

FOR IMMEDIATE RELEASE

21 September 2016

Matomy Media Group | 2016 Interim Results

Interim results for six-month period ended 30 June 2016

Matomy Media Group Ltd., one of the world's leading global marketing technology companies, announces its interim results for the six-month period ended 30 June 2016.

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

Our results for the first six months of 2016 reflect the evolution of our business into a technology-based digital marketing platform, based mainly on proprietary technologies, with a more comprehensive suite of capabilities, ahead of the transformation identified by Matomy's board of directors in the digital advertising industry. The industry-wide trends that we identified, such as a decline in display advertising expenditure and an increasing requirement for programmatic capabilities, especially in connection to mobile and video advertising, which are Matomy's main growth engines, are now well underway. We are pleased to report that our past investments in diversifying our business model and building a strong technology platform in anticipation of this trend enabled us to generate higher quality revenues ensuring revenue stability.

Mobile in-app revenues grew 144% and video grew 95%, balancing an industry-wide decline in legacy display advertising revenues which now account for only 9% of Matomy's total revenues. Total mobile related revenues grew to 38% compared to 28% in H1 2015, representing growth by 41%.

Our strategic acquisitions, such as Mobfox and Optimatic, have driven stronger revenues in the growth markets of mobile and video, offsetting the predicted decline in display revenues. This has also served to build Matomy's reputation as an innovative provider of digital advertising solutions in a technology-first industry, across an increasing range of media channels. Revenues from mobile and video are expected to provide opportunities for further growth as well as an increasing diversity in our customer base. As programmatic activity increases, revenues for the second half of 2016 are expected to further grow due to a seasonal effect in programmatic ad spending. The Board believes that Matomy is now well positioned in the intersection of what is considered by most as the growth engines of the industry, Mobile, Video and Programmatic, with the majority of the decline in display advertising already occurring. The Board continues to regularly assess changes in the digital advertising market to ensure its strategic plan remains relevant and dynamic.

We remain confident therefore of meeting the full year projections contained in the July 2016 statement.

Non-GAAP Financial Highlights ¹

Notes to Editors

1. Adjusted gross profit / margin

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

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

2. Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure that Matomy defines as net income before taxes on income, financial expenses (income), net, equity losses of affiliated companies, net, depreciation and amortization, share-based compensation expenses and exceptional items. Adjusted EBITDA is a key measure Matomy uses to understand and evaluate its core operating performance and

(\$ millions)	H1 2016	H1 2015	Change
Revenue	124.4	125.0	(0.5)%
Adjusted gross profit	34.6	34.2	1.2%
Adjusted gross margin	27.8%	27.3%	1.7%
Adjusted EBITDA	5.8	9.7	(41)%
Adjusted net income / (loss)	(4.0)	2.3	(273)%

GAAP Financial Highlights

(\$ millions)	H1 2016 GAAP	H1 2015 GAAP	Change
Revenue	124.4	125.0	(0.5)%
Gross profit**	24.9	27.9	(11)%
Operating income / (loss)**	(4.3)	3.2	(235)%
Pre-tax income / (loss)**	(5.1)	2.5	(306)%
Net income / (loss)**	(5.3)	1.5	(453)%
Earnings / (loss) per share**	(0.06)	0.01	(539)%

** The H1 2016 and 2015 results include amortisation charges of \$3.8 million and \$0.6 million, respectively, attributable to the major acquisitions made by Matomy since the start of 2015. Without the effect of these adjustments, the results would have been as follows:

(\$ millions)	H1 2016	H1 2015	Change
Gross profit	27.6	28.4	(3)%
Operating income / (loss)	(0.5)	3.9	(115)%
Pre-tax income / (loss)	(1.3)	3.1	(141)%
Net income / (loss)	(2.6)	1.8	(249)%
Earnings / (loss) per share	(0.03)	0.02	(249)%

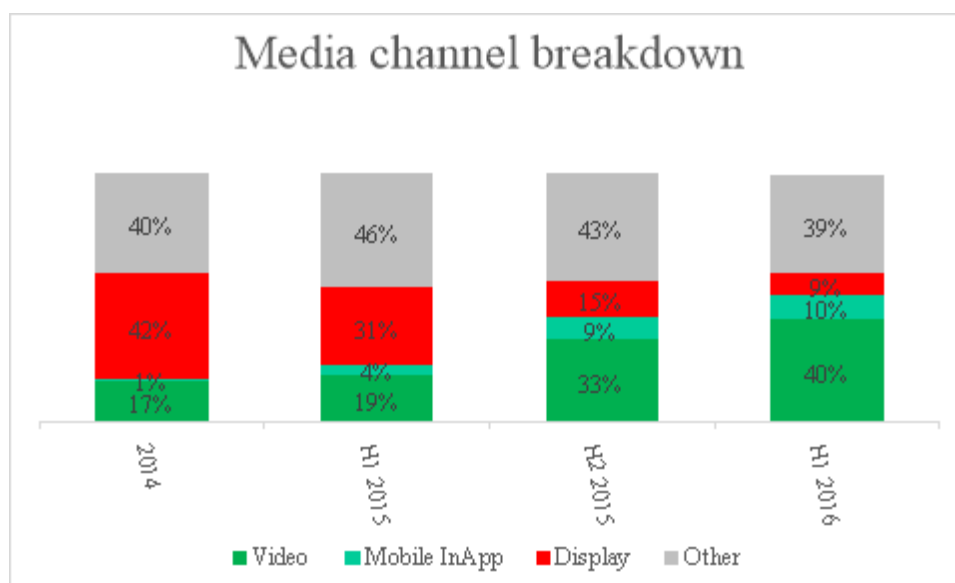
trends, to prepare and approve its annual budget, to develop short- and long-term operating plans and to determine bonus payments to management. In particular, Matomy believes that by excluding share-based compensation expenses, adjusted EBITDA provides a useful measure for period-to-period comparisons of Matomy's core business.

3. Adjusted net income

Adjusted net income is a non GAAP financial measure that Matomy defines as net income before share based compensation expenses and any non-recurring items.¹

Business and operating highlights

- Continued growth of strategic business activities:
 - Matomy continues to shift its core business in the direction of high-growth opportunities – especially programmatic mobile and video advertising. Investments in R&D and the acquisitions of Optimatic, MobFox and Team Internet over the past two years have cemented a leadership position in the intersection of these high-growth areas supporting ongoing, stable revenue growth.
 - Aggregate mobile traffic across all media channels contributed approximately 38% of Group revenue (H1 2015: 28%, reflecting an overall activity growth of 35%), in line with our goal to reach 50% Mobile related revenues by 2017.
 - Mobile in-app (Mobfox) revenue increased 144% to \$12.3 million (H1 2015: \$5.0 million).
 - Video revenues increased 95% to \$49.2 million (H1 2015: \$25.2 million).
 - Since the acquisition of Optimatic in Nov 2015, we have made significant advances in the technical and operational integration of Optimatic, which strengthens Matomy’s video programmatic advertising capabilities.
 - The company continues to witness strong industry-wide programmatic advertising spend, with a large portion of digital advertising budgets shifted to the second half of the year; therefore we expect that programmatic revenues will increase in H2 2016
 - Revenues generated from aggregate programmatic advertising activity across all media channels increased 41%, accounting for approximately 78% of Group revenue in H1 2016 (H1 2015: 55%); this represents a shift away from revenues attributable to display advertising and toward programmatic channels.
 - Aggregate domain monetisation revenue increased 42% to \$30.6 million (H1 2015: \$21.6 million), supported by proprietary programmatic capabilities.
 - Email activity revenue grew 9% to \$13.3 million (H1 2015: \$12.2 million), due to improved data and deliverability capabilities.
 - Launched China- and South Korea-based offices to access the fast-growing APAC market that is a main driver in Mobile.
 - Established partnership between MobFox and Pixalate and Optimatic and Moat, industry leaders in ad fraud protection and data intelligence, to expand and improve MobFox’s and Optimatic’s ad quality assurance.



Ofer Druker, Chief Executive Officer of Matomy, said:

“During the first half of 2016 we witnessed significant shifts in the digital advertising landscape as display advertising continued to decline while mobile and video advertising significantly increased, as anticipated by our board of directors. Although generally expected the decline in display advertising is occurring across the industry even faster than originally anticipated. These trends support the direction Matomy has taken over the past few years and its growth plan to leverage the industry-wide transformation through strategic acquisitions and focused product development.

“Matomy announced in July of this year a clear and very well-defined enhancement to its strategy with a plan to closely integrate our capabilities in Mobile and Video to create a unique capability in the marketplace around Mobile-Video.

“Matomy is increasingly well positioned with ownership of highly-capable technology platforms enabling programmatic mobile and video advertising. However, we recognize that this industry evolves quickly, and we have increased our product development investment in mobile and video delivered across mobile devices, as we believe these investments will ensure Matomy remains a top tier provider of digital advertising.

“We have made meaningful progress towards this goal through significantly advancing the integration of Optimatic, our leading U.S.-based programmatic video advertising provider. With Optimatic, Matomy not only offers enhanced capabilities for the fastest growing format for advertising (video), but also realizes significant synergies through robust industry partnerships and a footprint from which to build our presence in the core growth market of the U.S..

“We have also significantly advanced our mobile technology offering and have achieved several major milestones including (1) the launch of myDSP, a self-service DSP that enables customers to maximize their ROI and budget when buying mobile media, (2) the launch of mtmy, our mobile performance agency utilizing the full spectrum of Matomy capabilities for performance-minded advertisers, and (3) desirable new product offerings that increase the quality of our media resulting from partnerships with other leading technology providers,” concluded Mr. Druker.

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

Matomy will host an analyst conference call at 14.00 BST / 9.00 EDT Wednesday 21 September 2016 to discuss these results. Matomy CEO Ofer Druker, and CFO/ COO Sagi Niri, will host the call. The conference call can be accessed at +44 (0) 808 238 9578 (UK), +1 888 771 4371 (US) or +972 1809 212 582 (Israel), conference ID# 43303407

About Matomy Media Group Ltd.

Matomy Media Group Ltd. (LSE: MTMY, TASE: MTMY.TA) is a world-leading media company with smarter marketing technology and a personalized approach to advertising. By providing customized performance

and programmatic solutions supported by internal media capabilities, big data analytics, and optimization technology, Matomy empowers advertising and media partners to meet their evolving growth-driven goals. Matomy's holistic mobile advertising agency, mtmy, is fueled by an in-house Data Management Platform (DMP), and offers a fully-managed service across channels including video, display, social, email and search. Matomy's programmatic platforms include the **MobFox SSP**, the video advertising platform Optimatic, and the mobile demand side platform **myDSP**. Founded in 2007 with headquarters in Tel Aviv and 11 offices around the world, Matomy is dual-listed on the London and Tel Aviv Stock Exchanges. Learn more about Matomy at <http://www.matomy.com>.

For more information:

www.Matomy.com

Facebook: www.facebook.com/MatomyMediaGroup

Follow Matomy on Twitter: [@MatomyGroup](https://twitter.com/MatomyGroup)

LinkedIn: www.linkedin.com/company/matomy-media-group

CHAIRMAN and CHIEF EXECUTIVE OFFICER'S STATEMENT

Introduction

Our results in the first six months of 2016 reflect the evolution of our business and the shift in ad spend behavior in the core growth areas of mobile, video and programmatic trading. As programmatic activity increases, revenues for the second half of 2016 are expected to further grow due to seasonal effect in programmatic ad spending.

Programmatic revenues now account for 78% of total revenues, demonstrating not only the increasing demand for a technology-based solution by demand and supply partners, but also the effectiveness and reliability of our technological capabilities.

We are particularly pleased with the growth in our mobile activity, with aggregate mobile traffic across all media channels contributing approximately 38% of Group revenues in the first half of the year, compared with 28% in H1 2015, bringing us closer to our stated goal of generating at least 50% of revenues from mobile activity by 2017. Our in-app mobile capabilities, provided by MobFox, are the core driver of this growth and we will continue to expand our mobile offering and customer base throughout the second half of 2016.

Looking forward, we anticipate further operational leverage within the Group, primarily attributable to the following:

1. Growth in Matomy's mobile, video and programmatic advertising capabilities.

Our core assets and growth prospects are where Mobile, Video and Programmatic activities intersect. The transition to programmatic-based advertising generates certain advantages for the Company, such as the ability to support fast scaling (reach and volume) operational efficiencies and enhanced ability to leverage data resulting in improved targeting and ad matching capabilities.

2. Enhanced mtmy capabilities.

mtmy, the Company's mobile advertising agency, was launched in July 2016. As a fully-managed service, mtmy utilizes the full range of Matomy advertising capabilities in order to achieve specific, measureable objectives for mobile clients. mtmy combines the reach and scale of Matomy's mobile media with powerful targeting and cross-channel optimization enabled by leveraging data to maximize returns on advertising budgets. We anticipate mtmy being an attractive choice for advertisers in the now mobile-first world.

3. Launch of myDSP.

The recent launch of myDSP, our innovative self-serve demand side platform which utilizes an advanced rule engine to help media buyers and other demand sources maximize campaign results, will offer the most compatible audiences for advertising campaigns and drive Matomy's revenue growth. This is the Company's latest investment in building advanced technology to support smarter programmatic advertising and performance based optimization. The formal announcement was made in September 2016 and we are witnessing very encouraging early feedback from the market.

4. Growth in customer activity in Asia Pacific

After opening offices in China and South Korea early this year we are encouraged by the initial results our sales teams are generating in the Asia Pacific region, which is one of the fastest growing markets in digital advertising, with much of the traction in mobile. Having a local presence is expected to accelerate our growth and enable us to build credibility and sustainable relationships in the region. We are already seeing early success in these markets and we are confident that this strategic initiative will be a solid long term growth driver.

These recent investments in our business have collectively strengthened our technology platform and customer reach, positioning us to leverage the rapidly evolving demand for mobile, video and programmatic growth.

Market overview

Growth in mobile advertising continues to dominate the digital advertising industry, with users spending increasing amounts of time in-app compared to on the mobile web. In 2016, an estimated 79.3% of time spent per day by U.S. mobile users was dedicated to in-app activity, compared with 20.7% spent on mobile web (eMarketer, April 2016).

Mobile is also the predominant revenue driver of programmatic digital ad spending, with close to 70% of total programmatic digital display spend directed toward mobile advertising (eMarketer, April 2016). This year, mobile programmatic spending is expected to reach \$15.45 billion in the U.S. Next year, mobile video programmatic spending will exceed its desktop counterpart for the first time and is expected to grow from 8% in 2015 to 28% in 2019 of the global programmatic ad spending share (eMarketer, April 2016).

With significant progress integrating Optimatic and the strong performance of MobFox along with our recent proprietary technological developments, we are confident that Matomy is well-positioned to leverage this exponential industry growth.

H1 2016 operating performance

Matomy delivered strong growth around Mobile In App, Video (144% and 95% respectively) and also growth in the email (9%) and in the domain monetization (42%) media channels. This growth was offset by a sharp but anticipated decrease in display advertising and mobile web display revenues giving overall a decrease of only \$0.6 million in top line revenues to \$124.4 million on a GAAP basis (H1 2015: \$125.0 million). Taking into account the dominance of display in Matomy revenues in past years, we see this as a positive achievement.

The growth in the mobile and video activities is particularly encouraging as both represent key areas of strategic focus for Matomy across all geographic regions of Group operations. Revenues from mobile in-app activity increased by \$7.2 million, or 143%, to \$12.3 million for the six-month period ended 30 June 2016 from \$5.1 million in the same period last year. This growth is partially attributable to strong trading performance and profitability from the acquired MobFox business. Aggregate mobile traffic across all

media channels contributed approximately 38% of Group revenue (H1 2015: 28%). Similarly, Matomy's video activity experienced considerable growth in H1 2016 due to increased advertiser demand, particularly in the key North American market. Revenues from video activity in H1 2016 reached \$49.2 million, representing 95% growth from the same period last year.

Geographically, Matomy saw its strongest performance in the Americas (including North and South America) with revenue up \$9.1 million, to \$86.4 million (H1 2015: \$77.3 million). This growth was mainly attributable to the video media channel, which is primarily located in the United States and was boosted by the acquisition of Optimatic.

The increase in the Americas was offset by a decrease in European revenues of \$7.6 million, to \$22.5 million in the six-month period ended 30 June 2016 (H1 2015: \$30.1 million). This decrease reflects Matomy's increased focus on mobile and video media channels, with the strongest growth in those channels shown in the Americas.

During the first half of 2016, Matomy focused its R&D effort on core technology enhancements that benefit the overall Matomy advertising platform. Specific areas of investment include our Mobile SSP platform, our Video SSP platform and a self-service DSP, adding capabilities to Team Internet programmatic capabilities and investment in DATA related initiatives such as DMP. Matomy also invested in improved infrastructure and operational efficiency through enhancements to programmatic media buying and business intelligence capabilities.

Outlook

Matomy Media Group expects its revenue for 2016 to be in the range of \$265 million to \$300 million, and its adjusted EBITDA to be in the range of \$17 million to \$21 million. This is unchanged from guidance issued in July 2016.

This guidance reflects recent investments the Company has made in building out its technology platform and expanding its customer base. The Company has increased its investment in its strategic capabilities of Mobile, Video and Programmatic trading and has established a foot print in the Asia- Pacific (APAC) market, including launching its China- and Korea-based activities. We are committed to our strategy and are making demonstrable progress executing on our plan. These strategic initiatives, among others, are expected to drive growth and build shareholder value.

Rupert Howell
Non-executive Chairman

Ofer Druker
Chief Executive Officer

OPERATING REVIEW

Revenues by Media Channel

The following table sets out Matomy's revenues by media channel for the six-month period ended 30 June 2016 and 2015.

Six-month period ended 30 June			
(\$ millions)	2016	2015	% change
Display	11.7	38.8	(70%)
Video	49.2	25.2	95%
Mobile display	2.6	8.3	(69%)
Mobile in-app	12.3	5.1	144%
Email	13.3	12.2	9%
Social	2.5	8.4	(70%)
Domain monetisation	30.6	21.6	42%
Other ⁽¹⁾	2.2	5.4	(59%)
Total	124.4	125.0	(0.5%)

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

Display

Display media channel revenues decreased by \$27.1 million, or 70%, to \$11.7 million for the six-month period ended 30 June 2016 from \$38.8 million in the same period last year. The display media channel was affected by changes in the digital advertising ecosystem that were driven by the decrease in value generated for advertisers from this media channel.

Video

Video media channel revenues increased by \$24.0 million, or 95%, to \$49.2 million for the six-month period ended 30 June 2016 from \$25.2 million in the same period last year. The significant growth in the video channel was driven by strongly increased advertiser demand, and improvements to Matomy's video advertising capabilities, with synergies achieved across the group following the acquisition of Optimatic.

Mobile display

Mobile display media channel revenues decreased by \$5.7 million, or 69%, to \$2.6 million for the six-month period ended 30 June 2016 from \$8.3 million in the same period last year. This decrease was driven primarily by the Group's CPM value and overall value of display revenues.

Mobile in-app

Mobile in-app media channel revenues increased by \$7.2 million, or 144%, to \$12.3 million for the six-month period ended 30 June 2016 from \$5.1 million in the same period last year. This increase was driven primarily by improvements to Matomy's auction mechanism that improved optimisation of the Group's value and the establishment of new methodologies for its demand-side platform and supply-side platform. Additionally, the completion of the integration of the technical and operational components of the MobFox mobile programmatic business bolstered Group mobile activity and revenues. In H1 2016 a further \$2.0

million of revenues from combined mobile in-app and video activity were included in the video media channel.

Email

Email media channel revenues increased by \$1.1 million, or 9%, to \$13.3 million for the six-month period ended 30 June 2016 from \$12.2 million in the same period last year, due to an increase in the use of data analysis and improved ad targeting capabilities and deliverability capabilities. Additionally, increased demand from the Group's advertising clients and new sources of media partners further support the Group's growing email marketing activity.

Social

Social media channel revenues decreased by \$5.9 million, or 70%, to \$2.5 million for the six-month period ended 30 June 2016 from \$8.4 million in the same period last year due to a decrease in agency clients and increased Facebook regulation, and a strong shift to agency customers where our revenues do not include media costs. If these customers' revenues had been recognized on a gross basis (including media costs), our revenues would have been \$4.5 million higher.

Domain monetisation

Domain monetisation media channel revenues increased by \$9.0 million, or 42%, to \$30.6 million for the six-month period ended 30 June 2016 from \$21.6 million in the same period last year due to organic growth and investment in the aggregate domain monetisation and direct search navigation business continuing to pay off in terms of enhanced performance-based and programmatic advertising capabilities.

Other media channels

Other media channel revenues decreased by \$3.2 million, or 59%, to \$2.2 million for the six-month period ended 30 June 2016 from \$5.4 million in the same period last year. This decrease is due to diminished activity within the Group's virtual currency and search business units.

Revenues by Geography

The following table sets out Matomy's revenues by geographical location for the six-month period ended 30 June 2016 and 2015.

Six-month period ended 30 June			
(\$ millions)	2016	2015	Change
Americas	86.4	77.3	12%
Europe	22.5	30.1	(25%)
Asia	5.1	6.5	(21%)
Israel	0.1	0.2	(41%)
Other	10.3	10.9	(6%)
Total	124.4	125.0	

Americas

Revenues generated in the Americas increased by \$9.1 million, or 12%, to \$86.4 million for the six-month period ended 30 June 2016 from \$77.3 million in the same period last year, due to continued growth

focused particularly in the video media channel, which is strongly centered on the U.S., driven by the acquisition of Optimatic.

Europe

Revenues generated in the European market decreased by \$7.6 million, or 25%, to \$22.5 million for the six-month period ended 30 June 2016 from \$30.1 million in the same period last year due to continuing shift of client focus to the Americas.

Asia

Revenues generated in Asian markets decreased by \$1.4 million, or 21%, to \$5.1 million for the six-month period ended 30 June 2016 from \$6.5 million in the same period last year due to a reduction in unmonetised and lower quality traffic in India and Indonesia while at the same time showing an increase of 72% in our key growth market of China.

FINANCIAL REVIEW

Revenue

In the first half of 2016 Matomy's revenue decreased by \$0.6 million, to \$124.4 million, on a GAAP basis (H1 2015: \$125.0 million). This decrease reflects the shift of the revenue mix from legacy display, which is rapidly declining, to our growth engines of video and mobile supported by programmatic media trading, reflecting an effective growth of 41% in revenues from media channels other than overall display activity, which are more sustainable and higher quality revenues.

Cost of sales and other expenses

<u>\$ millions, except as otherwise indicated</u>	<u>H1 2016</u>	<u>H1 2015</u>
Direct media costs.....	89.9	90.8
Other cost of revenues	9.6	6.3
Cost of revenues	99.5	97.1
Gross margin (%).....	20%	22%
Adjusted gross margin (non-GAAP) (%)	28%	27%

Cost of revenues for the Group increased by \$2.4 million, or 2.5%, to \$99.5 million (80.0% of total revenues) for the six-month period ended 30 June 2016 from \$97.1 million (77.6% of total revenues) in the same period last year. Although the GAAP gross margin decreased, adjusted gross margin improved, since cost of sales was significantly affected by the increase in amortisation of certain intangible assets acquired, mainly Optimatic.

Excluding the amortisation of intangible assets acquired from 2015 onwards, cost of revenues would have increased by just \$0.3 million to \$96.9 million (77.8% of total revenues), from \$96.6 million (77.3% of total revenues) in the same period last year.

Operating expenses

<u>\$ millions</u>	<u>H1 2016</u>	<u>H1 2015</u>
Research and development	5.0	3.6
Sales and marketing.....	15.3	12.9
General and administrative.....	8.9	8.2
Total operating expenses.....	29.2	24.7
Total operating expenses as a percentage of revenues	23%	20%

Operating expenses increased by \$4.5 million, or 18%, to \$29.2 million (H1 2015: \$24.7 million). Operating expenses as a percentage of revenues were 23% (H1 2015: 20%).

Excluding the amortisation of intangible assets acquired from 2015 onwards, operating expenses would have increased by \$2.5 million to \$26.6 million (21% of revenues), from \$24.1 million (19% of total revenues) in the same period last year.

Sales and marketing expenses increased 19% to \$15.3 million (H1 2015: \$12.9 million). This increase includes; (i) expenses attributable to the acquisition of Optimatic in H2 2015 of \$1.3 million and amortisation expenses of \$1.0 million from that acquisition; and (ii) the increase in sales activities in APAC following the launch of our China- and South Korea-based offices. Other sales and marketing expenses remained stable year-on-year.

General and administrative expenses increased 8% to \$8.9 million (H1 2015: \$8.2 million), mainly due to expenses attributable to consolidation of Optimatic of \$0.7 million. Due to continued efficiency savings, enhanced automation of processes and working methods throughout the rest of the Group, general and administrative expenses apart from new acquisitions remained unchanged.

Research and development

Research and development expenses increased by \$1.4 million, or 37%, to \$5.0 million (H1 2015: \$3.6 million), partially attributable to the effect of the Optimatic acquisition, which increased R&D expenses by \$0.7 million, and partly caused by increased investment in R&D reflecting our evolution of becoming a technology oriented company which relies mainly on proprietary based technologies.

Taxes on income

Taxes on income decreased to \$0.3 million for the six-month period ended 30 June 2016 (-5% of income before taxes), compared to \$1.0 million in the same period last year (39%). The change in effective tax rate was primarily due to the recording of valuation allowance on carry forward losses in certain subsidiaries, while the effective tax rates in Israel, USA and Germany remained consistent.

Net income

Net income decreased by \$7.3 million, or 482%, to a \$5.3 million net loss for the six-month period ended 30 June 2016, compared to \$1.5 million profit in the same period last year.

Earnings per share

Matomy's basic earnings per share decreased by \$0.07 to (\$0.06) for the six-month period ended 30 June 2016 (H1 2015: \$0.01 EPS). This primarily reflected the net loss, compared to net income in the previous period. The loss per share was reduced by a 1.6% increase in average shares over H1 2016 compared to the same period in 2015, due to option exercises.

Amortisation of intangible assets

Amortisation expenses amounted to \$8.1 million for the six-month period ended 30 June 2016, an increase of \$2.9 million from amortisation expenses of \$5.2 million for the same period last year. Amortisation of the intangible assets Matomy acquired in the Optimatic acquisition added \$3.0 million expenses in the period, while amortisation of other assets decreased slightly as some assets were fully amortised.

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:

- Transaction costs associated with M&A activity amounting to \$0.3 million in H1 2016 and \$0.1 million in H1 2015.

Liquidity and cash flows

The following table sets out selected cash flow information for Matomy for the six-month periods ended 30 June 2016 and 2015.

\$ millions	H1 2016	H1 2015
Net cash provided by (used in) operating activities.....	(0.3)	9.0
Net cash used in investing activities	(3.3)	(9.9)
Net cash provided by (used in) financing activities.....	2.6	(4.4)
Effect of exchange rate differences on cash	-*	(0.1)
Increase (decrease) in cash and cash equivalents.....	(1.0)	(5.4)
Cash and cash equivalents at beginning of period.....	27.3	48.0
Cash and cash equivalents at end of period	<u>26.3</u>	<u>42.6</u>

-* Represents amounts less than \$0.1 million.

Cash and cash equivalents decreased by \$16.3 million, or 198%, to \$26.3 million as at 30 June 2016, compared to \$42.6 million as at 30 June 2015. This decrease is mainly attributable to the payment made in consideration of the acquisition of Optimatic which was funded out of the Company's own cash reserves.

Cash flows used in operating activities were \$0.3 million in H1 2016 compared to a net inflow in H1 2015 of \$9.0 million, primarily due the decreased net income together with a significant increase in payments to media sources / supply side partners in H1 2016 compared to the corresponding period in 2015, which reflect the substantial growth in the video and programmatic activity, which require higher working capital needs than the declining display activity.

Net cash used in investing activities of \$3.3 million (H1 2015: \$9.9 million) was mainly related to capitalisation of R&D costs and fixed asset investments, whilst in H1 2015 this was primarily related to the Avenlo acquisition and advances paid for the purchasing of intangible assets.

Cash flows from financing activities increased to \$2.6 million inflow (H1 2015: \$4.4 million outflow), primarily due to a \$3.0 million term loan taken out in H1 2016 to fund the acquisition of new domains and an increase of \$3.7 million in short term bank credit. As at 30 June 2016, Matomy had \$13.6 million in term loans. Of those, \$7.0 million are due within one year.

Financial reporting

This financial information has been prepared under US GAAP principles and in accordance with Matomy's accounting policies. There have been no changes to Matomy's accounting policies during the six-month period ended 30 June 2016.

Going concern

The Group's business activities are set out in the Operational Review and the Financial Review. As set out in the Principal Risk Factors, a number of risks affect the Group's results and financial position. The Group's net debt and banking covenants are summarised in the notes to the Consolidated Financial Statements. The Directors confirm that, after making an assessment, they have reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future.

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 are set out in detail in the section entitled "Risk Factors" of the Group's IPO prospectus (the "Prospectus") dated 9 July 2014 and below. These include, among other things, the following:

- certain internet and technology companies may intentionally or unintentionally adversely affect Matomy's operations, mainly, due to announced or unannounced changes and restrictions by such companies
- the delivery of digital ads and the recording of the performance of digital ads are subject to complex regulations, legal requirements and industry standards
- Matomy's revenue and operating results are highly dependent on the overall demand for advertising. Factors that affect the amount of advertising spending, such as economic downturns, particularly in the fourth quarter, can make it difficult to predict our revenue and could adversely affect our business.
- seasonal fluctuations in digital advertising activity, which may historically have been less apparent due to our historical core activities and growth, could adversely affect our cash flows and operating results.
- In order to meet our growth objectives, we will need to rely upon our ability to innovate, the continued adoption of our solution by buyers and sellers for higher value advertising inventory, the extension of the reach of our solution into evolving digital media, and growth into new geographic markets
- Matomy operates in an intensely competitive market that includes companies that have greater financial, technical and marketing resources than we do.
- the digital advertising industry is highly competitive and fragmented and currently experiencing consolidation, resulting in increasing competition
- In order to meet our growth objectives, we may need to rely on our ability to raise debt or utilize credit lines, which may not be sufficiently available to meet our ongoing financial needs
- Matomy is dependent on relationships with certain third parties with significant market positions
- Matomy relies on the continued compatibility of the Matomy Performance Platform with third-party operating systems, software and content distribution channels, as well as newly-acquired systems
- Matomy may be subject to third-party claims brought against it
- Matomy has historically derived the majority of its revenues from customers that use its solutions for display marketing campaigns which are now rapidly declining
- a key part of Matomy's growth strategy relates to acquisitions and the ability to effectively integrate and manage them
- the digital advertising industry, remains susceptible to fraud
- Matomy is an Israeli-domiciled company and as such the rights and obligations of shareholders are governed by Israeli law and differ in some respects from English law

Forward-looking statements

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

Directors' responsibility

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

By order of the Board:

Ofer Druker
Chief Executive Officer

Sagi Niri
Chief Financial Officer

Reconciliation of GAAP measures to non-GAAP measures

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

\$ million	H1 2016	H1 2015
Revenues	124.4	125.0
Direct media costs	(89.8)	(90.8)
Adjusted gross profit	34.6	34.2
Adjusted gross margin (%)	28%	27%
Other cost of revenues	(9.7)	(6.3)
Gross profit	24.9	27.9

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

\$ million	H1 2016	H1 2015
Net income / (loss)	(5.3)	1.5
Taxes on income	0.3	1.0
Financial expenses (income), net	0.7	0.7
Depreciation and amortisation	8.8	5.7
Share-based compensation expenses	1.0	0.7
Exceptional items	0.3	0.1
Adjusted EBITDA	5.8	9.7

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

\$ million	H1 2016	H1 2015
Net income / (loss)	(5.3)	1.5
Share-based compensation expenses	1.0	0.7
Exceptional items	0.3	0.1
Adjusted net income / (loss)	(4.0)	2.3

Financial statements on following pages

INTERIM CONSOLIDATED BALANCE SHEETS**U.S. dollars in thousands**

	30 June 2016	31 December 2015
	Unaudited	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 26,282	\$ 27,271
Trade receivables, net	43,624	58,168
Domains held for sale	9,256	5,814
Other receivables and prepaid expenses	4,769	4,020
Total current assets	83,931	95,273
LONG-TERM ASSETS:		
Property and equipment, net	2,572	2,712
Other assets	146	135
Deferred tax assets	3,836	3,609
Investment in affiliated companies	2,019	2,017
Other intangible assets, net	47,472	52,491
Goodwill	96,372	96,643
Total long-term assets	152,417	157,607
Total assets	\$ 236,348	\$ 252,880

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

INTERIM CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	30 June 2016	31 December 2015
	Unaudited	
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term bank credit and current maturities of long term bank loans	\$ 10,731	\$ 6,382
Trade payables	36,725	49,165
Accrued expenses and other liabilities	14,504	14,938
Deferred revenues	1,890	2,878
<u>Total current liabilities</u>	<u>63,850</u>	<u>73,363</u>
LONG-TERM LIABILITIES:		
Bank loans	6,534	7,357
Deferred tax liabilities	13,790	15,597
Other long term liabilities	12,534	12,998
<u>Total long-term liabilities</u>	<u>32,858</u>	<u>35,952</u>
REDEEMABLE NON-CONTROLLING INTEREST	<u>35,583</u>	<u>35,365</u>
EQUITY:		
Matomy Media Group Ltd. shareholders' equity:		
Ordinary shares	242	240
Additional paid-in capital	98,232	96,837
Accumulated other comprehensive loss	(3,173)	(3,174)
Retained earnings	14,987	20,528
Treasury shares	(6,231)	(6,231)
Total Matomy Media Group Ltd. shareholders' equity	<u>104,057</u>	<u>108,200</u>
<u>Total liabilities and equity</u>	<u>\$ 236,348</u>	<u>\$ 252,880</u>

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

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS**U.S. dollars in thousands except earnings per share data**

	Six months ended	
	30 June,	
	2016	2015
	Unaudited	
Revenues	\$ 124,442	\$ 125,015
Cost of revenues	<u>99,540</u>	<u>97,069</u>
Gross profit	<u>24,902</u>	<u>27,946</u>
Operating expenses:		
Research and development	4,997	3,636
Selling and marketing	15,321	12,866
General and administrative	<u>8,947</u>	<u>8,231</u>
<u>Total operating expenses</u>	<u>29,265</u>	<u>24,733</u>
Operating (loss) income	(4,363)	3,213
Financial expenses, net	<u>692</u>	<u>734</u>
Income (loss) before taxes on income	(5,055)	2,479
Taxes on income	256	954
Equity losses of affiliated companies	<u>12</u>	<u>16</u>
Net (loss) income	(5,323)	1,509
Revaluation of redeemable non-controlling interest in subsidiaries	(17)	(57)
Net income attributable to redeemable non-controlling interests in subsidiaries	(201)	(196)
Net loss attributable to non-controlling interests in subsidiaries	<u>-</u>	<u>2</u>
Net (loss) income attributable to Matomy Media Group Ltd.	<u>\$ (5,541)</u>	<u>\$ 1,258</u>
Basic and diluted (loss) earnings per ordinary share	<u>\$ (0.06)</u>	<u>\$ 0.01</u>

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

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**U.S. dollars in thousands**

	Six months ended	
	30 June,	
	2016	2015
	Unaudited	
Net (loss) income	\$ (5,323)	\$ 1,509
Foreign currency translation adjustments	<u>1</u>	<u>(35)</u>
Comprehensive (loss) income	(5,322)	1,474
Revaluation of redeemable non-controlling interest in subsidiaries	(17)	(57)
Comprehensive income attributable to redeemable non-controlling interests in subsidiaries	(201)	(196)
Comprehensive loss attributable to other non-controlling interests in subsidiaries	<u>-</u>	<u>2</u>
Comprehensive (loss) income attributable to Matomy Media Group Ltd	<u>\$ (5,540)</u>	<u>\$ 1,223</u>

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

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

U.S. dollars in thousands, except share data

	Ordinary shares		Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings	Treasury shares	Total equity
	Number	Amount					
Balance as of 1 January 2016 (audited)	91,882,390	\$ 240	\$ 96,837	\$ (3,174)	\$ 20,528	\$ (6,231)	\$ 108,200
Stock-based compensation	-	-	974	-	-	-	974
Exercise of options and vesting of restricted stock units	636,728	2	421	-	-	-	423
Other comprehensive income	-	-	-	1	-	-	1
Net loss	-	-	-	-	(5,541)	-	(5,541)
Balance as of 30 June 2016 (unaudited)	<u>92,519,118</u>	<u>\$ 242</u>	<u>\$ 98,232</u>	<u>\$ (3,173)</u>	<u>\$ 14,987</u>	<u>\$ (6,231)</u>	<u>\$ 104,057</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Six months ended	
	30 June,	
	2016	2015
	Unaudited	
<u>Cash flows from operating activities:</u>		
Net (loss) income	\$ (5,323)	\$ 1,509
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation and amortization	8,824	5,696
Stock-based compensation	974	714
Accrued severance pay, net	(16)	(11)
Change in deferred tax, net	(2,234)	(1,058)
Decrease in trade receivables	14,544	9,518
Decrease (increase) in domains held for sale	(3,442)	603
Decrease (increase) in other receivables and prepaid expenses	(791)	592
Interest and revaluation of long term bank loans	(47)	(49)
Equity losses of affiliated companies	12	16
Decrease (increase) in other assets	(12)	21
Decrease in trade payables	(12,440)	(6,725)
Increase (decrease) in accrued expenses and other liabilities	580	(1,419)
Decrease in deferred revenues	(988)	(447)
Other	47	-
Net cash (used in) provided by operating activities	<u>(312)</u>	<u>8,960</u>
<u>Cash flows from investing activities:</u>		
Purchase of property and equipment	(599)	(555)
Acquisition of Avenlo Media Group	-	(5,570)
Capitalization of development costs	(2,510)	(986)
Purchase of intangibles assets	(149)	(2,672)
Investment in bank deposit	7	(58)
Net cash used in investing activities	<u>(3,251)</u>	<u>(9,841)</u>
<u>Cash flows from financing activities:</u>		
Proceeds from bank loan	3,021	-
Payment of bank loans	(3,159)	(3,061)
Dividend paid to redeemable non-controlling interests of subsidiary	(736)	(1,161)
Exercise of options	423	763
Increase in parent's ownership interest in subsidiary	-	(763)
Payment of contingent consideration with respect to Avenlo's acquisition	(692)	-
IPO costs	-	(139)
Increase in bank credit, net	3,711	-
Net cash provided by (used in) financing activities	<u>2,568</u>	<u>(4,361)</u>
Effect of exchange rate differences on cash	<u>6</u>	<u>(97)</u>
Decrease in cash and cash equivalents	(989)	(5,339)
Cash and cash equivalents at the beginning of the period	<u>27,271</u>	<u>47,988</u>
Cash and cash equivalents at the end of the period	<u>\$ 26,282</u>	<u>\$ 42,649</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Six months ended	
	30 June,	
	2016	2015
	Unaudited	
<u>Supplemental disclosure of cash flows activities :</u>		
<u>Cash paid during the period for:</u>		
Income taxes	\$ 4,024	\$ 2,337
Interest paid	\$ 299	\$ 366

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

NOTE 1:- 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 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 (SSP) 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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. Unaudited interim financial information

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("US GAAP") for interim financial information. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six-month period ended 30 June 2016 are not necessarily indicative of the results that may be expected for the year ended 31 December 2016.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

In the preparation of the consolidated financial information, it applied the significant accounting policies, on a consistent basis to the annual financial statements of the Company as of 31 December 2015.

The unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report for the year ended 31 December 2015.

b. Principles of consolidation:

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

c. Use of estimates:

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

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

d. 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 amounted to \$ 2,983 and \$ 3,191 as of 30 June 2016 and 31 December 2015, respectively.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

e. Recently issued accounting standards:

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09 (ASU 2014-09) "Revenue from Contracts with Customers." ASU 2014-09 supersedes the revenue recognition requirements in "Revenue Recognition (Topic 605)", and requires entities to recognize revenue when they transfer promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. As currently issued and amended, ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, though early adoption is permitted for annual reporting periods beginning after December 15, 2016. We are currently in the process of evaluating the impact of the adoption of ASU 2014-09 on our consolidated financial statements, and considering additional disclosure requirements.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02 (ASU 2016-02) which amends the FASB Accounting Standards Codification and created Topic 842, "Leases." Under Topic 842, lessees are required to recognize assets and liabilities on the balance sheet for most leases and provides for enhanced disclosures. Leases will continue to be classified as either finance or operating. ASU 2016-02 is effective for annual reporting periods, and interim periods within those years beginning after December 15, 2018. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. Full retrospective application is prohibited and early adoption by public entities is permitted. We are currently in the process of evaluating the impact of the adoption of this standard on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09"). The update simplifies several aspects of accounting for employee share-based payment transactions for both public and nonpublic entities, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. The ASU is effective for annual reporting periods beginning after December 15, 2016, including interim periods within those annual reporting periods, early adoption is permitted. The adoption of ASU 2016-09 is not expected to have a material effect on the Company's financial position and/or results of operations.

NOTE 3:- FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The hierarchy is broken down into three levels, based on the observability of inputs and assumptions, as follows:

Level 1 - Observable inputs obtained from independent sources, such as quoted prices for identical assets and liabilities in active markets.

Level 2 - Other inputs that are directly or indirectly observable in the market place.

Level 3 - Unobservable inputs which are supported by little or no market activity.

The following table present liabilities measured at fair value on a recurring basis as of 30 June 2016:

	30 June 2016			
	Fair value measurements using input type			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Payment obligation in connection with acquisitions	\$ -	\$ -	\$ 17,572	\$ 17,572
Derivative liabilities	-	4	-	4
Total financial liabilities	\$ -	\$ 4	\$ 17,572	\$ 17,576

The following table summarizes the changes in the Company's liabilities measured at fair value using significant unobservable inputs (Level 3), during the six months ended 30 June 2016:

	\$
Total fair value as of 1 January 2016	18,091
Accretion of contingent liability related to acquisitions	231
Changes in fair value recognized in earnings	(58)
Payment of consideration during the period	<u>(692)</u>
Total fair value as of 30 June 2016	<u>17,572</u>

NOTE 4:- DERIVATIVE INSTRUMENTS

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

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

The Company had forward and options contracts that do not qualify and was not designated as a cash flow hedge under ASC 815.

The following table presents the notional amount of derivative instruments:

	30 June 2016	31 December 2015
	<u>Unaudited</u>	
Total options acquired	7,321	8,911
Total options sold	5,877	9,965

The net gains (losses) recognized in "financial income, net" during the six months period ended 30 June 2016 and 2015 were \$ (258) and \$ 383, respectively.

NOTE 5:- OTHER INTANGIBLE ASSETS, NET

a. Other intangible assets:

	30 June 2016	31 December 2015
	<u>Unaudited</u>	
Original amounts:		
Technology	\$ 29,609	\$ 29,484
Customer relationships	30,388	29,931
Data base	5,563	5,539
Trade name	3,468	3,468
Capitalized research and development costs	<u>4,910</u>	<u>2,400</u>
	73,938	70,822
Accumulated amortization:		
Technology	11,040	7,138
Customer relationships	13,665	10,432
Data base	696	415
Trade name	479	95
Capitalised research and development costs	<u>586</u>	<u>251</u>
	26,466	18,331
Other intangible assets, net	<u>\$ 47,472</u>	<u>\$ 52,491</u>

NOTE 5:- OTHER INTANGIBLE ASSETS, NET (Cont.)

- b. Amortisation expense amounted to \$ 8,135 and \$ 5,151 for the six months period ended 30 June 2016 and 2015, respectively.
- c. The estimated future amortisation expense of other intangible assets as of 30 June 2016 is as follows:

2016	\$	8,389
2017		15,223
2018		12,310
2019		5,565
2020 and after		<u>5,985</u>
	\$	<u><u>47,472</u></u>

NOTE 6:- NON CONTROLLING INTERESTS

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

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

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

	Six months ended	
	30 June	
	<u>2016</u>	<u>2015</u>
Redeemable non-controlling interests at beginning of Period	\$ 35,365	\$ 34,062
Revaluation of redeemable non-controlling interest in subsidiaries	17	57
Dividend distributed to redeemable non-controlling interests	-	(243)
Increase in redeemable non-controlling interests due to new subsidiary	-	7,904
Net income attributable to redeemable non-controlling interests	<u>201</u>	<u>196</u>
	<u><u>\$ 35,583</u></u>	<u><u>\$ 41,976</u></u>

As of 30 June 2016, out of the total redeemable non-controlling interests, an amount of \$ 12,050 represents a short term liability that can be redeemed in the following 12 months.

NOTE 7:- COMMITMENTS AND CONTINGENT LIABILITIES

The Company rents its facilities under operating lease agreements with an initial term expiring

in 2021. As of 30 June 2016, the Company's total future minimum lease commitments under non-cancellable operating leases were \$ 7,432.

Rent expenses for the six months period ended 30 June 2016 and 2015, were \$ 756 and \$ 740, respectively.

The Company leases its motor vehicles under cancellable operating lease agreements until January 2019. The minimum payment under these operating leases, upon cancellation of these lease agreements, was \$ 15 as of 30 June 2016.

The Company has provided the lessors with a bank guarantee and promissory note in an aggregate amount of \$ 324 (NIS 1,248 thousands) as of 30 June 2016.

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

NOTE 8:- BANK LOANS AND CREDIT LINE

- a. On 16 June 2014, the Company signed a loan agreement with an Israeli bank in an amount of \$21,600. The loan agreement requires repayment of 85% of the principal in 12 equal payments every three months commencing 16 September 2014, and 15% of the principal in 4 equal payments every three months commencing 16 September 2017. The loan bore an initial interest of three months USD LIBOR plus 4.5%, which was reduced to USD LIBOR plus 3.5% to be paid together with the relevant portion of the principal. In relation to this loan, the Company is required to comply with certain covenants, as defined in the loan agreement. As of 30 June 2016, the Company was in full compliance with the financial covenants.
- b. The Company's bank credit and loans from an Israeli bank are secured by way of: (i) a fixed charge over the unpaid equity of the Company and its subsidiary; and (ii) a floating charge over all of the assets of the Company and its subsidiary. As of 30 June 2016, bank credit amounted to \$ 4,892. The Company presented the bank credit, net of cash deposits at the same bank account.
- c. On 20 August 2015, the Company's German subsidiary signed a 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.
- d. On 28 April 2016, the Company's German subsidiary signed a loan agreement with a German bank in an amount of \$2,660. In accordance with the loan agreement, repayment of the principal shall be made in 20 equal quarterly payments, commencing 30 September 2016. The loan bears an interest of 1.1% to be paid on a quarterly basis, commencing 30 June 2016.

NOTE 9:- EQUITY

- a. A summary of the activity in options granted to employees and directors in the six months period ended 30 June 2016 is as follows:

	Number of options	Weighted- average exercise price (in US dollars)	Weighted- average remaining contractual term (in years)	Aggregate intrinsic value
Outstanding at 1 January 2016	8,708,947	1.44	4.4	2,820
Granted	701,000	1.26		
Exercised	(524,228)	0.81		
Forfeited	(309,767)	2.26		
Outstanding at 30 June 2016	<u>8,575,951</u>	<u>1.43</u>	<u>4.40</u>	<u>53</u>
Exercisable at 30 June 2016	<u>5,725,845</u>	<u>1.26</u>	<u>2.46</u>	<u>53</u>

The aggregate intrinsic value of the outstanding stock options at 30 June 2016, represents the intrinsic value of 79,199 outstanding options that are in-the-money as of such date. The remaining 8,496,752 outstanding options are out-of-the-money as of 30 June 2016, and their intrinsic value was considered as zero.

As of 30 June 2016, the Company's total compensation cost relating to options granted to employees and directors and not yet recognised amounted to \$ 1,457.

The weighted average grant date fair values of options granted for the six months period ended 30 June 2016 was \$ 0.56.

b. Options issued to non-employees:

The Company's outstanding options to non-employees as of 30 June 2016 were as follows:

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

c. Restricted Stock Units ("RSU") issued to employees and directors:

The following table summarizes RSU activity in the six months period ended 30 June 2016:

	Number of RSU	Weighted-average fair value (in US dollars)
Outstanding at 1 January 2016	640,000	1.54
Granted	350,000	1.17
Vested	(112,500)	1.54
Forfeited	-	
Outstanding at 30 June 2016	<u>877,500</u>	<u>1.39</u>

NOTE 9:- EQUITY (Cont.)

d. Treasury shares

As of 30 June 2016, Team Internet holds 1,211,236 of the Company's shares which are classified as treasury shares and valued at \$ 5,116. Team Internet's redeemable non-controlling interest are entitled to an 80% share in gains derived from these shares,

amounting to \$ 1,843.

NOTE 10:- TAXES ON INCOME

Taxable income of Israeli companies is generally subject to corporate tax at the rate of 25% in 2016 (2015 - 26.5%).

The parent company is entitled to Tax benefits under the Israeli Law for the Encouragement of Capital Investments, 1959 (the "Law"). The parent applies the new Preferred Enterprise benefits under the Law which include reduced tax rates of currently 16%.

Non-Israeli subsidiaries are taxed according to the tax laws in their respective countries of residence.

For the six month period ended 30 June 2016 the Company had tax expense mainly due to full valuation allowance recorded in foreign locations. Our effective tax rate in the future will depend on the portion of our profits subject to benefits under the Law and portion of our profit earned outside of Israel.

NOTE 11:- EARNINGS PER SHARE

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

	Six months ended	
	30 June,	
	2016	2015
	Unaudited	
Basic and diluted net income (loss) attributable to Matomy Media Group Ltd.	\$ (5,541)	\$ 1,258
Weighted average ordinary shares outstanding (in thousands)	93,307	90,643
Dilutive effect:		
Employee stock options and RSUs (in thousands)	-	4,940
Diluted weighted average ordinary shares outstanding (in thousands)	93,307	95,583
Basic and diluted earnings (loss) per ordinary shares (in dollars)	\$ (0.06)	\$ 0.01

NOTE 11:- EARNINGS PER SHARE (Cont.)

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 9,485,495 and 2,321,806 for the six months period ended 30 June 2016 and 30 June 2015, respectively.
