THE TEL-AVIV STOCK EXCHANGE LTD.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2018

(UNAUDITED)

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Contents

Deloitte.

AUDITORS' REVIEW REPORT TO THE SHAREHOLDERS OF
THE TEL-AVIV STOCK EXCHANGE LTD.

Introduction

We have reviewed the accompanying financial information of **The Tel-Aviv Stock Exchange Ltd**., the company and its subsidiaries ("the Group"), which includes the condensed consolidated statements of financial position as of June 30, 2018 and 2017, and the condensed consolidated statements of profit or loss and other comprehensive income, the condensed consolidated statements of changes in equity and the condensed consolidated statements of cash flows for the six- and three-month periods ending on those dates.

The Board of Directors and Management are responsible for the preparation and presentation of financial information for these interim periods in accordance with International Accounting Standard 34 "Interim Financial Reporting," and they are also responsible for the preparation of financial information for these interim periods pursuant to Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion regarding financial information for these interim periods based on our review.

Scope of the Review

We conducted our review in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel, "Review of Financial Information for Interim Periods Prepared by the Entity's Auditor." A review of financial information for interim periods consists of making inquiries, mainly with the persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is considerably more limited in scope than an audit conducted in accordance with generally accepted auditing standards in Israel, and therefore does not enable us to obtain assurance that we will be aware of all significant matters which might have been identified in an audit. Consequently, we are not expressing an opinion of an audit.

Conclusion

Based on our review, we are not aware of any fact that would cause us to think that the above financial information has not been prepared, in all material aspects, in accordance with International Accounting Standard IAS 34.

In addition to the aforesaid in the previous paragraph, based on our review, we are not aware of anything that could cause us to think that the above financial information does not comply, in all material respects, with the disclosure provisions under Chapter D of the Securities Regulations (Periodic and Immediate Reports),1970.

Brightman Almagor Zohar & Co.
Certified Public Accountants
Member of Deloitte Touche Tohmatsu Limited

Tel Aviv, Israel, September 13, 2018

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THE TEL-AVIV STOCK EXCHANGE LTD.
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30,		December 31,
	2018	2017	2017
	NIS, in thousands		
	(Unaudited)		(Audited)
Assets:			
Current assets			
Cash and cash equivalents	42,452	36,146	28,095
Available-for-sale financial assets	-	-	155,672
Financial assets at fair value through profit or loss – held for trading	184,621	17,084	31,825
Trade receivables	13,732	11,539	14,222
Other receivables	11,714	10,692	3,495
Current tax assets	1,850	5,279	6,506
	254,369	80,740	239,815
Assets derived from clearing operations in respect to open derivative positions	1,714,632	1,335,398	1,739,570
Total current assets	1,969,001	1,416,138	1,979,385
Non-current assets			
Cash restricted as to use	538	538	538
Available-for-sale financial assets	-	151,914	-
Property and equipment, net (See note 4 A)	336,791	250,813	249,761
Intangible assets, net	97,195	85,805	88,635
Deferred tax assets	1,167	16,775	15,472
Total non-current assets	435,691	505,845	354,406
Total assets	2,404,692	1,921,983	2,333,791

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

THE TEL-AVIV STOCK EXCHANGE LTD.
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30,		December 31,
	2018	2017	2017
	NIS, in thousands		
	(Unaudited)		(Audited)
Liabilities and Equity:			
Current liabilities			
Trade payables	16,853	11,246	19,728
Current liabilities for employee benefits	24,905	24,147	21,684
Other payables	13,277	11,912	3,365
	55,035	47,305	44,777
Liabilities derived from clearing operations in respect to open derivative positions	1,714,632	1,335,398	1,739,570
Total current liabilities	1,769,667	1,382,703	1,784,347
Non-current liabilities:			
Non-current liabilities for employee benefits	21,537	21,829	24,691
Deferred tax liabilities	7,191	-	-
Other liabilities	538	538	538
Total non-current liabilities	29,266	22,367	25,229
Equity			
Remeasurement reserve of net liabilities in respect to defined benefits	(6,014)	(7,642)	(9,094)
Capital reserve in respect to share-based payment transactions	27,380	-	27,380
Other capital reserves	3,200	3,844	5,299
Retained earnings	581,193	520,711	500,630
Total equity	605,759	516,913	524,215
Total liabilities and equity	2,404,692	1,921,983	2,333,791

September 13, 2018			
Date of Financial Statements Approval	**Amnon Neubach Chairman of the Board of Directors**	**Ittai Ben-Zeev Chief Executive Officer and Director**	**Yehuda van der Walde EVP, Chief Financial and Administrative Officer**

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

THE TEL-AVIV STOCK EXCHANGE LTD.
CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six Months Ended June 30,		Three Months Ended June 30,		Year Ended December 31,
	2018	2017	2018	2017	2017
	NIS, in thousands				
	(Unaudited)		(Unaudited)		(Audited)
Revenue from services:					
Trading and clearing commissions	60,558	59,304	27,836	27,176	115,568
Securities registration for trading fees, and annual levies	23,256	19,601	11,285	10,183	39,737
Clearing House services	23,860	22,682	12,202	11,252	44,542
Distribution of trading and other data	17,830	18,653	8,864	8,955	36,640
Other	2,923	2,853	1,410	1,166	5,937
Total revenue from services	128,427	123,093	61,597	58,732	242,424
Cost of revenue:					
Expenses in respect to employee benefits	63,849	68,963	31,324	32,092	128,698
Expenses in respect to share-based payments	-	-	-	-	27,380
Computer and communications expenses	12,601	12,181	6,334	6,023	25,598
Property taxes and building maintenance expenses	6,071	6,420	3,198	2,988	12,559
General and administrative expenses	4,068	3,915	2,132	1,803	7,817
Marketing expenses	3,317	2,568	2,117	1,145	5,547
Fee to the Israel Securities Authority	5,253	5,238	2,626	2,619	10,476
Operating expenses for nominee company	448	2,804	-	1,403	5,655
Depreciation and amortization expenses	15,173	14,598	7,719	7,284	29,597
Reversal of impairment provision (See note 4 A)	(85,107)	-	(85,107)	-	-
Other expenses	320	34	320	-	290
Total costs	25,993	116,721	(29,337)	55,357	253,617
Profit (loss) before financing income, net	102,434	6,372	90,934	3,375	(11,193)
Financing income	(424)	1,238	(310)	1,069	1,900
Financing expenses	114	266	52	105	331
Total financing income (expense), net	(538)	972	(362)	964	1,569
Profit (loss) before taxes on income	101,896	7,344	90,572	4,339	(9,624)
Taxes on income	23,432	1,533	20,753	908	4,646
Profit (loss) for the period	78,464	5,811	69,819	3,431	(14,270)
Other comprehensive income (loss):					
Amounts that will not be reclassified in the future to profit or loss, net of tax:					
Remeasurement of net liabilities in respect to defined benefits, net of tax	3,080	-	3,080	-	(1,452)
Amounts that will be reclassified in the future to profit or loss, net of tax:					
Net fair value gain on available-for-sale financial assets, net of tax	-	658	-	297	2,113
Comprehensive income (loss) for the period	81,544	6,469	72,899	3,728	(13,609)
Basic and diluted profit (loss) per share (NIS)	0.785	0.062	0.698	0.037	(0.149)

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

THE TEL-AVIV STOCK EXCHANGE LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Six Months Ended June 30, 2018 (Unaudited)					
	Capital Reserve in Respect to Share-Based Payment Transactions	Remeasurement Reserve of Net Liabilities in Respect to Defined Benefits	Revaluation Reserve for Available-for-Sale Financial Assets	Other Capital Reserves	Retained Earnings	Total
	NIS, in thousands					
Balance as of January 1, 2018	27,380	(9,094)	2,099	3,200	500,630	524,215
Impact of changes in accounting policy as a result of the application of IFRS 9 (*)	-	-	(2,099)	-	2,099	-
Profit for the period	-	-	-	-	78,464	78,464
Other comprehensive income for the year	-	3,080	-	-	-	3,080
Total comprehensive income for the period	-	3,080	-	-	78,464	81,544
Balance as of June 30, 2018	27,380	(6,014)	-	3,200	581,193	605,759

(*) See note 2 D (1).

	Six Months Ended June 30, 2017 (Unaudited)					
	Capital Reserve in Respect to Share-Based Payment Transactions	Remeasurement Reserve of Net Liabilities in Respect to Defined Benefits	Revaluation Reserve for Available-for-Sale Financial Assets	Other Capital Reserves	Retained Earnings	Total
	NIS, in thousands					
Balance as of January 1, 2017	-	(7,642)	(14)	3,200	514,900	510,444
Profit for the period	-	-	-	-	5,811	5,811
Other comprehensive income for the period	-	-	658	-	-	658
Total comprehensive income for the period	-	-	658	-	5,811	6,469
Balance as of June 30, 2017	-	(7,642)	644	3,200	520,711	516,913

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

THE TEL-AVIV STOCK EXCHANGE LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Three Months Ended June 30, 2018 (Unaudited)					
	Capital Reserve in Respect to Share-Based Payment Transactions	Remeasure-ment Reserve of Net Liabilities in Respect to Defined Benefits	Revaluation Reserve for Available-for-Sale Financial Assets	Other Capital Reserves	Retained Earnings	Total
	NIS, in thousands					
Balance as of April 1, 2018	27,380	(9,094)	-	3,200	511,374	532,860
Profit for the period	-	-	-	-	68,819	68,819
Other comprehensive income for the period	-	3,080	-	-	-	3,080
Total comprehensive income for the period	-	3,080	-	-	68,819	72,899
Balance as of June 30, 2018	27,380	(6,014)	-	3,200	581,193	605,759

	Three Months Ended June 30, 2017 (Unaudited)					
	Capital Reserve in Respect to Share-Based Payment Transactions	Remeasure-ment Reserve of Net Liabilities in Respect to Defined Benefits	Revaluation Reserve for Available-for-Sale Financial Assets	Other Capital Reserves	Retained Earnings	Total
	NIS, in thousands					
Balance as of April 1, 2017	-	(7,642)	347	3,200	517,280	513,185
Profit for the period	-	-	-	-	3,431	3,431
Other comprehensive income for the period	-	-	297	-	-	297
Total comprehensive income for the period	-	-	297	-	3,431	3,728
Balance as of June 30, 2017	-	(7,642)	644	3,200	520,711	516,913

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

THE TEL-AVIV STOCK EXCHANGE LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Year Ended December 31, 2017 (Audited)					
	Capital Reserve in Respect to Share-Based Payment Transactions	Remeasure-ment Reserve of Net Liabilities in Respect to Defined Benefits	Revaluation Reserve for Available-for-Sale Financial Assets	Other Capital Reserves	Retained Earnings	Total
	NIS, in thousands					
Balance as of January 1, 2017	-	(7,642)	(14)	3,200	514,900	510,444
Issuance of shares (*)	-	-	-	-	-	-
Loss for the year	-	-	-	-	(14,270)	(14,270)
Other comprehensive income for the year	-	(1,452)	2,113	-	-	661
Total comprehensive income (loss) for the year	-	(1,452)	2,113	-	(14,270)	(13,609)
Share-based payment	27,380	-	-	-	-	27,380
Balance as of December 31, 2017	27,380	(9,094)	2,099	3,200	500,630	524,215

(*) For additional details regarding the issuance of shares having no par value, see note 17 of the annual financial statements.

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

THE TEL-AVIV STOCK EXCHANGE LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30,		Three Months Ended June 30,		Year Ended December 31,
	2018	2017	2018	2017	2017
	NIS, in thousands				
	(Unaudited)		(Unaudited)		(Audited)
CASH FLOWS FROM OPERATING ACTIVITIES:					
Profit (loss) for the year	78,464	5,811	69,819	3,431	(14,270)
Expenses in respect to share-based payments	-	-	-	-	27,380
Tax expenses recognized in profit or loss	23,432	1,533	20,753	908	4,646
Net financing expenses (income) recognized in profit or loss	538	(972)	362	(964)	(1,569)
Depreciation and amortization	15,173	14,598	7,719	7,284	29,597
Reversal of impairment provision	(85,107)	-	(85,107)	-	-
Capital loss (gain) from disposal of property and equipment and intangible assets	(2)	15	6	-	270
	32,498	20,985	13,552	10,659	46,054
Changes in asset and liability items:					
Decrease (increase) in trade receivables and other receivables	(7,729)	(5,374)	1,706	8,045	(859)
Decrease (increase) in receivables in respect to open derivative positions	24,938	(104,491)	(97,944)	84,201	(508,663)
Increase (decrease) in trade payables and other payables	10,299	8,441	(2,596)	(245)	2,397
Increase (decrease) in payables in respect to open derivative positions	(24,938)	104,491	97,944	(84,201)	508,663
Increase (decrease) in liabilities for employee benefits	4,067	(10,511)	1,519	(7,159)	(11,999)
	39,135	13,541	14,181	11,300	35,593
Interest received	3,133	4,463	159	1,308	6,206
Interest paid	(152)	(262)	(103)	(103)	(345)
Tax receipts (payments) – operating activities	1,772	3,006	(612)	4,712	20
	4,753	7,207	(556)	5,917	5,881
Net cash provided by operating activities	43,888	20,748	13,625	17,217	41,474

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

THE TEL-AVIV STOCK EXCHANGE LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30,		Three Months Ended June 30,		Year Ended December 31,
	2018	2017	2018	2017	2017
	NIS, in thousands				
	(Unaudited)		(Unaudited)		(Audited)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Acquisition of available-for-sale financial assets	-	-	-	-	(33,140)
Proceeds from realization of available-for-sale financial assets	-	2,512	-	2,512	32,494
Acquisitions of property and equipment	(14,069)	(3,590)	(8,344)	(1,228)	(4,288)
Proceeds from realization of property and equipment	41	-	-	-	2
Acquisitions of intangible assets	(3,788)	(1,706)	(852)	(461)	(4,336)
Costs capitalized to property and equipment and intangible assets	(11,100)	(3,817)	(5,294)	(2,116)	(11,544)
Acquisition of financial assets at fair value through profit or loss, net	(799)	(82)	(3,510)	-	(14,561)
Net cash used for investing activities	(29,715)	(6,683)	(18,000)	(1,293)	(35,373)
Net increase (decrease) in cash and cash equivalents	14,173	14,065	(4,375)	15,924	6,101
Cash and cash equivalents, beginning of the year	28,095	22,133	46,700	20,178	22,133
Effect of changes in exchange rates on cash balances held in foreign currency	184	(52)	127	44	(139)
Cash and cash equivalents, end of the period	42,452	36,146	42,452	36,146	28,095

APPENDIX A – NON-CASH ACTIVITIES:

Acquisition of property and equipment and intangible assets, under short-term credit	3,297	581	3,297	581	6,560

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

NOTE 1 - GENERAL:

A. The Tel-Aviv Stock Exchange Ltd. ("the Company" or "TASE"), including via its subsidiaries, is engaged in the trading and settlement of securities, including shares, corporate bonds, government bonds, index-tracking products, derivatives, as well as the provision of services as a Central Securities Depository for securities traded on TASE, in the listing of securities for trading, the calculation of securities indices and the distribution of trading and other data for the capital market community. In addition, the Group operates a nominee company as the term is defined in the Securities Law (and the securities traded on TASE are registered in its name).

These condensed consolidated financial statements should be read in the context of the Company's financial statements as of December 31, 2017 and for the year then ended, and the accompanying notes ("the Annual Financial Statements").

B. The text in these financial statements is an English translation of the original Hebrew financial statements.

In the event of any discrepancy between the original Hebrew and this translation, the Hebrew alone will prevail.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

A. Basis of Preparation of the Financial Statements:

The condensed consolidated financial statements of the Group ("the Interim Financial Statements") have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34").

In the preparation of these Interim Financial Statements, the Group has applied the same accounting policies, rules of presentation and calculation methods as those used in the preparation of its financial statements as of December 31, 2017 and for the year then ended.

The condensed consolidated financial statements have been prepared in accordance with the disclosure provisions under Chapter D of the Securities Regulations (Periodic and Immediate Reports),1970.

B. Definitions:

Company or TASE - The Tel-Aviv Stock Exchange Ltd.

The Group - The Company and its subsidiaries (as defined below).

Subsidiaries - Companies controlled (as defined by IFRS 10) by the Company, whose financial statements are fully consolidated with those of the Company.

Related parties - As defined by IAS 24 – "Related Parties."

Interested parties - As defined in the Securities Law, 1968 and regulations thereunder.

C. Taxes on Income in the Interim Financial Statements:

The expenses (income) for taxes on income for the periods presented include current tax and any changes in deferred tax balances, except for deferred taxes relating to items that are charged directly to equity.

The expenses (income) for current tax in the interim periods are accrued using the average annual effective income tax rate. To calculate the effective income tax rate, losses for tax purposes in respect of which deferred tax assets have not been recognized, which are expected to reduce the tax liability in the reporting year, are deducted.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

D. Amendments to Financial Reporting Standards and Published Interpretations:

(1) Amendments to Standards that Affect the Current Period and/or Prior Reporting Periods:

- **Initial Application of IFRS 9 – “Financial Instruments”:**

In July 2014, the IASB published the full and final version of IFRS 9 – “Financial Instruments,” which replaces IAS 39 – “Financial Instruments: Recognition and Measurement.” IFRS 9 (“the New Standard”) chiefly focuses on the classification and measurement of financial assets, and applies to all the financial assets covered by IAS 39.

The Standard requires that financial assets be recognized and measured as follows:

- Debt instruments will be classified and measured after initial recognition under one of the following alternatives: amortized cost, fair value through profit or loss, or fair value through other comprehensive income. The determination of the measurement model will be after considering the entity’s business model vis-à-vis managing financial assets and depending on the characteristics of the contractual cash flows generated by these financial assets.

- Debt instruments will be reclassified only if the entity changes its business model for managing financial assets.

Impairment:

The new impairment model, which is based on expected credit losses, will be implemented, inter alia, for debt instruments measured at amortized cost or at fair value through other comprehensive income.

The impairment provision will be in regard to expected losses in accordance with the likelihood of a default event in the 12 months after the reporting date, or according to the likelihood of a default event over the expected lifetime of the instrument. Impairment over the expected lifetime is required if the credit risk has increased significantly since initial recognition of the asset. Another approach is applied if the financial asset is for purchased or originated credit-impaired financial assets.

The Company decided to change its investment policy from January 1, 2018, whereby its business model will be to hold securities for trade. Until this date the Company’s policy was to collect the forecasted cash flows from the bonds. Accordingly, from January 1, 2018, the Company’s securities will be classified under the “fair value through profit or loss” category. The balance of the Revaluation Reserve for Available-for-Sale Financial Assets as of the date of initial application, a total of NIS 2.1 million, has been classified to the balance of Retained Earnings.

Beyond the aforesaid, the Standard’s initial application does not have a material effect on the Company’s financial statements.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

D. Amendments to Financial Reporting Standards and Published Interpretations (Cont.):

(1) Amendments to Standards that Affect the Current Period and/or Prior Reporting Periods (Cont.):

- **Initial Application of IFRS 15 “Revenue from Contracts with Customers”:**

The new standard provides a comprehensive and uniform mechanism that regulates the accounting treatment of revenue arising from contracts with customers. The standard supersedes IAS 18 “Revenue” and IAS 11 “Construction Contracts” and all related interpretations. The core principle of the standard is that the recognition of revenue reflects the transfer of goods or services to customers in an amount reflecting the economic benefits that the entity expects to receive in return. To this end, the standard stipulates that revenue will be recognized when the entity transfers to the customer the goods and/or services listed in the contract, and the customer obtains control of those goods or services.

The standard provides a five-step model for implementing this principle:

1. Identify the contract (or contracts) with the customer.
2. Identify the contract’s performance obligations.
3. Determine the transaction price.
4. Allocate the transaction price to performance obligations.
5. Recognize revenue when the entity complies with any performance obligations.

Implementation of the model depends on the specific facts and circumstances of the contract and at times requires extensive use of judgment.

The Company has a performance obligation and recognizes revenues over time when the service is provided over time or when the customer receives and uses the benefits supplied by the Group at the same time that the Company performs them. When these conditions are not met the revenue will be recognized at a point in time. Accordingly, revenues from annual fees and revenues from the provision of securities depository services are recognized over time, while revenues from trading and settlement commissions, revenues from listing fees and prospectus checking fees, and revenues from settlement services for companies and TASE members are recognized at a point in time.

In accordance with the inquiry conducted by the Company regarding the effects of the application of IFRS 15 on its financial statements, the Company has come to the conclusion that there is no material effect on the financial statements.

Nevertheless, it is noted that there is a possible effect of the application of IFRS 15 on the Company’s financial statements with respect to the recognition of revenues from listing fees. The Company examined whether the revenues from listing fees should be attributed solely to the listing action, with the revenue being recognized on that date, or whether the listing fees relate to the right to be traded on TASE, and hence this revenue should be spread over a particular period, as in this case the performance obligation has not been completed on the listing date but is being provided to the customer over time.

In September 2018, the International Financial Reporting Interpretations Committee (“IFRIC”) is expected to convene in order to determine the principles concerning the recognition of revenues from listing fees. In view of the lack of certainty concerning the recognition of revenues from listing fees, the Company is continuing to recognize these revenues on the date of listing, as it has done in the past.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

D. Amendments to Financial Reporting Standards and Published Interpretations (Cont.):

(1) Amendments to Standards that Affect the Current Period and/or Prior Reporting Periods:

- **Initial Application of IFRS 15 "Revenue from Contracts with Customers" (Cont.):**

  If the IFRIC decides that revenues from listing fees should be spread over time (including with respect to revenues received in prior years), the Company will estimate, with respect to the relevant revenues as will be stipulated in the decision, the expected impacts, the main ones being an increase in the deferred income item with a corresponding decrease in the retained earnings balance as of January 1, 2018.

  After the publication of the IFRIC's position, the Company will examine its effect on its financial statements, and, where necessary, it will amend its accounting policy and measurement in its financial statements to the principles of the IFRIC's position, in accordance with the transitional provisions that will be set forth in that position, should there be any.

(2) New Standards Issued but Not Yet Effective and Not Early Adopted by the Group, which are Expected to Have or Might Have an Impact on Future Periods:

- **IFRS 16 "Leases":**

  The new standard, which was published in January 2016, eliminates IAS 17 "Leases" and the interpretations associated therewith and establishes principles for the recognition, measurement, presentation and disclosure of leases in relation to both parties to the transaction, namely the customer ("lessee") and the supplier ("lessor").

  The new standard cancels the differentiation that currently exists, in relation to the lessee, between finance leases and operating leases and establishes a unified accounting model for all types of leases. Under the new model, in respect to every leased asset, the lessee is required to recognize, on the one hand, an asset in relation to the usage rights and, on the other hand, a financial liability in relation to the lease fees.

  The standard will become mandatory for annual reporting periods commencing on or after January 1, 2019. Early application is permitted, but only if IFRS 15 "Revenues from Contracts with Customers" has also been applied. Generally, the standard will be applied retroactively, but entities may elect certain exemptions as part of the transitional provisions of the standard in regard to "its application to prior periods." The Group anticipates that it will decide not to retroactively adjust the comparative figures. The comparative figures that relate to the years ending December 31, 2018 and 2017 will be presented in accordance with the provisions of IAS 17 and its accompanying interpretations.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

D. Amendments to Financial Reporting Standards and Published Interpretations (Cont.):

(2) New Standards Issued but Not Yet Effective and Not Early Adopted by the Group, which are Expected to Have or Might Have an Impact on Future Periods:

- **IFRS 16 – "Leases" (Cont.):**

The Group anticipates that with respect to transactions in which the Company is the lessee, it will decide to apply the standard for the first time while employing the following exceptions:

a. The Group anticipates that it will decide not to retroactively amend the comparative figures, and that it will recognize a liability in respect of the lease, for leases previously categorized as operating leases, in accordance with the present value of the lease payments that will be waived, discounted using the lessee's incremental interest rate on the date of initial application. At the same time, the Company will recognize assets in respect of the usage rights of the leased assets in an amount equal to the liability in respect of the lease, which is adjusted for any lease payments that were paid in advance or accumulated that relate to these leases. It is noted that with respect to usage rights that the Company leases, that are leased under a sub-lease that is classified as a finance lease to a third party, a usage right will not be presented in its financial statements, and the Company will treat these sub-leases in accordance with the provisions set forth in the standard. The comparative figures that relate to the years ended December 31, 2018 and 2017 will be presented in accordance with the provisions of IAS 17 and its accompanying interpretations.

b. In addition, the Group anticipates that it will not implement the provisions of the standard with respect to leases with a lease period terminating within 12 months of the date of initial application, and with respect to leases where the base asset has a low value.

c. Not to separate non-lease components from lease components, and instead to treat each lease component and the non-lease components that are related to it as a single lease component.

d. The standard enables the lessee to maintain the assessment of the existence of a lease in accordance with the provisions of IAS 17 "Leases" and Interpretation No.4 of the IFRIC – "Determining Whether an Arrangement Contains a Lease" (IFRIC 4), regarding the existing contracts as of the date of initial application of the standard.

The main impact of the standard is expected to be in connection with lease agreements of the telecommunication lines, the Company's back-up facility and the vehicles used by the Company's employees.

As of this date, the Company estimates that the impact of the initial application of the new standard, had it been applied for the first time on June 30, 2018, would have been an increase in the Company's total assets and liabilities by an annual sum of NIS 27-28 million. In addition, a decrease in lease expenses is expected alongside an increase mainly in depreciation expense by an annual sum of approximately NIS 7-8 million.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

D. Amendments to Financial Reporting Standards and Published Interpretations (Cont.):

(2) New Standards Issued but Not Yet Effective and Not Early Adopted by the Group, which are Expected to Have or Might Have an Impact on Future Periods:

- **IFRS 16 – "Leases" (Cont.):**

  The quantitative disclosure set forth above relates to the known impact on the Company as of this date and in accordance with the existing lease contracts in effect on June 30, 2018. It is further noted that the quantitative disclosure constitutes an estimate by the Company, and that this may differ from the data that will ultimately be included in the financial statements for the period of initial application. As time passes, ahead of the date of initial application on January 1, 2019, the Company will complete the process of formulating its accounting policy regarding the practical aspects of the standard, and will thereby improve its ability to more accurately estimate the quantitative effect of its application. Hence, should the need arise, the Company will amend the disclosure in its financial statements as of September 30, 2018 and December 31, 2018.

E. Earnings per Share:

The Company calculates the basic earnings per share in respect of the profit or loss attributable to the Company's shareholders by dividing the profit or loss attributable to the holders of the Company's ordinary shares by the weighted average number of ordinary shares in circulation during the reporting period. To calculate the diluted earnings per share the Company adjusts the profit or loss attributable to holders of the ordinary shares, and the weighted average of the shares in circulation, for the impact of all the potentially diluting shares.

NOTE 3 - SEASONALITY:

The Company's operations are not characterized by seasonality that significantly affects the scope of its activities. Nonetheless, the Company's revenues (chiefly from trading and settlement commissions) are affected, inter alia, by the Jewish holidays and other holidays during which there is a decrease in the scope of the day-to-day operations at TASE, as well as a decrease in the number of trading days occurring in these periods.

NOTE 4 - SIGNIFICANT EVENTS IN THE REPORTING PERIOD AND THEREAFTER:

A. Reversal of the Impairment Provision:

Further to note 3 B of the consolidated financial statements as of December 31, 2017, Group management is required to evaluate at the end of each reporting period whether there is any substantial sign indicating any change in the amount of the impairment loss of the asset recognized in previous periods. When an impairment loss that was recognized in prior periods is reversed, the book value of the asset is increased back to the revised recoverable amount estimate, but no higher than the book value of the asset (net of accumulated depreciation) that would have existed had no impairment loss been recognized in prior periods. Reversal of an impairment loss is recognized immediately in the statement of profit or loss.

NOTE 4 - SIGNIFICANT EVENTS IN THE REPORTING PERIOD AND THEREAFTER (CONT.):

A. Reversal of the Impairment Provision (Cont.):

Accordingly, Group management re-examined the primary indicators as of June 30, 2018, as relevant to the reasonableness of the recoverable amount of the property and equipment, that was recorded in 2013. Group management examined whether, as of the report date, there had been a change in the fair value of the property since December 31, 2013, and it was found that there had not been any material change (on December 31, 2013 the fair value of the property, finished and ready for occupancy, was estimated at NIS 260 million. Costs of disposal totaled NIS 4.9 million. For further information see note 3 B to the consolidated financial statements as of December 31, 2017.) Nonetheless, during the examination it was found that there had been material changes with a positive impact both during the period and after the balance sheet date, in the economic and legal environment in which the Group operates.

A recoverable amount is the higher of the asset's fair value less costs to sell, and its value in use. Since the structure does not generate independent cash flows, the Company estimates the recoverable amount of the smallest cash-generating unit to which the asset belongs, which is TASE as a whole. Therefore, the Company examined the value in use of TASE as a whole, which constitutes one operating segment that includes the depreciated structure.

For the purpose of determining a value in use, Group management used an estimate of the value in use produced by an independent, external assessor, with the required knowledge, experience and expertise. The calculation of the value in use was based on an estimate of the future expected cash flows according to the work plan for the next five years, which was approved by Company management. The real post-tax discount rate according to which the cash flows were discounted is 8% (8% in 2017). Cash flow forecasts for the period exceeding five years will be estimated using a real fixed growth rate of 3% (3% in 2017) which constitutes the average long-term growth rate. The value in use as of June 30, 2018 came to NIS 507 million, compared with the book value of the cash-generating unit in the Company's financial statements of NIS 348 million, before the reversal of the impairment provision.

Accordingly, the recoverable amount was determined according to the value in use, and in the reporting period TASE reversed the full property and equipment impairment provision of NIS 85.1 million before tax.

B. Adoption of Compensation Policy and Compensation Plans:

Further to note 23 B (1) of the consolidated financial statements as of December 31, 2017, on April 17, 2018 the compensation plan for the Chairman of the Board of Directors and the CEO of TASE was approved at the Company's general meeting. In addition, on April 17, 2018 and on September 6, 2018 the compensation policy for officers was approved at the Company's general meeting.

Further to note 23 B (2) of the consolidated financial statements as of December 31, 2017, on July 4, 2018, 4,179,797 options to purchase the Company's shares were allotted to the officers who report to the CEO in accordance with the compensation plan that was approved by the Company's Board of Directors on March 29, 2018.

NOTE 4 - SIGNIFICANT EVENTS IN THE REPORTING PERIOD AND THEREAFTER (CONT.):

B. Adoption of Compensation Policy and Compensation Plans (Cont.):

The following table shows the number of options that were allotted under this plan:

Description of the Plan	Grant Date	Number of Options Granted	Expiration Date	Vesting and Other Terms	Exercise Supplement (1)	Fair Value as of the Grant Date – NIS Thousands
Options granted to officers who report to the CEO	March 29, 2018	4,179,797	July 3, 2022	(2)	5.75	4,539

(1) The exercise price of the options will not be collected but will be used to determine the amount of the monetary benefit and the number of shares that will be allotted in practice.

(2) The options will gradually vest in three portions with the same value, after one year, two years and three years from the allotment date. If the employer-employee relations between the officers and the Company terminate, he will be entitled to exercise only the options whose vesting date has passed prior to the date of termination of employer-employee relations, plus a pro-rata share of the next annual installment, whose vesting date falls after the date of termination of employer-employee relations (should there be any).
The vesting and exercise of the options are contingent on the listing of the Company's shares on the Tel-Aviv Stock Exchange Ltd.

The options will be granted to the officers in accordance with the provisions of Section 102 of the Income Tax Ordinance, under the capital gains track. The expenses that will be recorded in respect of the plan are not allowable for tax purposes.

Estimate of the fair value of the options:

The fair value of the options that were granted as stated above was estimated using the binomial model. The following table shows the parameters that were used when applying the model:

Component	
Share price on the grant date (NIS) **(1)**	5.47
Exercise price (NIS)	5.75
Exercise coefficient	2.2
Expected volatility of the share price **(2)**	25.66%
Lifespan of the options (in years)	4.17
Risk-free interest rate	0.73%
Expected dividend rate **(3)**	0%

NOTE 4 - SIGNIFICANT EVENTS IN THE REPORTING PERIOD AND THEREAFTER (CONT.):

B. Adoption of Compensation Policy and Compensation Plans (Cont.):

(1) The value of the share is based on a valuation of the Company's equity capital as determined by an external assessor.

(2) The Company is a private company and no data exists regarding a historical standard deviation, hence the expected volatility was determined on the basis of historical volatility of traded stock exchanges with values of up to NIS 8 billion.

(3) Since the exercise price of the options is adjusted for the full dividend that the Company will distribute over the exercise period, the expected dividends were not included in the valuation and a dividend rate of 0% was assumed.

The Group recognizes share-based payment arrangements in the financial statements as an expense over the vesting period against an increase in equity, under "Capital reserve in respect to share-based payment transactions" item. The options will only vest on the listing of the Company's shares on the Tel-Aviv Stock Exchange Ltd. Therefore no expense in respect of share-based payments has been recognized in the interim consolidated financial statements as of June 30, 2018. The expense that was not recognized in the books in the six- and three-month periods ended June 30, 2018 totals NIS 593 thousand.

C. Sale Agreement with Manikay and Other Investors:

Further to note 23 A of the consolidated financial statements as of December 31, 2017, in December 2017 the Company contacted all of its shareholders, inviting them to submit an offer for the sale and transfer of their shares in the Company, on the basis of a valuation of the Company (100%) of NIS 500 million (i.e. NIS 5 per share), where the Company will be entitled to assign the offers submitted to any third party that it sees fit. In response to this request, the Company received offers from 21 shareholders ("the Selling Shareholders") in respect of 71,717,499 shares, constituting 71.72% of the Company's issued share capital.

Further to the aforesaid, on April 16, 2018, the Company entered into an agreement for the sale of the Company's shares (as would be amended on August 8, 2018, "the Sale Agreement with Manikay") with a foreign company registered in Delaware, USA, Manikay Partners LLC ("Manikay").

Under the Sale Agreement with Manikay it was agreed that on the date of completion of the transaction Manikay would purchase 19,999,999 shares from the Selling Shareholders at a rate of 19.99% of the Company's issued share capital ("the Purchased Shares"), for consideration of NIS 5.51 per share, and for a total of approximately NIS 110,200,000, and, of this sum, a total of NIS 10.2 million would be paid to the Company (reflecting the amount in excess of NIS 5 per share), and the balance of NIS 100 million would be distributed among the Selling Shareholders.

The balance of the shares of the Selling Shareholders, namely 51.72%, will be earmarked for investors that will be found by Manikay and approved by the Company ("the Additional Investors"), and some will be deposited in trust ("the Trust Shares") with a trustee whose identity will be determined by agreement between the parties ("the Trustee"), pursuant to a trust agreement that will be agreed between the parties (and with the approval of the Securities Authority) ("the Trust Agreement"), at the rates and under the terms set forth below. The Trust Agreement will include an arrangement that ensures that one director at the Company will be a candidate that is recommended by Manikay.

NOTE 4 - SIGNIFICANT EVENTS IN THE REPORTING PERIOD AND THEREAFTER (CONT.):

C. Sale Agreement with Manikay and Other Investors (Cont.):

It was also agreed that the Trust Agreement will reflect the following:

(a) Every Additional Investor will enter into an agreement with the Company to purchase the Company's shares, based on the principles of the Sale Agreement, mutatis mutandis;

(b) The price per share is NIS 5 and will be paid on the completion date;

(c) Every Additional Investor is entitled to receive shares in an amount not exceeding 4.99% of the Company's issued share capital. The balance of the Trust Shares will remain with the Trustee until the earlier of December 31, 2019 and the execution of a public offering of the Company's shares (at a net share price that is no less than NIS 5.51) ("Approved IPO"); when an Approved IPO is carried out, the Company will be entitled to decide that Trust Shares in an amount constituting approximately 31.72% of the Company's issued share capital will be sold under the Approved IPO, and in the event that the net share price (that is, net of underwriting and distribution commissions that will be paid by the Additional Investor) in the Approved IPO exceeds NIS 5.51 per share, the surplus amount will be distributed equally between the Additional Investor and the Company;

(d) Every Additional Investor will be entitled to sell, in the Approved IPO, all or some of the Company's shares that it has purchased;

(e) If an Approved IPO has not been carried out by December 31, 2019, the Trust Shares will be sold or distributed to any person, subject to each person not holding shares constituting more than 4.99% of the Company's issued share capital;

(f) The Trust Shares will not be sold or transferred until the earlier of December 31, 2019 and the completion of an Approved IPO.

Manikay has undertaken not to initiate or promote, and even to object to, any offer or decision: (a) to change the name of the Company or its subsidiaries, and (b) to sell or transfer the Company's significant operations or its core business, unless such a process is required by law or pursuant to a provision of a competent authority, or it has been approved and recommended by the Company's Board of Directors with the support of all the independent directors serving at the Company at that time. In addition, Manikay has undertaken not to enter into voting agreements with any person, other than in accordance with the provisions of the Sale Agreement or the Trust Agreement, to support and exercise its voting rights in such a way that will ensure that the majority of the members of the Company's Board of Directors will be Israeli citizens and residents, and to support a process for an offering to the public that will be completed by December 31, 2019 with a share price that will ensure that the sellers of the shares receive no less than NIS 5.51 (net) per share (together, "Manikay's Undertakings").

NOTE 4 - SIGNIFICANT EVENTS IN THE REPORTING PERIOD AND THEREAFTER (CONT.):

C. Sale Agreement with Manikay and Other Investors (Cont.):

In August 2018, at Manikay's suggestion and in accordance with the terms of the Sale Agreement with Manikay, the Company entered into four sale agreements with four Additional Investors: Sunsuper, Novo Nordisk, Dalton and Moelis, pursuant to which each of the Additional Investors purchased 12,929,375 shares in the Company (12.93% of the issued share capital) for consideration of NIS 5 per share, and for a total of NIS 64.6 million, which will be divided among the Selling Shareholders, with each Additional Investor holding, directly or indirectly, shares at a rate of 4.69% of the issued share capital, and the balance of the shares that were purchased by each Additional Investor, at a rate of 8.23% of the issued share capital per Additional Investor will be held by Mr. Moshe Terry as Trustee under the terms of the Trust Agreement. For these purposes, it was agreed that after an Approved IPO has been carried out, the balance of the shares that are held by the Trustee (at a rate of up to 1.2% of the issued share capital) will be returned to the Additional Investors, such that every Additional Investor will hold 4.99% of the Company's share capital. In addition, the Additional Investors took upon themselves similar undertakings to Manikay's Undertakings.

On August 27, 2018, after holding permits were received from the Securities Authority for Manikay and for each of the Additional Investors, as well as for Mr. Moshe Terry as Trustee for 32,917,504 Trust Shares, the Sale Agreement with Manikay was completed, the sale agreements with the Additional Investors were completed, and trust deeds and irrevocable instructions between each of the Additional Investors and Mr. Moshe Terry, as Trustee, were signed, in the format set forth in the Sale Agreement with Manikay, pursuant to all of which, Mr. Terry was authorized, inter alia, to sell the Trust Shares at a net share price of no less than NIS 5.51, and to exercise the voting rights attached to the Trust Shares independently, at his discretion, and for the benefit of the Company, including, without derogating from the generality of the aforesaid, in accordance with that which is described above.

D. Officers' Insurance, Professional Liability Insurance and IPO Insurance :

On September 6, 2018, after receiving the approval of the Company's Board of Directors and the Audit Committee, the general meeting of the Company approved the Company's acquisition of liability insurance for directors and officers of the Company and its subsidiaries, for a period of one year commencing August 1, 2018 and ending July 31, 2019.

Each of the policies (the officers' liability insurance policy and the professional liability insurance policy) has a liability limit of USD 50 million (per incident and in aggregate), and an annual premium for both policies together of USD 184 thousand. In addition, the insurance coverage was expanded in the officers' liability policy to provide suitable coverage for a public company, on the date of completion of the IPO, for an additional annual premium of approximately USD 7 thousand.

In addition, an engagement in a "Run Off" officers' liability insurance policy was approved to cover past activity up to the date of change of ownership, for an insurance period of 7 years from the date of change of ownership. This policy has a liability limit of up to USD 50 million (per incident and in aggregate), in exchange for a premium for the entire insurance period of 7 years, in the amount of approximately USD 107 thousand. In addition, the purchase of an insurance policy for the IPO (POSI) was approved for an insurance period of 7 years from the IPO date, with a liability limit of USD 30 million (per incident and in aggregate), in exchange for a total premium for the 7-year period of up to USD 95 thousand.

Each of the subsidiaries will bear its pro-rata share of the cost of the premiums in accordance with the principles of the distribution model set forth in note 8 below.

NOTE 5 - THE GROUP'S CAPITAL ADEQUACY AND LIQUIDITY ADEQUACY REQUIREMENTS:

The Group's capital adequacy and liquidity adequacy requirements are prescribed in the Clearing Houses' Stability Directive issued by the Israel Securities Authority. The requirements include the allocation of capital in respect to the Clearing House's exposure to credit risks (other than upon the occurrence of a Clearing member's default), market risk on the Clearing House's investment portfolio (interest risk), operational and legal risks, and to ensure business continuity and the reorganization of its business. Moreover, the requirements include, as stated, a minimum requirement in respect to the Clearing House's participation in the order of realizing collateral upon the occurrence of a Clearing member's default, at a rate of 25% of the aforementioned risks.

In the absence of any regulatory directive, the TASE capital adequacy and liquidity adequacy requirements are determined using internal models that were approved by TASE's Board of Directors in January 2015. Generally, the calculation of TASE's requirements, as referred to above, shares the same fundamentals as the calculation of the requirements prescribed for the Clearing Houses in the Clearing Houses' Stability Directive, other than the calculation of the capital requirement in respect to market risk and the definition of qualifying capital.

Capital Adequacy – Capital Requirements, Qualifying Capital Base and the Group's Capital Adequacy Position as of the Reporting Date:

	June 30,		December 31,
	2018	2017	2017
	NIS, in thousands		
	(Unaudited)		(Audited)
Capital requirements in respect to the risk components:			
Credit risk	2,804	2,357	1,867
Market risk	4,934	376	772
Legal and operational risk*	37,218	37,915	37,660
Business continuity and reorganization**	105,559	106,966	104,092
Contribution against default waterfall	26,033	27,962	28,112
Total capital requirements in respect to the risk components	176,548	175,576	172,503
Capital base components:			
Retained earnings	581,193	520,711	500,630
Capital reserves	3,200	3,844	5,299
Remeasurement reserve of liabilities in respect to defined benefits	(6,014)	(7,642)	(9,094)
Capital reserve in respect to share-based payment transactions	27,380	-	27,380
Less:			
Intangible assets	(97,195)	(85,805)	(88,635)
Deferred tax assets	(1,167)	(16,775)	(15,472)
Total qualifying capital base	507,397	414,333	420,108
Capital surplus (qualifying capital base, less requirements)	330,849	238,757	247,605

* A capital allocation equivalent to 15% of the average gross income in the last twelve quarters.

** A capital allocation equivalent to six months' operating expenses (on an annual basis) with the necessary adjustments.

NOTE 5 - THE GROUP'S CAPITAL ADEQUACY AND LIQUIDITY ADEQUACY REQUIREMENTS (CONT.):

Liquidity Adequacy – Liquidity Requirements, Net Liquid Asset Base and Liquidity Adequacy Position as of the Reporting Date:

	June 30,		December 31,
	2018	2017	2017
	NIS, in thousands		
	(Unaudited)		(Audited)
Capital requirements in respect to the risk components:			
Business continuity and reorganization	105,559	106,966	104,092
Contribution against default waterfall	26,033	27,962	28,112
Total requirements for liquid assets	131,592	134,928	132,204
Eligible liquid assets:			
Cash and cash equivalents	42,452	36,146	28,095
Securities portfolio at fair value	184,621	168,998	187,497
Less – haircuts to the securities portfolio	(6,970)	(6,577)	(8,068)
Credit line	50,000	50,000	50,000
Less – current liabilities	(55,035)	(47,305)	(44,777)
Net liquid assets	215,068	201,262	212,747
Liquidity surplus (net liquid assets, less requirements)	83,476	66,334	80,543

TASE-CH's Capital Adequacy and Liquidity Adequacy as of the Reporting Date:

	June 30,		December 31,
	2018	2017	2017
	NIS, in thousands		
	(Unaudited)		(Audited)
Capital adequacy position:			
Total capital requirements	92,663	102,310	103,061
Total qualifying capital base	122,519	115,302	117,225
Total capital surplus	29,856	12,992	14,164
Liquidity adequacy position:			
Total liquidity requirements	70,518	81,101	81,748
Total net liquid assets	110,034	108,538	109,635
Total liquidity surplus	39,516	27,437	27,887

NOTE 5 - THE GROUP'S CAPITAL ADEQUACY AND LIQUIDITY ADEQUACY REQUIREMENTS (CONT.):

MAOF-CH's Capital Adequacy and Liquidity Adequacy as of the Reporting Date:

	June 30,		December 31,
	2018	2017	2017
	NIS, in thousands		
	(Unaudited)		(Audited)
Capital adequacy position:			
Total capital requirements	37,500	37,500	37,500
Total qualifying capital base	41,951	41,280	40,648
Total capital surplus	4,451	3,780	3,148
Liquidity adequacy position:			
Total liquidity requirements	20,555	20,447	20,526
Total net liquid assets	39,253	38,911	37,183
Total liquidity surplus	18,698	18,464	16,657

A contribution against default waterfall allocated from each of the Clearing Houses' equity is included within the framework of each of the Group's capital and liquidity requirements, as detailed above. The following table presents details of the total financial resources held by the Group and by each of the Clearing Houses for the purpose of coping with a Clearing member's default.

	June 30,		December 31,
	2018	2017	2017
	NIS, in thousands		
	(Unaudited)		(Audited)
Total margin requirements with MAOF-CH	2,500	2,520	2,774
Total collateral required to be deposited in the MAOF-CH Default Fund (*)	934	961	879
Total collateral required to be deposited in the TASE-CH Default Fund (*)	759	762	768
Contribution against default waterfall allocated from the Group's equity (**)	26	28	28
Total financial resources	4,219	4,271	4,449

(*) At the financial statements' approval date, the total collateral required to be deposited in the Default Fund of MAOF-CH and TASE-CH amounts to NIS 680 million and NIS 745 million, respectively.

(**) As of June 30, 2018, the contribution against default waterfall allocated from the Group's equity in respect to MAOF-CH and TASE-CH totaled NIS 7.5 million and NIS 18.6 million, respectively (as of June 30, 2017 – NIS 7.5 million and NIS 20.5 million, respectively, and as of December 31, 2017 – NIS 7.5 million and NIS 20.6 million, respectively).

NOTE 6 - FINANCIAL INSTRUMENTS:

A. Significant Accounting Policies:

The significant accounting policies and methods adopted in respect to financial assets and financial liabilities, including recognition criteria, measurement bases and recognition in profit or loss, are reported in note 2 L of the consolidated annual financial statements.

B. Financial Instrument Balances, by Category:

	June 30,		December 31,
	2018	2017	2017
	NIS, in thousands		
	(Unaudited)		(Audited)
Financial assets (*):			
Current assets:			
Cash and cash equivalents	42,452	36,146	28,095
Available-for-sale financial assets (**)	-	151,914	155,672
Financial assets at fair value through profit or loss:			
Assets derived from clearing operations – receivables in respect to open derivative positions	1,714,632	1,335,398	1,739,570
Financial assets at fair value through profit or loss – held for trading	184,621	17,084	31,825
Financial assets measured at reduced cost	20,986	18,244	16,723
Non-current assets:			
Cash restricted as to use	538	538	538
Available-for-sale financial assets (**)	-	-	-
	1,963,229	1,559,324	1,972,423
Financial liabilities:			
Current liabilities:			
Financial liabilities at fair value through profit or loss:			
Liabilities derived from clearing operations – payables in respect to open derivative positions	1,714,632	1,335,398	1,739,570
Other liabilities	17,135	11,247	19,996
Non-current liabilities:			
Other liabilities	538	538	538
	1,732,305	1,347,183	1,760,104

(*) The book value of the financial assets reported above reflects the Group's maximum exposure to financial assets' credit risk as of the Statement of Financial Position date.

(**) For details regarding a change in the investment policy, see note 2 S of the 2017 consolidated financial statements.

The composition of the investment portfolio includes treasury bills and Government of Israel bonds, see note 4 D (2) (a) of the 2017 consolidated financial statements.

NOTE 6 - FINANCIAL INSTRUMENTS (CONT.):

C. Fair Value of Financial Instruments:

(1) The financial instruments of the Group include mainly cash and cash equivalents, including cash restricted as to use, marketable securities, financial assets at fair value, trade receivables, other receivables, trade payables, other payables, other liabilities and assets and liabilities in respect to open derivative positions.

The balances of the Group's financial instruments in the Statement of Financial Position as of June 30, 2018 and 2017 and as of December 31, 2017 closely reflect their fair values.

(2) Financial Instruments Measured at Fair Value in the Statement of Financial Position:

Fair value measurements of financial instruments are classified using the following hierarchy:

Level 1 - Fair value is based on quoted prices (unadjusted) in active markets for identical financial assets or liabilities;

Level 2 - Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the financial asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);

Level 3 - Fair value is based on inputs (assumptions) that are not based on observable market data.

The above classification is determined on the basis of the lowest level input (assumption) which is significant to the fair value measurement in its entirety.

NOTE 6 - FINANCIAL INSTRUMENTS (CONT.):

C. Fair Value of Financial Instruments (Cont.):

(2) Financial Instruments Measured at Fair Value in the Statement of Financial Position (Cont.):

Below are the Group's financial instruments measured at fair value, based on said levels:

	Receivables and Payables in Respect to Open Derivative Positions	Financial Assets at Fair Value Through Profit or Loss – Held for Trading	Available-for-Sale Financial Assets
	NIS, in thousands		
June 30, 2018 (Unaudited):			
Level 1	325,960	184,621	-
Level 2	1,394,282	-	-
	1,720,242	184,621	
Offset between Level 1 instruments, and Level 2 instruments, in the position of the same member on the same expiration date (*)	(5,610)	-	-
Total balance reported in the Statement of Financial Position	1,714,632	184,621	-
June 30, 2017 (Unaudited):			
Level 1	419,384	17,084	151,914
Level 2	918,103	-	-
	1,337,487	17,084	151,914
Offset between Level 1 instruments, and Level 2 instruments, in the position of the same member on the same expiration date (*)	(2,089)	-	-
Total balance reported in the Statement of Financial Position	1,335,398	17,084	151,914
December 31, 2017 (Audited):			
Level 1	697,879	31,825	155,672
Level 2	1,061,816	-	-
	1,759,695	31,825	155,672
Offset between Level 1 instruments, and Level 2 instruments, in the position of the same member on the same expiration date (*)	(20,125)	-	-
Total balance reported in the Statement of Financial Position	1,739,570	31,825	155,672

(*) See note 7 A of the 2017 consolidated financial statements.

Assumptions Used to Measure the Fair Value of Receivables and Payables in Respect to Open Derivative Positions Measured at Level 2:

The fair value of open derivative positions in options is measured using the Black and Scholes model based on the following assumptions: the price of the underlying asset, the exercise price, time to expiration, NIS risk-free interest rate, foreign currency risk-free interest rate (in the case of exchange rate options) and the standard deviation of the return of the underlying asset.

NOTE 6 - FINANCIAL INSTRUMENTS (CONT.):

C. Fair Value of Financial Instruments (Cont.):

(2) Financial Instruments Measured at Fair Value in the Statement of Financial Position (Cont.):

The use of different assumptions could change the amounts of fair value, but without impact on profit or loss, since the open positions on the asset side and the open positions on the liabilities side are identical, as per note 2 L (2) of the 2017 consolidated financial statements.

D. Offsets of Financial Assets and Financial Liabilities:

Financial assets and liabilities are reported in the Statement of Financial Position, in a net amount, only when there is a legally enforceable right of offset and there is an intention to settle the asset and liability on a net basis, or to realize the asset and settle the liability simultaneously.

Assets and liabilities in respect to open derivative positions reported in the Statement of Financial Position have been calculated, after offsetting the fair value of the liabilities of the Clearing member to MAOF-CH, against the fair value of all liabilities of MAOF-CH to said member, resulting from open positions of said member, on the same expiration date.

These amounts do not include offsets arising from open positions of said member on various expiration dates.

Following is Information on Financial Assets and Liabilities, Available for Offset, by Instruments:

Instrument	Gross Amounts (Before Offset) of Assets/ Liabilities, in Respect to Open Derivative Positions	Amounts Offset in the Statement of Financial Position	Assets/ Liabilities in Respect to Open Derivative Positions, net, in the Statement of Financial Position
	NIS, in thousands		
June 30, 2018 (Unaudited):			
Options*	1,852,086	137,454	1,714,632
June 30, 2017 (Unaudited):			
Options*	1,496,116	160,718	1,335,398
December 31, 2017 (Audited)			
Options*	1,937,791	198,221	1,739,570

* As of June 30, 2018 and 2017 and December 31, 2017, there were no open positions in regard to futures.

NOTE 6 - FINANCIAL INSTRUMENTS (CONT.):

D. Offsets of Financial Assets and Financial Liabilities (Cont.):

Financial Assets, Available for Offset, by Counterparty to the Transaction:

Counterparty	Assets Regarding Open Derivative Positions, net, in the Statement of Financial Position	Amounts to be Offset in the Event of Default	Margin Amounts (*)	Net Total
	NIS, in thousands			
June 30, 2018 (Unaudited):				
Member C	1,013,880	5	1,013,875	-
Member B	653,525	3,332	650,193	-
Other members	47,227	42,674	4,553	-
	1,714,632	46,011	1,668,621	-
June 30, 2017 (Unaudited):				
Member C	781,152	53	781,099	-
Member B	467,858	251	467,607	-
Other members	86,388	28,989	57,399	-
	1,335,398	29,293	1,306,105	-
December 31, 2017 (Audited):				
Member C	1,016,537	9,284	1,007,253	-
Member B	622,808	4,696	618,112	-
Other members	100,225	50,113	50,112	-
	1,739,570	64,093	1,675,477	-

(*) Margin amounts are reported in an amount that does not exceed the balance of assets in respect to open derivative positions, after all offsets in the event of default. The current margin requirement is higher than that shown in the table, and totals, as of June 30, 2018, NIS 2,500 million (as of June 30 and December 31, 2017, NIS 2,520 million and NIS 2,774 million, respectively).

NOTE 6 - FINANCIAL INSTRUMENTS (CONT.):

D. Offsets of Financial Assets and Financial Liabilities (Cont.):

Financial Liabilities, Available for Offset, by Counterparty to the Transaction:

Counterparty	Liabilities Regarding Open Derivative Positions, net, in the Statement of Financial Position	Amounts to be Offset in the Event of Default	Net Total
	NIS, in thousands		
June 30, 2018 (Unaudited):			
Member H	1,205,955	27,436	1,178,519
Member A	463,096	11,158	451,938
Other members	45,581	7,417	38,164
	1,714,632	46,011	1,668,621
June 30, 2017 (Unaudited):			
Member A	803,873	13,413	790,460
Member H	332,720	12,733	319,987
Other members	198,805	3,147	195,658
	1,335,398	29,293	1,306,105
December 31, 2017 (Audited):			
Member A	1,227,519	3,491	1,224,028
Member H	420,573	27,964	392,609
Other members	91,478	32,638	58,840
	1,739,570	64,093	1,675,477

D. The expected maturity dates for most of the financial liabilities arising from the clearing activities undertaken by MAOF-CH (payables in respect to open positions) are as follows:

	June 30,		December 31,
	2018	2017	2017
	NIS, in thousands		
	(Unaudited)		(Audited)
Up to one month after the date of the financial statements	933,960	703,828	845,987
1-2 months	736,464	614,692	866,640
2-3 months	21,322	5,799	18,014
Up to one year	22,886	11,079	8,929
Total financial liabilities from clearing activities *	1,714,632	1,335,398	1,739,570

* The total of the aforesaid financial liabilities from clearing activities and their fore expected maturity dates match the total of the financial assets from clearing activities and their expected maturity dates.

NOTE 6 - FINANCIAL INSTRUMENTS (CONT.):

E. Interest Risks

The Group has monetary surpluses that are placed in bank deposits and thus has a cash flow exposure to changes in interest.

The following table details the impact of a +/- 1% and a +/- 2% change in interest on the deposits (before the tax effect):

	Total Variable Interest-Bearing Instruments	Change of +/- 1%	Change of +/- 2%
	NIS, in millions		
June 30, 2018 (Unaudited)	36.4	0.36	0.73
June 30, 2017 (Unaudited)	35	0.35	0.7
December 31, 2017 (Audited)	25.5	0.25	0.51

In addition, the Group has investments in financial instruments bearing fixed interest rates, which are measured at fair value through profit or loss or through other comprehensive income, and is therefore exposed to changes in the fair value as the result of changes in the interest rates.

The following table details the impact of a +/- 1% and a +/- 2% change in the fair value of bonds, (before the tax effect):

	Total Fixed Interest Bearing Instruments	Change of +/- 1%	Change of +/- 2%
	NIS, in millions		
June 30, 2018 (Unaudited)			
Profit or loss	184.6	7.59	15.17
June 30, 2017 (Unaudited)			
Profit or loss	17.1	0.6	1.21
Other comprehensive income	151.9	5.12	10.25
December 31, 2017 (Audited)			
Profit or loss	31.8	1.19	2.38
Other comprehensive income	155.7	5.78	11.57

NOTE 7 - REVENUE

Split of Revenue in respect to Contracts with Customers:

	Six Months Ended June 30,		Three Months Ended June 30,		Year Ended December 31,
	2018	2017	2018	2017	2017
	NIS, in thousands				
	(Unaudited)		(Unaudited)		(Audited)
By type of service:					
Trading and clearing commissions	60,558	59,304	27,836	27,176	115,568
Securities registration for trading fees, and annual levies	23,256	19,601	11,285	10,183	39,737
Clearing House services	23,860	22,682	12,202	11,252	44,542
Distribution of trading and other data	17,830	18,653	8,864	8,955	36,640
Other	2,923	2,853	1,410	1,166	5,937
Total	128,427	123,093	61,597	58,732	242,424
By timing of provision of services:					
Revenues recognized at a point in time	87,712	82,837	41,288	39,064	162,672
Revenues recognized over time	40,715	40,256	20,309	19,668	79,752
Total	128,427	123,093	61,597	58,732	242,424

NOTE 8 - INTERESTED AND RELATED PARTIES:

Further to note 21 C (2) (a) to the annual financial statements concerning the distribution model for revenues, expenses and profits between TASE and its subsidiaries, the model was reviewed and validated for 2018. As part of the review it was decided that the process of distributing the economic profit between the Group companies which was previously based on the rate of return on equity would be revised, and calculated, from 2018, according to the rate of revenues of the Group companies.

This revised model was approved on September 6, 2018 by the Boards of Directors of the Group companies.