ONLINE MEDIA SOLUTIONS LTD. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2015

U.S. DOLLARS IN THOUSANDS

INDEX

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Building a better working world

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REPORT OF INDEPENDENT AUDITORS

To the Shareholders of

ONLINE MEDIA SOLUTIONS LTD. AND ITS SUBSIDIARIES

We have audited the accompanying consolidated balance sheets of Online Media Solutions Ltd. ("the Company") and its subsidiaries as of March 31, 2015 and 2014, the related consolidated statements of comprehensive income, changes in shareholders' equity and the consolidated statements of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. 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 Israel including those prescribed by the Auditors' Regulations (Auditor's Mode of Performance), 1973. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of March 31, 2015 and 2014, and the consolidated results of their operations and the consolidated cash flows for the years then ended, in conformity with United States generally accepted accounting principles.

Tel-Aviv, Israel
May 16, 2015

Kost Forer Gabbay and Kasierer
KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	March 31, 2015	March 31, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 5,557	$ 2,080
Restricted cash	519	515
Trade receivables	20,494	17,478
Current maturities of a related party loans	3,066	1,421
Other accounts receivable and prepaid expenses (Note 4)	1,697	4,724
Total current assets	31,333	26,218
LONG-TERM ASSETS:		
Long-term deferred Tax	16	-
Long-term lease deposits	5	-
Long term loan	150	-
Loans to a related party	2,516	1,577
Marketable securities	116	-
Investments in Affiliates (Note 5)	868	1,443
Severance Pay fund	649	761
Property and equipment, net (Note 6)	352	432
Intangible assets	95	73
Software development costs (Note 7)	10,123	3,356
Total long-term assets	14,890	7,642
Total assets	$ 46,223	$ 33,860

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

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	March 31, 2015	March 31, 2014
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	$ 1,032	$ 8,183
Employees and payroll accruals	382	796
Other accounts payable and accrued expenses (Note 8)	5,206	4,332
Total current liabilities	6,620	13,301
LONG-TERM LIABILITIES:		
Accrued severance pay	712	834
Deferred tax liability, net	501	334
Total long term liabilities	1,213	1,168
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY (Note 13):		
Ordinary shares	38	38
Accumulated other comprehensive income	-	-
Additional paid-in capital	6,331	6,331
Retained earnings	32,021	13,021
Total equity	38,390	19,391
Total liabilities and equity	$ 46,223	$ 33,860

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

July 3, 2016		
Date of approval of the financial statements	Shahar Shaharabany Chief Financial Officer	Jacob Nizri Director and Chief Executive Officer

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

U.S. dollars in thousands

	2015	2014
Revenues	$ 92,841	$ 69,848
Cost of revenues	47,294	40,399
Gross profit	45,547	29,449
Operating expenses:		
Research and development cost amortization	1,808	1,702
Sales and marketing	7,559	10,101
General and administrative	10,334	5,567
Total operating expenses	19,701	17,370
Operating profit	25,846	12,079
Financial income (expenses),net	(162)	(151)
Income (loss) before taxes on income	25,684	11,928
Tax expenses (income) (Note 11)	(6,850)	(2,428)
Other Income	165	19
Comprehensive income	18,999	8,619

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

U.S. dollars in thousands (except share data)

	Ordinary shares		Additional paid-in capital	Retained earnings	Non Controlling Interests	Total shareholders' equity
	Number	Amount				
Balance as of March 31, 2014	14,294,123	$ 38	6,331	$ 12,905	$ 117	$ 19,391
Net income	-	-	-	19,116	(117)	18,999
Balance as of March 31, 2015	14,294,123	$ 38	6,331	165,635	$	$ 38,390

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

	Year ended March 31, 2015	2014
Cash flows from operating activities:		
Net income	$ 25,850	$ 8,619
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	137	1,408
Increase (decrease) in trade receivables	(3,016)	(13,664)
Decrease in other accounts receivable and prepaid expenses	3,696	(3,089)
Increase in investments in affiliates	-	
Increase in deferred taxes liability, net	-	(143)
Increase in trade payables	(4,960)	7,898
Increase in employees and payroll accruals	-	309
Increase in other accounts payable	(8,106)	3,359
Capital loss/decrease severance pay	(334)	(199)
Net cash provided by operating activities	13,267	4,498
Cash flows from investing activities:		
Purchase of property and equipment	(59)	(253)
Proceeds from long-term lease deposits, net	-	-
Loan provided to a related party	-	(1,203)
Proceeds from (investment in) restricted cash	(4)	(36)
Investment in afflliate	576	(800)
Loan provided to third party	(122)	
Capitalization of software development costs	(10,218)	(2,330)
Net cash used in investing activities	(9,827)	(4,622)
Effect of exchange rate changes on restricted cash and marketable securities	37	
Increase(Decrease) in cash and cash equivalents	3477	121
Cash and cash equivalents at the beginning of the year	2080	2,204
Cash and cash equivalents at the end of the year	$ 5,557	$ 2,080

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 1:- GENERAL

a. Online Media Solutions Ltd. ("the Company") was incorporated under the laws of the State of Israel, and commenced operations in 1998. The Company provides full service of performance-driven ad-serving technology and quality media. The Company is a wholly owned subsidiary of Lycos Internet Limited (formerly Ybrant Digital Limited) (the "Parent" or "Lycos"), a public company traded on Bombay Stock Exchange under the ticker LYCO.

b. The Company and its subsidiaries (together the "Group"), Oridian Inc., Ybrant Digital GmbH, Brightcom Asia Pte. Ltd., and Ybrant Digital France provide complete online media solutions to advertisers and publishers worldwide. During 2011 Ybrant Digital France ceased its operational activity. During 2013 Ybrant Digital GMBH ceased its operational activity.
The Company holds certain shares in certain affiliates companies (see Note 6).

c. Definitions:

Lycos Internet Limited (formerly: Ybrant Digital Limited) (formerly: Ybrant Technologies Limited) ("Lycos") - is a related party.

Subsidiaries of the Parent are related parties and referred to as "Affiliates".

The Company held certain investments in affiliates in different geographical locations and presents them as investments.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared according to United States generally accepted accounting principles ("U.S. GAAP").

a. Use of estimates:

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

b. Financial statements in U.S. dollars:

A substantial portion of the Company's and its non-U.S. subsidiaries' revenues are generated in U.S. dollar ("dollars"). In addition, most of the Company's and its subsidiaries' costs are incurred in dollars. The Company's management believes that the U.S dollar is the currency of the primary economic environment in which the Company and its subsidiaries operate. Thus, the functional and reporting currency of the Company and its subsidiaries is the U.S. dollar.

The Company's transactions and balances denominated in U.S. dollars are presented at their original amounts. Non-dollar transactions and balances have been remeasured into U.S. dollars in accordance with ASC 830. All transaction gains and losses from remeasurement of monetary balance sheet items denominated in non-dollar currencies are reflected in the statement of operations as financial income or expenses, as appropriate.

c. Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany transactions and balances, including profits from intercompany sales not yet realized outside the Group, have been eliminated upon consolidation. Non-controlling interests of subsidiaries represent the non-controlling shareholders share of the total comprehensive income 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.

d. Cash equivalents:

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

e. Restricted cash:

Restricted cash is primarily invested in highly liquid deposits, which are pledged in favor of the banks which provide to the Company guarantees with respect to office lease agreements, credit card and financial instrument transactions.

f. Long-term lease deposits

Long-term deposits include long-term deposits for motor vehicles under operating leases, presented at their cost.

g. Property and equipment:

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 depreciation rates:

	%
Computers and peripheral equipment	33
Office furniture and equipment	6 – 15
Leasehold improvements	Over the term of the lease

h. Software development costs

According to the principles set forth in ASC 350-40, "Internal use software", the Company distinguishes between software development costs incurred in the different stages.

Costs incurred during the process of preliminary project stage are charged to expenses as incurred.
Costs incurred during the process of application development stage are capitalized. Costs incurred during the process of post implementation-operation stage are charged to expense as incurred.
The costs of computer software developed or obtained for internal use are amortized on a straight-line basis unless another systematic and rational basis is more representative of the software's use. Amortization has begun when the computer software was ready for its intended use which is usually after a period of 6 months.

The Company assesses the probability of the development, completion and the potential of these capitalized costs on a regular basis by determining whether the amortization of the asset over its remaining life can be recovered through undiscounted future operating cash flows from the specific software product used.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

i. Impairment of long-lived assets and intangible assets:

The Company's long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. 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 assets.

If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

j. Income taxes:

The Company accounts for income taxes in accordance with ASC 740, "Income Taxes". This Statement prescribes the use of the liability 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 their estimated realizable value.

Deferred tax liabilities and assets are classified as current or non-current based on the classification of the related asset or liability for financial reporting, or according to the expected reversal dates of the specific temporary differences if not related to an asset or liability for financial reporting.

ASC 740 contains a two-step approach to recognizing and measuring a liability for 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% (cumulative basis) likely to be realized upon ultimate settlement. The Company has some measurement differences in amounts that need to be credit from revenue.

k. Revenue recognition:

The Company generates revenues from advertising services.

Revenues are recognized in accordance with ASC 605 ("Revenue Recognition"), upon execution of advertisements campaigns, when persuasive evidence of an arrangement exists, fee is fixed or determinable, and when collectability is probable. If one of the above criteria is not met, revenue is recognized on a cash basis.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

The Company records revenues based on the gross amount collected from its customers and pays third parties a fee for providing advertising space.

l. Concentrations of credit risks:

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

Cash, cash equivalents and restricted cash are invested in major banks in Israel and the United States. Such deposits in the United States may be in excess of insured limits and are not insured in other jurisdictions. Generally these deposits may be redeemed upon demand and, therefore, bear low risk.

The Company's trade receivables are derived from sales to worldwide customers. The Company performs ongoing credit evaluations of its customers.

As of March 31, 2015, the Company has no off-balance sheet concentration such as, foreign exchange contracts, option contracts or other foreign hedging arrangements.

m. Severance pay:

The Company's liability for severance pay for its Israeli employees is calculated pursuant to Israel's 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. Israeli employees are entitled to severance equal to one month's salary for each year of employment or a portion thereof. The Company's liability for its Israeli employees, not under section 14 discussed below, is partially provided by monthly deposits with insurance policies and by an accrual. The value of these policies is recorded as an asset in the Company's balance sheet.

The deposited funds include profits accumulated up to the balance sheet date and may be withdrawn only upon the fulfillment of the obligation pursuant to Israel's Severance Pay Law or labor agreements. The value of the deposited funds is based on the cash surrendered value of these policies, and includes immaterial profits.

Some of the Company's Israeli employees are under section 14 of the Severance Compensation Act, 1963 ("Section 14"). Pursuant to Section 14, employees included under this section, are entitled only to monthly deposits, at a rate of 8.33% of their monthly salary, made in the employee's name with insurance companies. Payments in accordance with Section 14 release the Company from any future severance payments in respect of those employees. The fund is made available to the employee at the time the employer-employee relationship is terminated, regardless of cause of termination.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The severance pay liabilities and deposits under section 14 are not reflected in the balance sheet as the severance pay risks have been irrevocably transferred to the severance funds.

n. Fair value of financial instruments:

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

The carrying amount reported in the balance sheet for cash and cash equivalents, restricted cash, trade receivables, other accounts receivable and prepaid expenses, trade payables, employees and payroll accruals and other accounts payable and accrued expenses approximate their fair value due to the short-term maturities of such instruments.

The Company applied ASC 820 "Fair Value Measurements and Disclosures" which clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability.

As a basis for considering such assumptions, ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Include other inputs, other than quoted prices within Level 1, that are directly or indirectly observable in the marketplace.

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

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

o. Investment in affiliate:

Investment in a company in which the Company is able to exercise significant influence, but that is not a consolidated subsidiary is accounted for using the equity method in accordance with ASC 323, "Investments - Equity Method and Joint Ventures".

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company accounts for its investment in an affiliate in which the Company holds less than 20%, using the cost method in accordance with ASC 325-20 "Cost Method Investment" since the Company does not have the ability to exercise significant influence over operating and financial policies of this investee.

The Company's investment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable.

NOTE 3:- TRANSACTIONS WITH RELATED PARTIES AND AFFILIATES

Certain of the Company's revenues are generated from its Affiliates.

The following balances with affiliates are included in the consolidated financial statements:

	March 31,	
	2015	2014
Affiliates Trade receivable	$ 1,049	$ 1,931
Affiliates Trade payable	$ (244)	$ (51)

The following transactions with Affiliates are included in the consolidated financial statements:

	Year ended March 31,	
	2015	2014
Revenues	$ 2,581	$ 1,686
Financial Income	$ 139	$ 61

U.S. dollars in thousands

NOTE 4:- OTHER ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	March 31,	
	2015	2014
Prepaid expenses	$ 613	$ 171
Government authorities	442	2,449
Deferred taxes	70	
Short term loan	37	
Other	535	2,030
	$ 1697	$ 4,724

NOTE 5:- INVESTMENT IN AFFILIATES

a. In March 2009, the Company and its Parent signed an agreement to purchase 100% of the shares of five companies (out of which 10% will be purchased by the Company).
On March 31, 2009, the Company and its Parent signed an agreement, according to which $700 of the loan amounts will reflect the Company's full payment obligation under the purchase agreements, and the parent shall assume the sole responsibility to pay all amounts when due, to the sellers, under the purchase agreements, including the Company's portion.

The Company accounts for these investments in affiliates under the cost method.

b. On July 20, 2012, Ybrant UK issued shares to an Affiliate of the Company. As a result, the Company's holding in Ybrant UK was diluted to 5% of Ybrant UK shares. Since July 20, 2012, the Company accounts for this investment ($ 38.75) under the cost method.

U.S. dollars in thousands

NOTE 6:- PROPERTY AND EQUIPMENT

	March 31, 2015	March 31, 2014
Cost:		
Computers and peripheral equipment	$ 1,356	$ 1,299
Office furniture and equipment	157	157
Leasehold improvements	425	425
	1,938	1,881
Accumulated depreciation:		
Computers and peripheral equipment	1,206	1,117
Office furniture and equipment	73	62
Leasehold improvements	307	270
	1,586	1,449
Depreciated cost	$ 352	$ 432

Depreciation expenses for the years ended March 31, 2015 and 2014 were $ 137 and $ 214, respectively.

NOTE 7:- SOFTWARE DEVELOPMENT COSTS

	March 31, 2015	March 31, 2014
Original amounts:		
Capitalized software costs	$ 15,471	$ 5,253
Accumulated amortization:		
Capitalized software costs	5,348	1,897
Software development costs	$3,069	$ 3,356

a. Amortization expenses amounted to $3,451 and $ 1,178for the years ended March 31, 2015 and 2014, respectively.

b. The estimated future amortization expense of other intangible assets as of March 31, 2015 is as follows:

The year ended March 31, 2016	4,770
The year ended March 31, 2017	3,069
The year ended March 31, 2018	-
	7,839

U.S. dollars in thousands

NOTE 8:- OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	March 31,	
	2015	2014
Government authorities	$ 55	$ 118
Accrued Expenses	1,171	1,176
Advance from Customers	175	396
Tax provision Net	3,805	2,632
	$ 5,206	$ 4,322

NOTE 9:- TAXES ON INCOME

a. Israeli taxation:

1. Tax rates applicable to the income of the Israeli Company:

Taxable income of Israeli companies is subject to tax rate of 25% in 2013 and 24 % in 2012. On July 30,2013 the Israeli parliament approved the second and third readings of the economic plan for 2013-14 which consists among others of fiscal changes whose main aim is to enhance the collection of taxes in those years. These changes include among others , raising the Israeli corporate tax rate from 25% to 26.5% effective from January 1,2014.

b. Non Israeli subsidiaries:

Non-Israeli subsidiaries are taxed according to the tax laws in their respective domiciles of residence. If earnings are distributed to Israel in the form of dividends or otherwise, the foreign tax credits) and foreign withholding taxes. The Company's management has determined that it will not distribute any amounts of its undistributed income as a dividend. The Company intends to reinvest the amount of such income. Accordingly, no deferred income taxes have been provided on this account.

U.S. dollars in thousands

NOTE 10:- SHAREHOLDERS' EQUITY

Composition of share capital:

	Authorized		Issued and outstanding	
	March 31,		March 31,	
	2015	2014	2015	2014
	Number of shares			
Shares of NIS 0.01 par value:				
Ordinary shares (1)	20,580,000	20,580,000	14,294,123	14,294,123
	20,580,000	20,580,000	14,294,123	14,294,123

(1) The Ordinary shares confer upon the holders the right to receive notice to participate and vote in general meetings of the Company, and the right to receive dividends, if declared.