DORI MEDIA GROUP LTD. AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF 30 JUNE 2008

U.S. DOLLARS IN THOUSANDS

UNAUDITED

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The Board of Directors
Dori Media Group Ltd.

Review of interim condensed consolidated financial statements
for the six months ended 30 June 2008

Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of Dori Media Group Ltd. ("the Company") and its subsidiaries ("the Group") as of 30 June 2008, comprising of the interim consolidated balance sheet as of 30 June, 2008 and the related interim condensed consolidated statements of income, changes in equity and cash flows for the six months then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Tel-Aviv, Israel
20 August, 2008

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

CONSOLIDATED BALANCE SHEETS

	As of 30 June		As of 31 December
	2008	2007	2007
	US$ '000	US$ '000	US$ '000
	Unaudited		Audited
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	1,918	1,651	2,307
Trade receivables	22,134	8,947	15,494
Other accounts receivable	3,452	1,397	3,409
Broadcasting rights	4,225	1,204	1,729
Inventory of TV series rights for sale	-	96	-
	31,729	13,295	22,939
NON-CURRENT ASSETS:			
Investments in rights of TV series	25,099	16,020	20,255
Intangible assets, net	10,844	4,556	8,977
Property and equipment, net	6,306	2,019	5,762
Long-term loan to others	1,046	-	1,020
Deferred tax assets	1,597	1,526	1,467
	44,892	24,121	37,481
Total assets	76,621	37,416	60,420

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

CONSOLIDATED BALANCE SHEETS

	As of 30 June		As of 31 December
	2008	2007	2007
	US$ '000	US$ '000	US$ '000
	Unaudited		Audited
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks and current maturities of long-term loans	12,642	4,237	4,631
Trade payables	9,940	3,400	5,612
Current tax liability	879	401	1,023
Other current liabilities	5,873	1,885	6,420
	29,334	9,923	17,686
LONG-TERM LIABILITIES:			
Bank loans	244	155	301
Other long-term liabilities	2,673	3,394	3,366
Deferred tax liabilities	1,555	-	1,061
	4,472	3,549	4,728
EQUITY:			
Equity attributable to equity holders of the parent:			
Issued capital	539	471	535
Share premium	22,377	13,635	21,927
Foreign currency translation reserve	1,227	(132)	360
Asset revaluation surplus	695	240	695
Retained earnings	17,724	9,678	14,409
	42,562	23,892	37,926
Minority interest	253	52	80
Total equity	42,815	23,944	38,006
Total liabilities and equity	76,621	37,416	60,420

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

20 August, 2008			
Date of approval of the financial statements	Tamar Mozes-Borovitz Chairman of the Board of Directors	Nadav Palti Director and Chief Executive Officer	Moshe Pinto Chief Financial Officer

CONSOLIDATED STATEMENTS OF INCOME

	Six months ended 30 June		Year ended 31 December
	2008	2007	2007
	US$ '000 *)	US$ '000 *)	US$ '000 *)
	Unaudited		Audited
Revenues	27,773	12,700	30,023
Cost of revenues	14,634	3,497	7,907
Gross profit	13,139	9,203	22,116
Selling and marketing expenses	2,708	3,388	6,154
General and administrative expenses	5,791	3,334	7,616
Total operating expenses	8,499	6,722	13,770
Operating profit	4,640	2,481	8,346
Financial expenses, net	326	152	223
Other income, net	-	(32)	(29)
Profit before tax	4,314	2,361	8,152
Taxes on income	847	497	1,529
Profit for the period	3,467	1,864	6,623
Attributable to:			
Equity holders of the parent	3,315	1,842	6,573
Minority interest	152	22	50
	3,467	1,864	6,623
Basic earnings per share	0.14	0.09	0.32
Diluted earnings per share	0.14	0.09	0.31

*) Except per share amounts.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the parent									
	Issued capital	Share premium	Foreign currency translation reserve	Asset revaluation surplus	Retained earnings	Total	Minority interest	Total equity	Total recognized income and expenses	
									Parent	Minority
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Six months ended 30 June 2008 (Unaudited)										
Balance at beginning of period	535	21,927	360	695	14,409	37,926	80	38,006	-	-
Exercise of options	4	121	-	-	-	125	-	125	-	-
Cost of share-based payments	-	329	-	-	-	329	-	329	-	-
Currency translation differences	-	-	867	-	-	867	21	888	867	21
Profit for the period	-	-	-	-	3,315	3,315	152	3,467	3,315	152
									4,182	173
Balance at end of period	539	22,377	1,227	695	17,724	42,562	253	42,815		
Six months ended 30 June 2007 (Unaudited)										
Balance at beginning of period	448	11,329	(138)	240	7,836	19,715	30	19,745	-	-
Issuance of shares	23	2,153	-	-	-	2,176	-	2,176	-	-
Exercise of options	*) -	26	-	-	-	26	-	26	-	-
Cost of share-based payments	-	127	-	-	-	127	-	127	-	-
Currency translation differences	-	-	6	-	-	6	-	6	6	-
Profit for the period	-	-	-	-	1,842	1,842	22	1,864	1,842	22
									1,848	22
Balance at end of period	471	13,635	(132)	240	9,678	23,892	52	23,944		
Year ended 31 December 2007 (Audited)										
Balance as of 31 December 2006	448	11,329	(138)	240	7,836	19,715	30	19,745	-	-
Issuance of shares	85	10,166	-	-	-	10,251	-	10,251	-	-
Exercise of options	2	82	-	-	-	84	-	84	-	-
Asset revaluation surplus, net due to step acquisition (see Note 3)	-	-	-	455	-	455	-	455	455	-
Cost of share-based payments	-	350	-	-	-	350	-	350	-	
Currency translation differences	-	-	498	-	-	498	-	498	498	-
Profit for the year	-	-	-	-	6,573	6,573	50	6,623	6,573	50
Balance as of 31 December 2007	535	21,927	360	695	14,409	37,926	80	38,006	7,526	50

*) Represents an amount lower than US$ 1 thousand.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended 30 June		Year ended 31 December
	2008	2007	2007
	US$ '000	US$ '000	US$ '000
	Unaudited		Audited
Cash flows from operating activities:			
Profit for the period	3,467	1,864	6,623
Adjustments to reconcile profit to net cash provided by (used in) operating activities (a)	(1,259)	390	(2,477)
Net cash provided by operating activities	2,208	2,254	4,146
Cash flows from investing activities:			
Additions to intangible assets	(1,028)	(405)	(673)
Acquisition of newly consolidated subsidiaries, jointly controlled entity and business (b)	-	(120)	(801)
Investments in rights of TV series	(7,540)	(1,775)	(7,196)
Proceeds from sale of property, equipment and investment properties	-	32	108
Purchase of property and equipment	(438)	(484)	(1,302)
Loans to jointly control entity and others	-	-	(1,020)
Net cash used in investing activities	(9,006)	(2,752)	(10,884)
Cash flows from financing activities:			
Receipt of loans	-	204	-
Proceeds from issuance of shares and exercise of options, net of issuance costs	125	2,202	10,335
Repayment of loans from banks and others	(306)	-	(331)
Receipt of long-term production financing	-	789	932
Repayment of long-term production financing	(583)	(711)	(1,384)
Short-term bank credit, net	7,025	(956)	(1,204)
Net cash provided by financing activities	6,261	1,528	8,348
Effect of exchange rate changes on cash and cash equivalents	148	-	76
Increase (decrease) in cash and cash equivalents	(389)	1,030	1,686
Cash and cash equivalents at beginning of period	2,307	621	621
Cash and cash equivalents at end of period	1,918	1,651	2,307

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended 30 June		Year ended 31 December
	2008	2007	2007
	US$ '000	US$ '000	US$ '000
	Unaudited		Audited
(a) Adjustments to reconcile profit to net cash provided by (used in) operating activities:			
Income and expenses not involving cash flows:			
Cost of share-based payments	329	127	350
Depreciation and amortization	3,436	1,903	4,576
Deferred income taxes	408	2	356
Gain on disposal of property and equipment	-	47	(31)
Other	(167)	-	123
Changes in operating assets and liabilities:			
Decrease (increase) in trade receivables	(5,839)	243	(5,294)
Decrease (increase) in other accounts receivable	81	(282)	(1,786)
Increase in broadcasting rights	(3,039)	(796)	(2,130)
Decrease (increase) in inventory of TV series rights for sale	-	(43)	54
Increase (decrease) in trade payables	4,621	(591)	1,249
Increase (decrease) in other current liabilities	(1,089)	(220)	56
	(1,259)	390	(2,477)
(b) Supplemental disclosure of cash flows:			
Cash net during the year for:			
Interest	249	139	304
Income taxes	693	257	581

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended 30 June		Year ended 31 December
	2008	2007	2007
	US$ '000	US$ '000	US$ '000
	Unaudited		Audited
(c) Acquisition of newly consolidated subsidiaries, jointly controlled entity and business:			
The fair values of the assets and liabilities at the date of acquisition were as follows:			
Working capital (excluding cash)	-	52	2,819
Investments in rights of TV series	-	(82)	(3,011)
Property and equipment	-	(6)	(335)
Goodwill arising on acquisition	-	(325)	(2,682)
Other intangible assets	-	(125)	(845)
Deferred tax liabilities	-	-	638
Long-term liabilities	-	-	1,265
Total consideration *)	-	(486)	(2,151)
Less - acquisition on short-term credit	-	366	1,350
Net cash out flow	-	(120)	(801)

*) 2007 - Net of cash acquired of us $ 64 thousand

(d) Significant non-cash transactions:			
Acquisition of rights in TV series on credit	30	1,113	940
Acquisition of assets on short-term credit	-	366	-
Liability for acquisition of minority interest in subsidiary	-	-	397
Liability for dividend distribution	-	-	723

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

NOTE 1:- GENERAL

a. The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2008 were authorized for issue in accordance with a resolution of the directors on 20 August 2007.

b. The Company and its subsidiaries are engaged in the rights purchase, production and sale of TV series ("Telenovelas"), commercializing their rights and broadcastings channels ("TV channels").

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial statements for the six months ended 30 June 2008, have been prepared in accordance with IAS 34, “Interim Financial Reporting”. These financial statements should be read in conjunction with the Company's audited annual financial statements and accompanying notes as of 31 December 2007 ("the annual financial statements"). The significant accounting policies and methods of computations applied in the preparation of the interim financial statements are the same as those applied in the annual financial statements as of 31 December 2007.

NOTE 3:- SHARE OPTIONS

On 24 February 2008, the Company granted share options for the purchase of 447,375 Ordinary shares to directors, officers, employees and others under the Company's 2004 Share Option Plan.

The weighted average fair value of options granted by the Company in February 2008 was US$ 1.91 per share and was estimated based on a pricing model ("Binomial Model") and on the following data and assumptions: share price - £ 1.755 (US$3.45); exercise price - £ 1.755 (US$ 3.45); expected volatility – 43.48%; risk-free interest rate 4.7%; expected dividends - 0%, and expected average life of options - 3 years.

NOTE 4:- BUSINESS SEGMENTS

a. General:

The Group companies operate in two principal business segments: production, sale and distribution of TV series and broadcasting of TV channels. In prior years, the Company reported information on a third segment, which is no longer reported separately, since most of its revenues are derived from inter-segment sales.

b. The following data is presented in accordance with IAS 14:

	Six months ended 30 June 2008 (Unaudited)				
	Rights of TV series	Broadcasting of TV channels	Others	Adjustments	Total consolidated
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Revenues:					
Sales to external customers	13,307	13,951	515	-	27,773
Intersegment sales	60	-	2,081	(2,141)	-
Total revenues	13,367	13,951	2,597	(2,141)	27,773
Segment results	4,178	1,106	498	(239)	5,543
Unallocated expenses					(903)
Operating profit					4,640

	Six months ended 30 June 2007 (Unaudited)				
	Rights of TV series	Broadcasting of TV channels	Others	Adjustments	Total consolidated
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Revenues:					
Sales to external customers	10,273	2,156	271	-	12,700
Intersegment sales	136	-	967	(1,103)	-
Total revenues	10,409	2,156	1,238	(1,103)	12,700
Segment results	3,371	52	191	(127)	3,487
Unallocated expenses					(1,006)
Operating profit					2,481

NOTE 5:- BUSINESS SEGMENTS (Cont.)

	Year ended 31 December 2007				
	Rights of TV series	***Broadcasting of TV channels***	***Other***	***Adjustments***	***Total consolidated***
	US$ '000	***US$ '000***	***US$ '000***	***US$ '000***	***US$ '000***
Revenues:					
Sales to external customers	24,687	4,800	536	-	30,023
Inter-segment sales	27	-	2,322	(2,349)	-
Total revenues	24,714	4,800	2,858	(2,349)	30,023
Segment results	9,344	782	481	(1,123)	9,484
Unallocated expenses					(1,138)
Operating profit					8,346

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