the Annual General Meeting (such amount to be reduced by the aggregate nominal amount of any securities issued under sub-paragraph above)

This authority expires at the conclusion of the Company's next annual general meeting or the date that 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 seek board approval to extend the term of the authority. 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 2015, (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 amoritisation. 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 applicable to Matomy; 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 eight members: the Non-Executive Chairman (Rupert Howell); two Executive Directors (Chief Executive Officer Ofer Druker and Chief Operational Officer/ Chief Financial Officer Sagi Niri); and five Non-Executive Directors (Harel Beit-On, Ilan Shiloah, 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 77 and 79, and details of their membership of the Board's committees are set out further in this report.

Rupert Howell is the Non-Executive Chairman of the Board and Harel Beit -On is the Senior Independent Director, who also acts as Deputy Chairman. Matomy's external directors are Nadav Zohar and Harel Locker.

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 98 and 111 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 2015. 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 2015 are shown on page 81.

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 86 to 97 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

In June 2014, Matomy entered into a $21.6 million term loan agreement with an Israeli bank. In relation to this loan, Matomy is required to comply with certain covenants, as defined in the loan agreement and its amendments. Matomy also has access to a line of credit from the same bank. As of 31 December 2015, this credit line was not in use.

The line of credit and loans are secured by way of: (i) a fixed charge over Matomy's unpaid equity; and (ii) a floating charge over certain of its assets of Matomy.

In August 2015, Matomy's subsidiary Buyname entered into a term loan of $1.3 million from a German bank. As of 31 December 2015, Matomy was in full compliance with the financial covenants..

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 2015, Matomy did not make any political donations (FY2014: $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 2016 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 2016

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 endeavors 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") as 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"). Furthermore, following Matomy's recent commencement of trading on the Tel-Aviv Stock Exchange (the "TASE") on 16 February, 2016, Matomy further it will comply with the relevant provisions relating to its trading on TASE to the extent applicable to it.

This report, together with the Remuneration Committee Report on pages 98 to 99, provides details of how Matomy has applied the principles and complies with it'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 eight members: the Non-Executive Chairman (Rupert Howell), two Executive Directors (Chief Executive Officer Ofer Druker and Chief Operational Officer/ Chief Financial Officer Sagi Niri), and five Non-Executive Directors (Harel Beit-On, Ilan Shiloah, 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. Gary Hughes resigned from the board in October 2015. The Board selected Mr Howell to serve as new Chairman, and Mr Beit On as Deputy Chairman, effective as of November 2015. The biographical details of each of the Directors are set out on pages 76 to 79, 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 and Audit Committee held four quarterly scheduled meetings in 2015. 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 2015:

	Board	Audit Committee	Nomination Committee Committee[3]	Remuneration Committee[4]
Rupert Howell(1)	4/4	-	-	-
Harel Beit On(1)	4/4	3/4	-	-
Ilan Shiloach	4/4	-	-	-
Gary Hughes(2)	3/4	3/4	2/3	-
Natalie Schwarz	4/4	4/4	3/3	2/2
Nadav Zohar	4/4	4/4	3/3	2/2
Rishad Tobaccowala(3)	2/4	-	-	-
Ofer Drucker	4/4	-	-	2/2
Sagi Niri	4/4	-	-	

(1) The Board selected Mr Howell to serve as new Chairman, and Mr Beit On as Deputy Chairman
(2) Gary Hughes resigned from the board in October 2015.
(3) Rishad Tobaccowala joined the Matomy Board of Directors in February 2015.
(4) Includes attendance by proxy.
(5) Nomination Committee and Remuneration committee statistics reflect ad hoc meetings.

Certain Directors were unable to attend one or more 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.

The Board is chaired by Rupert Howell. The Non-Executive Chairman is responsible for leading the Board and its effectiveness. Ofer Druker and Sagi Niri are Chief Executive Officer and Chief Operational Officer/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 Ilan Shiloah, Harel Beit - On and Rishad Tobaccowala.

In November 2015, Rupert Howell, formerly Matomy's Deputy Chairman, was appointed as Matomy's Non-executive Chairman.

Mr. Howell's appointment as Matomy's Non-executive Chairman was made, inter alia, in order to comply with the recommendations of the Corporate Governance Code that a chairman meets the independence criteria set out in the UK Corporate Governance Code on appointment.

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 76 to 79).

Board appointments

Board nominations are recommended to the Board by the Nomination Committee under its terms of reference (see below regarding the appointment of Mr. Rishad Tobaccowala 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. At the annual general meeting (the "AGM") held on 27 October 2015 each of Mr. Ilan Shiloah, Mr. Rupert Howell, Mr. Harel Beit-On, Mr. Rishad Tobaccowala, Ms. Nathalie Schwarz, Mr. Ofer Druker and Mr. Sagi Niri were reappointed as members of the Board of Directors with their appointment to remain in effect until the next AGM.

At an extraordinary general meeting held on 27 April 2016, Mr. Harel Locker was appointed as an "External Director" (as defined in the Israeli Companies Law) for a term of three years.

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. During the months during which there is no scheduled Board meetings, the Board conducts monthly telephone Board update calls. 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 86 to 97. Information pertaining to the work of the Nomination Committee during the year can be found on pages 98 to 99.

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

Audit	Remuneration	Nomination
Mr Zohar (Chair)	Mr Locker (Chair) (1)	Mr Howell (Chair)
[Mr Locker] (1)	Mr Zohar	Mr Zohar
Ms Schwarz	Ms Schwarz	Mr Drucker
Mr Beit-On		

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.(2) Gary Hughes resigned form the board in October 2015, Following his resignation, the Board appointed Mr. Zohar as Chairman of the Audit committee. In accordance with the Articles of Association of the Company, the Board selected Mr Howell to serve as new Chairman, and Mr Beit On as Deputy Chairman in October 2015.

(1) Mr. Harel Locker was appointed as an "External Director" (as defined in the Israeli Companies Law) for a term of three years at the extraordinary general meeting held on 27 April 2016

Audit Committee Report

NADAV ZOHAR
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 2015.

Audit Committee	
Gary Hughes	3/4
Nadav Zohar	4/4
Nathalie Schwarz	4/4
Harel Beit- On	3/4

Includes participation 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 cover 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.

Our board of directors has determined that Mr. Zohar has the requisite financial expertise to serve as the Chairman of our audit committee.

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, Nadav Zohar fulfills this requirement (see biographical details on pages 77 to 79).

Operation of the Audit Committee

The Audit Committee met four scheduled times in 2015. 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.

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 considered 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 2016 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 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 ensure 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-audit 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 for the foreseeable future .

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 would 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 2015 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 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 no less often 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 reforecasting 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:

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:

NADAV ZOHAR

Chairman of the Audit Committee

30 April 2016

Internal Audit

Under the Israeli Companies Law, the board of directors of a publicly traded company must appoint an internal auditor nominated by the audit committee. The role of the internal auditor is to examine whether the company's actions comply with the law, integrity and orderly business practice. Under the Israeli Companies Law, the internal auditor may not be an interested party, an office holder, or an affiliate, or a relative of an interested party, office holder or affiliate, nor may the internal auditor be the company's independent accountant or its representative. Daniel Spira, Certified Public Accountant (Isr.) serves as our Internal Auditor.

The Audit Committee defined a two year Internal Audit Work Plan. During 2015 the internal auditor examined the Trade Receivables, Revenue and Collections at "Media Group" Division and no material findings were found.

Remuneration Committee

The Remuneration Committee comprises three Independent Non-Executive Directors. The Remuneration Committee convened three times during 2015, and reviewed and recommended to the Board regarding the Remuneration Policy, the terms of remuneration regarding the relocation of Mr. Druker, Matomy's CEO, to New York City and compensation terms of senior office holders.

Remuneration Committee	
Gary Hughes	2/3
Nadav Zohar	3/3
Nathalie Schwarz	3/3

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.

Senior Executives and Director Remuneration in 2015

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

Director	Base Fee	Audit	Remuneration	Nomination	Deputy Chairman	Total
Nathalie Schwarz	40,000	4,000	4,000	-	-	48,000
Nadav Zohar	40,000	4,000	10,000	1,500		55,500
Rupert Howell	40,000	-	-	3,000	35,000	78,000

Information regarding Senior Executives Remuneration

Name	Base Salary	Variable Compensation + Equity-Based Compensation	Total Cost	Total
Ofer Druker	$ 589,128	$80,503	$ 690,893	$771,396
Sagi Niri	$ 225,758	$217,261	$ 481,755	$525,356
Gil Klein	$132,368	$235,981	$ 267,122	$403,383
Daryl Colwell*	$ 201,114	$226,469	$ 448,737	$462,492
Mnich,Edward	$ 147,253	$183,590	$ 354,978	$362,757

(1) All current employees listed in the table are full-time employees, except Daryl Colwell.

(2) Cash compensation amounts denominated in currencies other than the U.S. dollar were converted into U.S. dollars at the average conversion rate for the year ended December 31, 2015.

(3) Amounts reported in the column titled "Total Cost" include benefits and perquisites or on account of such benefits and perquisites, including those mandated by applicable law. Such benefits and perquisites may include, to the extent applicable to each executive, payments, contributions and/or allocations for savings funds, pension, severance, vacation, car or car allowance, medical insurances and benefits, risk insurances, convalescence pay, payments for social security, tax gross-up payments and other benefits and perquisites consistent with our guidelines.

(4) Amounts reported in this column titled "Variable Compensation + Equity-Based Compensation" include such sums paid as commission, incentive and bonus payments as recorded in our financial statements for the year ended December 31, 2015 together with the expense recorded on account of equity based compensation in our financial statements for the year ended December 31, 2015.

*Mr Colwell left the Company on December 18, 2015 and received his contractual severance.

Adoption of remuneration policy

At the Extraordinary General Meeting (the "EGM") held on 10 August 2015 and as required by the Israeli Companies Law, 5759-1999 and any regulations promulgated thereunder (the "Israeli Companies Law") the shareholders approved the adoption of the Remuneration Policy with respect to the terms of office and employment of the Company's "office holders" (as such term is defined in the Israeli Companies Law). A detailed review is included below.

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 convened twice during 2015 and provided its recommendations relating to the appointment of Mr. Tobaccowala as a non-executive director and the appointment of senior VP level executives.

Nomination Committee	
Rupert Howell (chair)	2/2
Nadav Zohar	2/2
Ofer Druker	2/2

The Board's Nomination Committee is 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 70 to 73.

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/Chief Operational 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.

Annual general meeting

Voting at the 2016 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.

Remuneration Policy for Executive Directors and Senior Managers

This section of the report sets out the remuneration policy for Executive Directors and Senior Managers, which shareholders approved at the EGM held on 10 August 2015. The Israeli Companies Law and the regulations adopted thereunder require the Remuneration Committee to adopt a policy for the Remuneration of Directors and Executive Officers, referred to in this section as “office holders”.
The Remuneration policy must be approved at least once every three years by the Shareholders at a general meeting.

The Remuneration Policy is adopted for a three-year period commencing as at the date of its adoption by the Shareholders (or by the Board ofDirectors 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 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 high caliber 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.

Policy for Executive Directors and Senior Executives

Pursuant to the Israeli Companies Law 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 thecompany'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 were 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.

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 /Chef Operational Officer, Senior Vice Presidents, and all other managers directly subordinated to the CEO, 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 following consideration in determining the total remuneration, the Remuneration Committee shall take into account

(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; and the Tel Aviv 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 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 these 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 when resident in Israel and up to US$1,150,000 in the event of relocation (to North America or Europe) as this Base Salary includes compensation for living and education costs associated with family relocation.

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 Committe .

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 Executives 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/COO – 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/COO – 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 Financial Statement 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 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 newSenior 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 as executive officers and enabling recruitment of Senior Executives 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, but 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 offering them a competitive remuneration program.

Directors that are employees of Matomy or otherwise 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 Independent 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 on 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 sales;
- 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 Rule 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

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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 2015 and 2014, 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 2015, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements 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 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.

Opinion

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 2015 and 2014 and the consolidated results of their operations and their cash flows for each of the two years in the period ended 31 December 2015 in conformity with U.S. generally accepted accounting principles.

KOST FORER GABBAY & KASIERER
A Member of EY Global
21 March 2016
Tel Aviv, Israel

Consolidated balance sheets

(US dollars in thousands)

		2015		2014
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$	27,271	$	47,988
Trade receivables, net (note 2e)		58,168		49,316
Domains held for sale		5,814		1,593
Other receivables and prepaid expenses (note 3)		4,020		4,152
Total current assets		95,273		103,049
LONG-TERM ASSETS:				
Property and equipment, net (note 4)		2,712		2,859
Other long-term assets		135		281
Deferred tax assets (note 13c)		3,609		4,011
Investment in affiliated companies (note 5)		2,017		2,051
Other intangible assets, net (note 7)		52,491		26,916
Goodwill (note 6)		96,643		75,094
Total long-term assets		157,607		111,212
Total assets	$	252,880	$	214,261

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

Consolidated balance sheets

(US dollars in thousands)

		2015		2014
CURRENT LIABILITIES:				
Short-term bank credit and current maturities of bank loan (note 9)	$	6,382	$	6,697
Trade payables		49,165		34,938
Accrued expenses and other liabilities (note 8)		14,938		9,916
Deferred revenues		2,878		2,900
Total current liabilities		73,363		54,451
LONG-TERM LIABILITIES:				
Deferred tax liabilities (note 13c)		15,597		8,483
Accrued expenses and other liabilities (note 8)		12,998		5,402
Bank loan (note 9)		7,357		12,420
Total long-term liabilities		35,952		26,305
REDEEMABLE NON-CONTROLLING INTEREST		35,365		34,062
EQUITY:				
Matomy Media Group Ltd. shareholders' equity:				
Ordinary shares		240		236
Additional paid-in capital		96,837		93,977
Accumulated other comprehensive loss		(3,174)		(3,165)
Retained earnings		20,528		13,915
Treasury shares		(6,231)		(6,231)
Total Matomy Media Group Ltd. shareholders' equity		108,200		98,732
Non-controlling interests		-		711
Total equity		108,200		99,443
Total liabilities and equity	$	252,880	$	214,261

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

Consolidated statements of income

(US dollars in thousands, except earnings per share data)

	2015	2014
Revenues	$ 270,976	$ 237,443
Cost of revenues	208,849	178,479
Gross profit	62,127	58,964
Operating expenses		
Research and development	8,080	7,823
Selling and marketing	25,943	23,356
General and administrative	15,988	19,151
Total operating expenses	50,011	50,330
Operating income	12,116	8,634
Financial expenses, net	2,179	4,051
Income before taxes on income	9,937	4,583
Taxes on income	2,681	1,766
Gain on remeasurement to fair value and equity gains (equity losses and impairment) of affiliated companies, net	(24)	6,969
Net income	7,232	9,786
Revaluation of redeemable non-controlling interest in subsidiaries	(76)	(1,820)
Net income attributable to redeemable non-controlling interests in subsidiaries	(545)	(65)
Net loss attributable to other non-controlling interests in subsidiaries	2	102
Net income attributable to Matomy Media Group Ltd.	$ 6,613	$ 8,003
Basic earnings per ordinary share	$ 0.07	$ 0.10
Diluted earnings per ordinary share	$ 0.07	$ 0.09

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

Consolidated statements of comprehensive income

(US dollars in thousands)

	2015	2014
Net income	$ 7,232	$ 9,786
Foreign currency translation adjustments	(9)	(3,545)
Comprehensive income	7,223	6,241
Revaluation of redeemable non-controlling interest in subsidiaries	(76)	(1,820)
Comprehensive income attributable to redeemable non-controlling interests in subsidiaries	(545)	(65)
Comprehensive loss attributable to other non-controlling interests in subsidiaries	2	102
Comprehensive income attributable to Matomy Media Group Ltd	$ 6,604	$ 4,458

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

Ofer Druker
Chief Executive Officer

Sagi Niri
Chief Financial Officer

Consolidated statements of changes in equity

(US dollars in thousands, except share data)

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

*) Represents an amount lower than $ 1 thousand.

Consolidated statements of changes in equity

(US dollars in thousands, except share data)

	Ordinary 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							
Balance as of 1 January 2015	90,290,596	$ 236	$ 93,977	$ (3,165)	$ 13,915	$ (6,231)	$ 98,732	$ 711	$ 99,443
Stock-based compensation	-	-	850	-	-	-	850	-	850
Exercise of options	1,293,124	3	1,193	-	-	-	1,196	-	1,196
Issuance of shares for Avenlo's 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	-	-	-	(9)	-	-	(9)	-	(9)
Net income	-	-	-	-	6,613	-	6,613	(2)	6,611
Balance as of 31 December 2015	91,882,390	$ 240	$ 96,837	$ (3,174)	$ 20,528	$ (6,231)	$ 108,200	$ -	$ 108,200

*) Represents an amount lower than $ 1 thousand.

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

Consolidated statements of cash flows

(US dollars in thousands)

	2015	2014
Cash flows from operating activities:		
Net income	$ 7,232	$ 9,786
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortisation	12,621	6,856
Stock-based compensation	850	1,400
Accrued severance pay, net	(154)	92
Deferred tax, net	(2,226)	(2,365)
Decrease in accrued interest on long term loan	(83)	(111)
Equity losses and impairment of affiliated companies, net	24	400
Gain upon obtaining control, net of taxes	-	(7,263)
Decrease (increase) in trade receivables	4,985	(10,591)
Increase in other receivables and prepaid expenses	(2,992)	(1,036)
Decrease in long-term lease deposits	11	194
Increase (decrease) in trade payables	(1,552)	4,471
Increase (decrease) in accrued expenses and other liabilities	34	(2,151)
Decrease in deferred revenues	(22)	(80)
Other	5	6
Net cash provided by (used in) operating activities	18,733	(392)
Cash flows from investing activities:		
Purchase of property and equipment	(1,055)	(1,405)
Capitalization of research and development costs	(2,195)	(199)
Acquisition of Technology and data base	(164)	-
Decrease in indemnification asset	-	200
Acquisition of advertiser list	(2,666)	-
Acquisition of Avenlo Media Group (c)	(5,570)	-
Acquisition of Optimatic Media, net of cash acquired (d)	(17,896)	-
Sale of interests in subsidiaries	-	(32)
Acquisition of Team Internet (e)	-	(22,383)
Acquisition of MobFox (f)	-	(10,006)
Repayment of loan from affiliate	88	-
Bank deposits	(58)	-
Net cash used in investing activities	$ (29,516)	$ (33,825)

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

Consolidated statements of cash flows

(US dollars in thousands)

	2015	2014
Cash flows from financing activities:		
Short-term bank credit, net	$ -	$ (1,710)
Receipt of bank loan	1,330	21,600
Repayment of bank loan	(6,625)	(11,060)
IPO proceeds, net	(139)	61,519
Additional payments related to Avenlo acquisition	(1,511)	-
Acquisition of redeemable and non-redeemable non-controlling interest	(1,328)	-
Reissuance of treasury shares	-	1,715
Dividend paid to redeemable non-controlling interest	(2,741)	(498)
Additional payments related to previous acquisitions	(100)	(577)
Exercise of options	1,196	256
Net cash provided by (used in) financing activities	(9,918)	71,245
Effect of exchange rate differences on cash	(16)	(672)
Increase (decrease) in cash and cash equivalents	(20,717)	36,356
Cash and cash equivalents at beginning of period	47,988	11,632
Cash and cash equivalents at end of period	$ 27,271	$ 47,988

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

Consolidated statements of cash flows

(US dollars in thousands)

	2015	2014
(a) Supplemental information and disclosures of non-cash investing and financing activities		
Classification of redeemable non-controlling interest into accrued expenses and other liabilities	$ 242	$ 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	$ 5,162	$ 4,865
Interest received	$ 14	$ 142
Interest paid	$ 667	$ 974
(c) Acquisition of Avenlo Media Group Inc.		
Estimated fair value of assets acquired and liabilities assumed at the acquisition date (see also note 1b3):		
Other intangible assets	$ 7,976	$ -
Goodwill	2,814	-
	10,790	-

Consolidated statements of cash flows

(US dollars in thousands)

	2015	2014
Less - contingent consideration to selling shareholder	(2,859)	-
Less - amount acquired by issuance of shares	(872)	-
Less - Redeemable non-controlling interest	(1,489)	-
	$ 5,570	$ -
(d) Acquisition of Optimatic Media		
Estimated fair value of assets acquired and liabilities assumed at the acquisition date:		
Working capital	$ (1,502)	$ -
Other intangible assets	23,986	-
Goodwill	18,735	-
Long term deferred tax liability	(9,752)	-
	31,467	-
Less - contingent consideration to selling shareholder	(13,571)	-
	$ 17,896	$ -

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

Consolidated statements of cash flows

(US dollars in thousands)

		2015	2014
(e)	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
(f)	Acquisition of MobFox assets and liabilities		
	Estimated fair value of assets acquired and liabilities assumed at the acquisition date:		
	Working capital	$ -	$ (2,103)
	Other intangible assets	-	6,313
	Goodwill	-	15,533
		-	19,743
	Less - contingent consideration to selling shareholder	-	(3,030)
	Less – amount acquired by issuance of shares	-	(6,707)
		$ -	$ 10,006

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

Notes to Group financial statements

(US dollars in thousands, except where noted otherwise)

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, Apps developers, domain owners and other businesses around the world that promote or sell products and/or services to consumers through digital media, such as websites, mobile apps, video and social media networks. The Company offers its customers a solution for reaching and acquiring their target digital consumer audience across devices. Matomy Media Group Ltd. was incorporated in 2006. The Company's markets are located primarily in the United States and Europe.

The Company's technological platforms provide its customers with access to a wide range of digital media channels, and enable to combine internal media capabilities, data analytics and advanced optimization technologies to ensure meeting the standards and requirements set by its customers. These capabilities also support improved targeting, user acquisition and revenue results for both advertisers and media partners.

The Company's technologies enable 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, products and verified video views, with their digital marketing campaigns.

The Company manages and optimises its customers' digital marketing campaigns and its media partner's inventory through proprietary technological platforms, maximising their accessibility to their target audience. These technologies also support and provide data analytics capabilities, business intelligence, programmatic media buying and Real-Time-Bidding (RTB) on mobile, video and web. The Company also provides a media management platform (SPP) and offers publishers end to end solution with hundreds of global demand partners.

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

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

Continued Notes to Group financial statements

(US dollars in thousands, except where noted otherwise)

and issuance expenses. Total net proceeds from the issuance amounted to $60,913.

On February 16, 2016 and in addition to trading on the High Growth Segment of the London Stock Exchange plc's Main Market, the Company's shares commenced trading on the Tel Aviv Stock Exchange ("TASE") in accordance with the Company's TASE Dual Listing Application pursuant to the Israeli Dual-Listing Law.

NOTE 1:- GENERAL (Cont.)

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% of the issued and outstanding shares of Team Internet. Pursuant to the agreement, Team Internet's minority 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 which 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

(US dollars in thousands, except where noted otherwise)

NOTE 1:- GENERAL (Cont.)

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

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)
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

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

Continued Notes to Group financial statements

(US dollars in thousands, except where noted otherwise)

NOTE 1:- GENERAL (Cont.)

*) 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.

The following represents the unaudited pro forma condensed results of operations for the year ended on 31December 2014, assuming that the acquisition of Team Internet occurred on 1 January 2014. 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.

	2014 Unaudited
Revenues	$ 258,940
Net income attributable to Matomy Media Group Ltd.	$ 1,570
Basic net earnings per share	$ 0.02
Diluted net earnings per share	$ 0.01

Continued Notes to Group financial statements

(US dollars in thousands, except where noted otherwise)

NOTE 1:- GENERAL (Cont.)

2. Acquisition of MobFox:

On 31 October 2014, the Company completed the acquisition of the assets and liabilities of MobFox Mobile Advertising GmbH ("MobFox") for a total consideration of $ 19,743.

		Amount
Cash consideration	$	10,006
Issuance of Company shares		6,707
Contingent consideration *)		3,030
Total net assets acquired	$	19,743

*) The contingent consideration will 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.

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

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

Continued Notes to Group financial statements

(US dollars in thousands, except where noted otherwise)

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.

3. 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. On 8 March 2016, subsequent to the balance sheet date, the Company signed an amendment to the purchase agreement, setting the total consideration on the amount of $ 10,790. The Company reassessed the fair value of the purchased assets and the assumed liabilities within the measurement period as defined in ASC 805, and adjusted the fair values as of the acquisition date.

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

		Amount
Cash consideration	$	5,570
Issuance of Company shares		872
Contingent consideration *)		2,859
Redeemable non-controlling interest **)		1,489
Total net assets acquired	$	10,790

*) The contingent consideration will be paid upon achieving certain milestones over a period of 4 years following the acquisition date.

**) 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 2017 ("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.

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.

Continued Notes to Group financial statements

(US dollars in thousands, except where noted otherwise)

NOTE 1:- GENERAL (Cont.)

The following table summarises the estimated fair values of the assets acquired as of the acquisition date:

Data base	$	5,451
Technology		2,119
Customer relationships		406
Goodwill		2,814
Total assets acquired		10,790

The acquired customer relationships are amortised over their estimated useful lives in proportion to the economic benefits realised (3 year weighted-average useful life). The Data base and the Technology are amortised over its estimated useful life of 10 and 4 years, respectively on a straight-line basis.

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.

4. Acquisition of Optimatic Media:

On 13 November 2015, the Company acquired the entire share capital of Optimatic Media Inc. ("Optimatic") by way of a reverse triangular merger, pursuant to the terms and conditions of the Agreement and Plan of Merger dated 13 November 2015, for a total consideration of $ 33,571. Optimatic is a leading programmatic technological Video Platform company that enables top- tier publishers to manage their inventory programmatically and a full suite of digital video Supply Side Platform capabilities. Optimatic developed a unique proprietary video platform and is considered a leader in the video space. Optimatic is incorporated under the laws of USA.

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

		Amount
Cash consideration	$	20,000
Contingent consideration *)		13,571
Total net assets acquired	$	33,571

*) The contingent consideration will be paid upon achieving certain milestones over a period of 3 years following the acquisition date.

Continued Notes to Group financial statements

(US dollars in thousands, except where noted otherwise)

NOTE 1:- GENERAL (Cont.)

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 Optimatic acquired and the liabilities assumed. In performing the purchase price allocation, management has considered, inter alia, Optimatic'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 following table summarises the estimated fair values of the assets acquired and liabilities assumed as of the acquisition date:

Cash	$	2,104
Deposits		124
Trade receivables		13,838
Other receivables and prepaid expenses		541
Property and equipment		7
Customer relationships		7,028
Trade name		3,468
Technology		13,490
Goodwill		18,735
Total assets acquired		59,333
Trade payables		(15,345)
Accrued expenses and other liabilities		(667)
Deferred tax liability		(9,752)
Total liabilities assumed		(25,764)
		33,571
Net assets acquired		

The acquired customer relationships and Trade name are amortised over their estimated useful lives in proportion to the economic benefits realised (6 and 5 year weighted-average useful life, respectively). The Technology is amortised over its estimated useful life of 3.5 years, on a straight-line basis.

The results of Optimatic's operations have been included in the consolidated financial statements commencing 1 November 2015. 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

(US dollars in thousands, except where noted otherwise)

NOTE 1:- GENERAL (Cont.)

5. 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 2015 and 2014, assuming that the acquisitions of Avenlo and Optimatic occurred on 1 January 2014. 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.

	Year ended 31 December	
	2015	**2014**
	Unaudited	
Revenues	$ 327,732	$ 321,014
Net income attributable to Matomy Media Group Ltd.	$ 4,170	$ 6,421
Basic net earnings per share	$ 0.05	$ 0.08
Diluted net earnings per share	$ 0.04	$ 0.07

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

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

a. Principles of consolidation:

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

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

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.

Continued Notes to Group financial statements

(US dollars in thousands, except where noted otherwise)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

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

	Year ended 31 December 2015	Year ended 31 December 2014
Redeemable non-controlling interest at beginning of year	$ 34,062	$ 2,502
Increase in redeemable non-controlling interests due to new subsidiary	1,489	34,963
Decrease in redeemable non-controlling interests due to change in ownership in subsidiaries	(565)	-
Revaluation of redeemable non-controlling interest in subsidiaries	76	1,820
Net income attributable to redeemable non-controlling interests	545	65
Classification of redeemable non-controlling interest into accrued expenses and other liabilities	(242)	(701)
Classification to non-controlling interest upon expiration of put option	-	(740)
Functional currency translation adjustments	-	(3,847)
	$ 35,365	$ 34,062

As of 31 December 2015, an amount of 9,916 is expected to be paid during 2016.

b. Use of estimates:

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

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.

Continued Notes to Group financial statements

(US dollars in thousands, except where noted otherwise)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

c. Financial statements in US dollars:

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

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

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

d. Cash and cash equivalents:

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

e. Accounts receivable and allowance for doubtful accounts:

Accounts receivable are stated at realisable value, net of an allowance for doubtful accounts. 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 2015 and 2014 were $ 3,191 and $ 2,792, respectively.

f. Property and equipment, net:

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

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

Continued Notes to Group financial statements

(US dollars in thousands, except where noted otherwise)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

g. Other intangible assets, net:

Other intangible assets consist of technology, customer relationships, data base, trade name and capitalised research and development costs. Customer relationships and trade name 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 and trade name. Technology, data base and capitalised research and development costs are amortised over their estimated useful lives on a straight-line basis.

Amortisation is calculated using the following annual rates:

	Weighted average %
Technology	28
Customer relationships	20
Data base	10
Trade name	20
Capitalised research and development costs	36

h. Goodwill:

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

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

The Company did not recognise any impairment charges related to goodwill during 2015 and 2014.

i. Business combinations:

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

Continued Notes to Group financial statements

(US dollars in thousands, except where noted otherwise)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

j. Impairment of long-lived assets:

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

For the years ended 31 December 2015 and 2014 no impairment indicators were identified.

k. Investments in affiliated companies:

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

The Company's investments in affiliated companies are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. For the years ended 31 December 2015 and 2014, the Company incurred impairment losses in the amount of $ 0 and $ 541, respectively.

l. Severance pay:

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

Continued Notes to Group financial statements

(US dollars in thousands, except where noted otherwise)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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 2015 and 2014 were $ 1,406 and $ 1,575, respectively.

m. Revenue recognition:

The Company provides digital performance-based marketing services to optimise and deliver certain pre-defined, measureable and validated results across eight media channels display, video, domain monetisation, email, mobile, social, search and virtual currency, 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.

Continued Notes to Group financial statements

(US dollars in thousands, except where noted otherwise)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

Revenues from related parties amounted to $ 2,052 and $ 412 for the years ended 31 December 2015 and 2014, respectively. Cost of revenues to related parties amounted to $ 2,489 and $ 1,268 for the years ended 31 December 2015 and 2014, respectively.

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

n. Comprehensive income:

The Company accounts for comprehensive income in accordance with ASC 220, "Comprehensive Income". Comprehensive income generally represents all changes in shareholders' equity during the period except those resulting from investments by, or distributions to, shareholders. The Company's items of other comprehensive income relate to foreign currency translation adjustments.

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

o. Research and development costs:

Research and development costs of certain technologies, are capitalised in accordance with conditions set out for internal-use software, as described in ASC 350-40, "Internal Use Software". Therefore, 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. Capitalised technology is stated at cost less accumulated depreciation.

All other research and development costs are charged to the statements of income as incurred.

Continued Notes to Group financial statements

(US dollars in thousands, except where noted otherwise)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

p. Accounting for stock-based compensation:

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

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

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

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

- Volatility - as of 31 December 2015, 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.

Continued Notes to Group financial statements

(US dollars in thousands, except where noted otherwise)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The fair value of the Company's stock options granted to employees and directors for the years ended 31 December 2015 and 2014 was estimated using the following weighted average assumptions:

	Year ended 31 December	
	2015	2014
Volatility	45%	45%
Expected option term (in years)	6.3	5.6
Risk-free interest rate	1.55%	1.6%
Dividend yield	0%	0%

q. Income taxes:

The Company is subject to income taxes in Israel, Germany, 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.

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.

r. Concentrations of credit risks:

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

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

Continued Notes to Group financial statements

(US dollars in thousands, except where noted otherwise)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

s. Derivative instruments:

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

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

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

The following table presents the notional amount of derivative instruments:

	31 December	
	2015	2014
Total options acquired	$ 8,911	$ 16,035
Total options sold	9,965	16,792

The net gains (losses) recognised in "financial income, net" during the years ended 31 December 2015 and 2014 were $ 197 and $ (1,555), respectively.

t. Fair value of financial instruments:

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

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.

Continued Notes to Group financial statements

(US dollars in thousands, except where noted otherwise)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

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

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

Level 3 - Unobservable inputs for the asset or liability.

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

u. Basic and diluted earnings per share:

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

The total weighted average number of shares related to the outstanding options excluded from the calculations of diluted earnings per share, since they would have an anti-dilutive effect, was 2,751,352 and 1,053,983 for the years ended 31 December 2015 and 2014, respectively.

v. Treasury shares:

In accordance with ASC 505-30, the Company shares held by the Company and/or its subsidiaries are recognized at cost of purchase and presented as a deduction from equity. Any gain or loss arising from a purchase, sale, issue or cancellation of treasury shares is recognized directly in equity.

w. Recently issued accounting standards:

In May 2014, the Financial Accounting Standards Board ("FASB") issued an ASU No. 2014-09 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. In 2015, the FASB issued guidance to defer the effective date to fiscal years beginning after December 15, 2017 with early adoption for fiscal years beginning after December 15, 2016. 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.

Continued Notes to Group financial statements

(US dollars in thousands, except where noted otherwise)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

In November 2015, the FASB issued ASU No. 2015-17 related to balance sheet classification of deferred taxes. The new guidance requires that deferred tax assets and liabilities be classified as noncurrent in a classified statement of financial position. The new guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted. The Company early adopted this guidance on a retrospective basis as of December 31, 2015. As a result, the Company's current deferred tax assets and current deferred tax liabilities as of December 31, 2014 in an amount of $1,817 and $97, were reclassified to noncurrent assets and liabilities, respectively to conform to the current year presentation.

In September 2015, the FASB issued ASU 2015-16, "Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments," which eliminates the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively. Acquirers would now recognize measurement-period adjustments during the period in which they determine the amount of the adjustment. This ASU is effective for annual and interim reporting periods beginning after December 15, 2015, including interim periods within those fiscal years, and should be applied prospectively to adjustments for provisional amounts that occur after the effective date with early adoption permitted for financial statements that have not been issued. The Company adopted this guidance regarding all acquisitions, beginning 1 January 2015. The effect of the adoption on the consolidated financial statements was immaterial.

In February 2016, the FASB issued ASU 2016-02 - Leases (ASC 842), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The ASU is expected to impact our consolidated financial statements as we have certain operating lease arrangements. ASC 842 supersedes the previous leases standard, ASC 840 Leases. The standard is effective on January 1, 2019, with early adoption permitted. The Company is in process of evaluating the impact of this new guidance on its financial statements.

Continued Notes to Group financial statements

(US dollars in thousands, except where noted otherwise)

NOTE 3:- OTHER RECEIVABLES AND PREPAID EXPENSES

	31 December 2015	31 December 2014
Government authorities	$ 2,206	$ 1,930
Advances to suppliers and prepaid expenses	1,359	1,637
Short term deposits	241	14
Other	214	571
	$ 4,020	$ 4,152

NOTE 4:- PROPERTY AND EQUIPMENT, NET

a. Cost:

	31 December 2015	31 December 2014
Computers and software	$ 5,802	$ 4,910
Office furniture and equipment	851	708
Electronic equipment	197	192
Leasehold improvements	1,206	1,196
	8,056	7,006
Accumulated depreciation	(5,344)	(4,147)
Depreciated cost	$ 2,712	$ 2,859

b. Depreciation expense amounted to $ 1,209 and $ 1,090 for the years ended 31 December 2015 and 2014, respectively.

Continued Notes to Group financial statements

(US dollars in thousands, except where noted otherwise)

NOTE 5:- INVESTMENT IN AFFILIATED COMPANIES

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

	31 December	
	2015	2014
Adperio Inc. (a)	$ 1,952	$ 1,962
Other	65	89
	$ 2,017	$ 2,051

(a) On 1 July 2011, the Company acquired 17.69% of the issued and outstanding shares of Adperio Inc., ("Adperio") a leading online digital ad agency based in the U.S, for a total consideration of $ 2,287. The Company holds 17.56% of Adperio's issued and outstanding shares and up to 30 June 2015 accounted for the investment under the equity method. On 1 July 2015 the Company removed its representative from Adperio's board of directors and relinquished its right to nominate a BOD member, therefore from this date the Company accounts for the investment under the cost method.

NOTE 6:- GOODWILL

Changes in goodwill for the years ended 31 December 2015 and 2014 are as follows:

	Year ended 31 December	
	2015	2014
Goodwill interest at beginning of year	$ 75,094	$ 12,686
Acquisitions	21,549	68,158
Functional currency translation adjustments	-	(5,750)
	$ 96,643	$ 75,094

Continued Notes to Group financial statements

(US dollars in thousands, except where noted otherwise)

NOTE 7:- OTHER INTANGIBLE ASSETS, NET

a. Other intangible assets:

	31 December	
	2015	2014
Original amounts:		
Technology	$ 29,484	$ 13,799
Customer relationships	29,931	19,831
Data base	5,539	-
Trade name	3,468	-
Capitalised research and development costs	2,400	205
	70,822	33,835
Accumulated amortisation:		
Technology	7,138	2,486
Customer relationships	10,432	4,415
Data base	415	-
Trade name	95	-
Capitalised research and development costs	251	18
	18,331	6,919
Other intangible assets, net	$ 52,491	$ 26,916

b. Amortisation expense amounted to $ 11,412 and $ 5,766 for the years ended 31 December 2015 and 2014, respectively.

c. The estimated future amortisation expense of other intangible assets as of 31 December 2015 is as follows:

2016	$ 15,810
2017	14,265
2018	11,419
2019	5,151
2020 and after	5,846
	$ 52,491

Payable to redeemable non-controlling interest *)

Continued Notes to Group financial statements

(US dollars in thousands, except where noted otherwise)

NOTE 8:- ACCRUED EXPENSES AND OTHER LIABILITIES

a. Current:

	31 December	
	2015	2014
Employees and payroll accruals	$ 3,870	$ 3,251
Government authorities	2,527	1,416
Accrued expenses	1,314	1,549
Payables due to the acquisition of Social	-	100
Payable to redeemable non-controlling interest *)	650	2,263
Derivatives	110	1,170
Contingent consideration to selling shareholder	6,123	-
Other	344	167
	$ 14,938	$ 9,916

b. Long term:

	31 December	
	2015	2014
Contingent consideration to selling shareholder	$ 11,968	$ 3,050
Accrued severance pay	21	278
Capitalised rent loss	419	532
Payable to redeemable non-controlling interest *)	-	1,291
Other	590	251
	$ 12,998	$ 5,402

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

Continued Notes to Group financial statements

(US dollars in thousands, except where noted otherwise)

NOTE 9: BANK LOAN AND CREDIT LINE

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

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

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 in January 2015 to USD LIBOR plus 3.5% to be paid together with the relevant portion of the principal. In relation to this loan, the Company is required to comply with certain covenants, as defined in the loan agreement and its amendments. As of 31 December 2015, the Company was in full compliance with the financial covenants.

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 Israeli subsidiaries; and (ii) a floating charge over all of the assets of the Company and its Israeli subsidiaries. As of 31 December 2015, this credit line was not in use.

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

f. On 20 August 2015, Buyname, a wholly owned subsidiary of Team Internet, signed a term loan agreement with a German bank in an amount of $1,297. In accordance with the loan agreement, repayment of the principal shall be made in 54 equal monthly payments, commencing 31 March 2016. The loan bears an interest of 1.8% to be paid on a monthly basis, commencing August 31, 2015.

NOTE 10:- COMMITMENTS AND CONTINGENT LIABILITIES

The Company rents its facilities under operating lease agreements with an initial term expiring in 2021. Future minimum lease commitments under non-cancellable operating leases for the year ended 31 December 2015 were as follows:

2016	$ 2,064
2017	1,862
2018	1,778
2019	1,630
2020	1,543
Thereafter	186
	$ 9,063

Rent expenses for the years ended 31 December 2015 and 2014, were $ 1,570 and $ 1,215, respectively.

The Company has provided guarantees for rent expenses in the amount of $ 1,120.

Continued Notes to Group financial statements

(US dollars in thousands, except where noted otherwise)

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

The Company leases its motor vehicles under cancellable operating lease agreements until October 2018. The minimum payment under these operating leases, upon cancellation of these lease agreements, was $ 9 as of 31 December 2015.

Lease expenses for motor vehicles for the years ended 31 December 2015 and 2014 were $ 106 and $ 146, respectively.

NOTE 11:- EQUITY

a. General

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

b. The Company's equity is composed of shares of NIS 0.01 par value each, as follows:

	31 December 2015		31 December 2014	
	Authorised	**Issued and outstanding**	**Authorised**	**Issued and outstanding**
	Number of shares			
Ordinary Shares *)	430,500,000	91,882,390	430,500,000	90,290,596
	430,500,000	91,882,390	430,500,000	90,290,596

*) 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.

c. Issuance of shares and options to investors:

As of 31 December 2015, 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.

Continued Notes to Group financial statements

(US dollars in thousands, except where noted otherwise)

d. Options issued to employees and directors:

In 2006, the Company adopted stock incentive plan that was amendment 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.

NOTE 11:- EQUITY (Cont.)

Under the 2012 plan, options and Restricted Stock Unit ("RSU") may be granted to employees, directors, officers and consultants of the Company. The Company reserved for issuance 34,286,065 Ordinary shares. Each option granted under the Plans 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 are in accordance with section 102 to Israel's Income Tax Ordinance. In 2012, the Company adapted the US Sub-plan which set the grants and tax to employees in the US.

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

As of December 31 2015, there were 1,231,778 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 contractual term (in years)	Aggregate intrinsic value
Outstanding at 1 January 2015	10,185,971	$ 1.59	4.86	20,731
Granted	1,904,281	$ 1.88		
Exercised	(1,274,224)	$ 0.94		
Forfeited	(2,107,081)	$ 2.91		
Outstanding at 31 December 2015	8,708,947	$ 1.44	4.40	2,821
Exercisable at 31 December 2015	6,040,966	$ 1.18	2.82	2,676

As of 31 December 2015, the total compensation cost related to options granted to employees and directors, not yet recognized amounted to $ 1,647.

The total intrinsic value of options exercised during the years ended 31 December 2015 and 2014 was $ 814 and $ 1,438, respectively.

The weighted average grant date fair values of options granted for the years ended 31 December 2015 and 2014, were $ 0.85 and $ 1.52, respectively.

Continued Notes to Group financial statements

(US dollars in thousands, except where noted otherwise)

NOTE 11:- EQUITY (Cont.)

e. Options issued to non-employees:

The Company's outstanding options to non-employees as of 31 December 2015 were as follows:

Issuance date	Options for Ordinary shares	Exercise price per share	Options exercisable	Exercisable through
January 2010	32,044	0.21	32,044	December 2017

No stock-based compensation expense was recorded in respect of options granted to non-employees in the years ended 31 December 2015 and 2014.

f. Restricted Stock Units issued to employees and directors:

Restricted stock units are valued at the market price of a share of the Company's common stock on the date of grant.

During 2015 and 2014 an amount of 640,000 and 0 RSUs were granted, respectively. As of 31 December 2015, no RSUs were vested.

The weighted average grant date fair value per share for the year ended December 31, 2015 was $ 1.54.

As of 31 December 2015, the total compensation cost related to RSUs granted to employees, not yet recognized amounted to $ 674.

g. Treasury shares

As part of the acquisition of Team Internet AG (see note 1b(1)), 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.

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.

As of 31 December 2015 Team Internet holds 1,211,236 shares of the Company.

Continued Notes to Group financial statements

(US dollars in thousands, except where noted otherwise)

NOTE 12:- EARNINGS PER SHARE

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

	31 December 2015	31 December 2014
Net income attributable to Matomy Media Group Ltd.	$ 6,613	$ 8,003
Dilutive effect:		
Deemed dividend (in thousands)	-	(593)
Diluted net income attributable to Matomy Media Group Ltd.	$ 6,613	$ 7,410
Weighted average ordinary shares outstanding (in thousands)	92,269	79,837
Dilutive effect:		
Stock options (in thousands)	3,698	6,362
Diluted weighted average ordinary shares outstanding (in thousands)	95,967	86,199
Basic earnings per ordinary share	$ 0.07	$ 0.10
Diluted earnings per ordinary share	$ 0.07	$ 0.09

NOTE 13:- TAXES ON INCOME

a. Israeli taxation:

1. Corporate tax rates in Israel:

Taxable income of Israeli companies is subject to tax at the rate of 26.5% in 2015 and 2014.

On January 4, 2016, the Israeli Parliament's Plenum approved by a second and third reading the Bill for Amending the Income Tax Ordinance (No. 217) (Reduction of Corporate Tax Rate), 2015, which consists of the reduction of the corporate tax rate from 26.5% to 25%.

The deferred tax balances included in the financial statements as of December 31, 2015 are calculated according to the tax rates that were in effect as of the reporting date and do not take into account the potential effects of the reduction in the tax rate. Said effects will be included in the financial statements that will be issued starting from the date on which the new tax rate is substantially enacted, namely in the first half of 2016.

The Company estimates that the effect of the change in tax rates will be immaterial.

Continued Notes to Group financial statements

(US dollars in thousands, except where noted otherwise)

NOTE 13:- TAXES ON INCOME (Cont.)

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 16% in 2014, 2015 and thereafter.

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 2015, 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 2015, 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 2015.

b. Income taxes on non-Israeli subsidiaries:

Non-Israeli subsidiaries are taxed according to the tax laws in their respective country of residence. Neither Israeli income taxes, foreign withholding taxes nor deferred income taxes were provided in relation to undistributed earnings of the Company's foreign subsidiaries. This is because the Company has the intent and ability to reinvest these earnings indefinitely in the foreign subsidiaries and therefore those earnings are continually redeployed in those jurisdictions. As of December 31, 2015, the amount of undistributed earnings of non-Israeli subsidiaries, which is considered indefinitely reinvested, was $ 7,396 with a corresponding unrecognized deferred tax liability of $ 1,747.

Continued Notes to Group financial statements

(US dollars in thousands, except where noted otherwise)

NOTE 13:- TAXES ON INCOME (Cont.)

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:

	Year ended 31 December 2015	Year ended 31 December 2014
Deferred tax assets:		
Carry forward losses	$ 737	$ 1,149
Research and development expenses	966	1,144
Allowance for doubtful debts	763	722
Intangible assets	844	204
Other	771	1,136
	4,081	4,355
Valuation allowance	(26)	(3)
Deferred tax assets, net	$ 4,055	$ 4,352
Deferred tax liabilities:		
Intangible assets	$ 12,861	$ 5,936
Gain on achieving control	2,330	2,330
Deductible goodwill	804	248
Other	48	310
Deferred tax liabilities	16,043	8,824
Deferred tax liabilities, net	$ (11,988)	$ (4,472)

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

	Year ended 31 December 2015	Year ended 31 December 2014
Domestic	$ 4,979	$ 5,645
Foreign	4,958	(1,062)
	$ 9,937	$ 4,583

Continued Notes to Group financial statements

(US dollars in thousands, except where noted otherwise)

NOTE 13:- TAXES ON INCOME (Cont.)

e. Taxes on income are comprised as follows:

	Year ended 31 December 2015		Year ended 31 December 2014	
Current	$	4,929	$	3,767
Deferred		(2,248)		(2,001)
	$	2,681	$	1,766
Domestic	$	1,259	$	2,593
Foreign		1,422		(827)
	$	2,681	$	1,766

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 2015		Year ended 31 December 2014	
Beginning balance	$	136	$	128
Increase related to tax positions taken during prior years		3		2
Increases related to tax positions taken during the current year		-		6
Ending balance	$	139	$	136

The entire amount of unrecognised tax benefits as of 31 December 2015, if recognised, would reduce the Company's annual effective tax rate.

As of 31 December 2015, the Company and its main subsidiaries in Israel and in USA received final, or considered final, tax assessments through 2010.

The Company`s main subsidiary in Germany received final tax assessments through 2013.

Continued Notes to Group financial statements

(US dollars in thousands, except where noted otherwise)

NOTE 13:- TAXES ON INCOME (Cont.)

g. Reconciliation of the theoretical tax expenses:

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

	Year ended 31 December 2015		Year ended 31 December 2014	
Income before taxes as reported in the statements of income	$	9,937	$	4,583
Statutory tax rate in Israel		26.5%		26.5%
	$	2,633	$	1,214
Increase (decrease) in taxes resulting from:				
Effect of "Privileged Enterprise" or "Preferred Enterprise" status *)		(20)		(181)
Change in valuation allowance		39		(278)
Different overseas tax rate		(105)		(378)
Non-deductible expense		22		225
Effect of foreign exchange rate (NIS against the USD)		65		1,234
Others		47		(70)
	$	2,681	$	1,766
Effective tax rate		27%		39%
*) Basic earnings per share amounts of the benefit resulting from "Privileged Enterprise" or "Preferred Enterprise" status	$	**)	$	**)
Diluted earnings per share amounts of the benefit resulting from "Privileged Enterprise" or "Preferred Enterprise" status	$	**)	$	**)

**) Represents an amount lower than $ 0.01

Continued Notes to Group financial statements

(US dollars in thousands, except where noted otherwise)

NOTE 14:- REPORTABLE SEGMENTS

a. Reportable segment:

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

b. Revenes from media channels:

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

	Year ended 31 December	
	2015	2014
Display and video *)	$ 133,430	$ 139,293
Domain monetization	54,268	22,603
Email	34,382	20,531
Mobile	26,412	25,684
Social	12,753	13,468
Other **)	9,731	15,864
Total	$ 270,976	$ 237,443

*) 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.

**) Other media channels consist mainly of revenues from the search and virtual currency media channels.

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 property and equipment, net by geography for the years ended 31 December 2015 and 2014.

Continued Notes to Group financial statements

(US dollars in thousands, except where noted otherwise)

NOTE 14:- REPORTABLE SEGMENTS (Cont.)

1. Revenues from external customers:

	Year ended 31 December	
	2015	2014
Americas	$ 180,826	$ 149,145
Europe	54,499	67,208
Asia	11,474	8,644
Israel	287	281
Other	23,890	12,165
	$ 270,976	$ 237,443

2. Property and equipment, net:

	Year ended 31 December	
	2015	2014
Israel	$ 1,876	$ 2,140
Americas	605	586
Europe	231	133
	$ 2,712	$ 2,859

d. In the year ended 31 December 2015, one customer contributed 17% of the Company's revenues, while no other customer contributed more than 10%.

In the year ended 31 December 2014, no customer contributed more than 10% of the Company's revenues.

Continued Notes to Group financial statements

Year ended 31 December 2015 (US dollars in thousands, except where noted otherwise)

NOTE 15:- FINANCIAL EXPENSES, NET

	Year ended 31 December	
	2015	2014
Financial income:		
Interest income	$ 13	$ 101
Hedging transactions	197	-
Other	7	28
	217	129
Financial expenses:		
Bank fees	(453)	(691)
Interest expense	(780)	(1,012)
Foreign currency remeasurement, net	(1,030)	(905)
Hedging transactions	-	(1,555)
Other	(133)	(17)
	(2,396)	(4,180)
	$ (2,179)	$ (4,051)

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Company website

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