



הבורסה
לניירות ערך
תל אביב
TEL AVIV
STOCK
EXCHANGE

הבורסה לניירות ערך בתל-אביב בע"מ

THE TEL-AVIV STOCK EXCHANGE LIMITED

INTERIM REPORT FOR THE PERIOD ENDED

SEPTEMBER 30, 2019

The text in these interim report for the period ended September 30, 2019 is an English translation of the original Hebrew interim report for the period ended September 30, 2019. In the event of any discrepancy between the original Hebrew and this translation, the Hebrew alone will prevail.



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THE TEL-AVIV STOCK EXCHANGE LTD.

INTERIM REPORT FOR THE PERIOD ENDED SEPTEMBER 30, 2019

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THE TEL-AVIV STOCK EXCHANGE LTD.

PART ONE

UPDATE OF THE DESCRIPTION OF THE COMPANY'S BUSINESS

UPDATE OF THE DESCRIPTION OF THE COMPANY'S BUSINESS IN THE COMPANY'S PROSPECTUS FROM JULY 24, 2019 OF THE TEL-AVIV STOCK EXCHANGE LTD. ("THE COMPANY")

In accordance with Regulation 39 A of the Securities Regulations (Periodic and Immediate Report, 5730-1970, presented below are details regarding material changes or developments which have taken place in the Company's business in every matter that has to be described in the "Description of the Company's Business" Part, which was included in the Prospectus Subject to Completion and in the Shelf Prospectus from July 24, 2019 (as published on July 23, 2019 (reference no. 2019-01-063615)) and in the Supplementary Notice for the offer of shares pursuant to the Company's Prospectus (as published on July 29, 2019 (reference no. 2019-01-064962)) (collectively, "**the Prospectus**"), which occurred from the date of publishing the Prospectus through to the date of publishing this quarterly report. It should be clarified that, generally, the description included in this quarterly report only includes information which is, in the Company's opinion, material information; however, in some instances, in order to provide a complete picture, the Company has provided a more detailed description than that required, which also includes information that – in its opinion – is not necessarily material information. The update has been prepared assuming that its reader has before him the Prospectus.

In this interim report, the terms that appear therein are attributed with the meaning given to them in the Prospectus, unless stated otherwise.

In case of any contradiction between that stated in Part A of this interim report and that stated in the "Description of the Company's Business" Part of the Prospectus, that stated in this interim report will prevail.

1. Update to Part One – Description of the General Development of the Company's Business

1.1 Update to section 6.3 – Investments in the Company's Equity and Transactions in Its Shares

1.1.1 On August 1, 2019, the Company's securities were listed following a secondary offering pursuant to the Prospectus, for the purchase of 31,717,504 of the Company's shares. The offering was fully subscribed and NIS 225.2 million was received in consideration. It should be noted that the consideration (net) amounted to NIS 205.7 million and the Company's share of the surplus consideration (as set forth in section 5.1 of the Company's Prospectus) amounted to NIS 15.5 million. For further details, see the immediate report issued by the Company on July 29, 2019 (reference no. 2019-01-065259). The information presented in the aforesaid report is included herewith by way of this reference.

1.1.2 Further to that stated in section 5.1 of the Company's Prospectus and the provisions of Section 41(l)(2) of the Securities Law (Amendment No. 63), 5777-2017, on August 12, 2019, the Company received approximately NIS 6.7 million which stemmed from its share of the consideration from the sale of 1,670,417 shares by a Company shareholder that had held its shares prior to the date of approving the Arrangement (as this term is defined in section 3.9 of the Prospectus). On November 13, 2019, the Company received approximately NIS 2.2 million, which stemmed from its share of the consideration from a sale of 312,694 shares by another of the Company's shareholders; said shareholder had held its shares prior to the date of approving the Arrangement (as this term is defined in section 3.9 of the Prospectus). For further details, see section 5.1 of the prospectus, the immediate report from August 4, 2019 (reference no. 2019-01-067020) and note 7 F to the financial statements as of September 30, 2019 below. The information presented in the aforesaid reports is included herewith by way of this reference.

2. Update to Part Two – Other Information

2.1 Update to section 6.5.1 – The capital market in Israel

Presented below are details regarding the speed of trading in Israel in the reported period:

Turnover Speed							
	For the nine months ended 30.9.2019	For the nine months ended 30.9.2018	% change	For the three months ended 30.9.2019	For the three months ended 30.9.2018	% change	For 2018
Shares ⁽¹⁾	34.8%	36%	(3%)	37%	33.5%	10.4%	36.2%
Corporate bonds ^{(1) (2)}	50.1%	71.5%	(30%)	49.1%	61.3%	(20%)	64.8%
Government bonds – Shekel ⁽³⁾	134.5%	135.1%	0%	140.3%	125.3%	12%	135.8%
Government bonds – Linked ⁽⁴⁾	81.9%	87.2%	(6%)	81.4%	80.8%	1%	84.4%
Treasury bills	87.7%	91%	(4%)	93.5%	104.8%	(10.8%)	61.9%

(1) The turnover speed includes data for the ETFs and ETNs that are traded.

(2) The turnover speed does not include data for the corporate bond traded on the TACT institutional.

(3) Including fixed rate shekel bonds, "shahar" and short-term government bonds.

(4) Including index-linked bonds and variable-rate shekel bonds - "Gilon".

2.2 Update to section 6.5.3.4 – The equity market

Presented below are data regarding the number of offerings and their proceeds in the reported period:

Number of Offerings							
	For the nine months ended 30.9.2019	For the nine months ended 30.9.2018	% change	For the three months ended 30.9.2019	For the three months ended 30.9.2018	% change	For 2018
Public offerings	43	50	(14%)	13	10	30%	64
Public offerings of new companies (IPOs) included in public offerings	6	9	(33%)	2	1	100%	*11
Private placements	78	52	50%	22	16	38%	74
Exercise of warrants	--	--	--	--	--	--	--
Total	121	102	19%	35	26	35%	138

* The number of new companies does not include companies that were dual-listed and issued only bonds or preferred shares.

Total Proceeds (NIS, in millions)							
	For the nine months ended 30.9.2019	For the nine months ended 30.9.2018	% change	For the three months ended 30.9.2019	For the three months ended 30.9.2018	% change	For 2018
Public offerings	4,573	3,365	36%	1,414	116	1119%	3,663
Public offerings of new companies (IPOs) included in public offerings	2,706	1,671	62%	514	20	2470%	1,844
Private placements	2,483	1,683	48%	733	708	4%	2,092
Exercise of warrants	293	517	(43%)	199	114	75%	908
Total	7,349	5,566	32%	2,345	938	150%	6,663

The following table shows the yields of the main equity indices in the reported period:

Market Cap Indices				
	% change – third quarter 2019	% change –year 2018	Market Cap as of 30.9.2019 (NIS, in billions)	Market Cap as of 31.12.2018 (NIS, in billions)
TA-35	1%	(3%)	501.2	470.5
TA-90	9%	(3%)	184.8	146.0
TA-125	3%	(2%)	686.1	616.5
TA-SME60	(1%)	(23%)	24.5	22.1

2.3 Update to section 6.5.4.3 – The bond and MAKAM (treasury bills) market

Presented below are data regarding the yields of the main bond indices (corporate and government) in the reported period:

Main bond Indices					
	For the nine months ended 30.9.2019	For the nine months ended 30.9.2018	For the three months ended 30.9.2018	For the three months ended 30.9.2018	For 2018
Government bonds					
CPI-linked	9.3%	0.3%	3.4%	0.4%	(1.4%)
Non-linked, fixed interest	8.5%	(0.9%)	4.1%	0.2%	(1.4%)
Corporate bonds*					
CPI-linked corporate	7.5%	1.8%	1.4%	1.6%	(0.8%)
Tel Bond-Shekel	7.2%	(1.3%)	2.1%	0.9%	(4.3%)
Currency-linked corporate	(0.5%)	4.9%	(2.8%)	2.3%	5.1%

2.4 Update to section 6.5.4.4 – The bond and MAKAM (treasury bills) market

Presented below are data regarding redemptions of government bonds in the reported period:

Scopes of Government Bond Redemptions							
	For the nine months ended 30.9.2019	For the nine months ended 30.9.2018	% change	For the three months ended 30.9.2019	For the three months ended 30.9.2018	% change	For 2018
Shekel bonds	35.7	19.9	79%	5.4	5.8	(7%)	35.0
CPI-linked bonds	8.9	15.0	(41%)	3.6	--	--	15.0
Total redemptions	44.6	34.9	28%	9.0	5.8	55%	50.0

2.5 Update to section 6.5.4.5 – The bond and MAKAM (treasury bills) market

Presented below are data regarding corporate bond issuances in the reported period:

Corporate Bond Raisings/Issuances (NIS, in millions)										
	For the nine months ended 30.9.2019		For the nine months ended 30.9.2018		For the three months ended 30.9.2019		For the three months ended 30.9.2018		For 2018	
Total raised through corporate bonds	51,113		51,292		18,285		9,966		68,163	
Corporate bonds*	46,267	100%	45,607	100%	14,745	100%	8,420	100%	61,358	100%
Sectoral classification										
Financial sector	19,193	41%	10,101	22%	5,527	37%	2,463	29%	18,052	29%
Within the financial sector – banks	14,107	30%	6,818	15%	2,960	20%	1,499	18%	11,286	18%
Real sector:	27,074	59%	35,506	78%	9,218	63%	3,637	43%	43,306	71%
Within the real sector – real estate	17,617	38%	24,898	55%	6,315	43%	4,794	57%	27,676	45%
Energy and gas exploration	1,890	4%	4,156	9%	414	3%	0	0%	5,861	10%
TACT Institutional – overseas raisings	0		3,516		0		0		3,516	
Structures bonds	2,794		1,736		2,741		1,267		2,370	
Non-listed bonds and the exercise of warrants	2,052		434		800		280		919	

* Includes TACT Institutional

2.6 Update to section 6.5.4.8 – The bond and MAKAM (treasury bills) market

Presented below are data regarding debt raising by foreign companies on the bond market in the reported period:

Debt Raising by Foreign Companies on the TASE Bond Market (NIS, in billions)							
	For the nine months ended 30.9.2019	For the nine months ended 30.9.2018	% change	For the three months ended 30.9.2019	For the three months ended 30.9.2018	% change	For 2018
New companies	0.5 (1 company)	2.2 (5 companies)	(77%)	- -	0.5 (2 company)	(100%)	2.9 (7 companies)
Old companies	1.8	3.5	(49%)	1.5	0.4	275%	3.7
Total	2.3	5.7	(60%)	1.5	0.9	67%	6.6

2.7 Update to section 6.5.5.1 – ETNs and ETFs

Presented below are data regarding market capitalizations of ETFs in the reported period:

Market Capitalizations – ETFs (NIS, in billions)		
	As of 30.9.2019	As of 31.12.2018
ETFs on Tel Aviv share indices	25.0	19.3
ETFs on international share indices	39.0	40.7
ETFs on Tel Aviv corporate bond indices	22.3	19.9
ETFs on government and overseas bond indices	6.2	6.2
Total value of ETFs	92.5	86.1

2.8 Update to section 6.5.5.3 – ETNs and ETFs

Presented below are data regarding net purchases and sales of ETFs in the reported period:

	For the nine months ended 30.9.2019	For the three months ended 30.9.2019
ETFs/ETNs on Tel Aviv share indices	2.7	1.3
ETFs/ETNs on foreign share indices	(5.5)	(1.4)
ETFs/ETNs on traded bond indices	0.4	0.5
Currency ETNs	--	--
Total	(2.4)	0.4

* Due to the ETF reform, there are no data regarding the public activity in the last quarter of 2018.

2.9 Update to section 6.5.5.4 – Mutual funds – net purchases and sales of mutual fund units

Presented below are data regarding net purchases and sales of mutual fund units in the reported period:

Net Purchases and Sales of Mutual Fund Units (NIS, in billions)					
	For the nine months ended 30.9.2019	For the nine months ended 30.9.2018	For the three months ended 30.9.2018	For the three months ended 30.9.2018	For 2018
Funds investing in shares in Tel Aviv	0.2	(0.5)	0.8	(0.1)	(2.2)
Funds investing in bonds in Tel Aviv	7.6	(5.4)	6.6	(3.6)	(15.5)
Shekel funds	(1.4)	(3.2)	(0.1)	(1.4)	(4.1)
Money market funds	5.9	2.2	2.5	1.3	6.1
Funds investing in foreign securities	0.3	4.8	1.1	2.0	3.8
Total	12.6	(2.1)	10.9	(1.8)	(11.9)

2.10 Update to section 6.5.6.4 – Derivatives market

Presented below are data regarding daily trading volumes in the derivatives market in the reported period:

Daily Trading Volumes in the Derivatives Market (units, in thousands, and not including derivatives on individual shares and euro/shekel options)							
	For the nine months ended 30.9.2019	For the nine months ended 30.9.2018	% change	For the three months ended 30.9.2019	For the three months ended 30.9.2018	% change	For 2018
Monthly options on the TA-35 Index	70	94	(26%)	74	85	(13%)	101
Weekly options on the TA-35 Index*	31	35	(11%)	33	31	6%	42
Monthly dollar/shekel options	40	69	(42%)	45	58	(22%)	56

3. Update to Part Three – Description of the Company’s Business

3.1 Update to section 6.6.2.4 – General information – NBMs operating solely for their own account (nostro)

On September 8, 2019, the Israel Securities Authority approval for the amendment of the TASE Rules was published. Said amendment is intended to enable NBMs that operate solely for their own account (Israeli entities that have no clients and that operate solely for themselves, including as market makers) to join as new TASE members. Within this framework, approval has been granted to reduce the minimum capital amount an NBM is required to have to NIS 15 million.

3.2 Update to section 6.6.3.1 – General information – TASE Clearing House

On August 8, 2019, TASE Clearing House’s Board of Directors gave approval for the acceptance of Euroclear Bank SA/NV (“Euroclear Bank”) as a custodial member of TASE Clearing House. This followed the recent amendment of the By-Laws of TASE Clearing House enabling membership of TASE Clearing House with the status of custodial member. This allows the custodial member to engage in custodial activity and to provide settlement and asset servicing services for its client’s assets, that are listed on the TASE, without it being able to provide TASE trading services.

For further details, see the Company’s immediate report from August 12, 2019 (reference no. 2019-01-068877). The information presented in the aforesaid report is included herewith by way of this reference.

3.3 Update to section 6.9.1 – Changes in the scope of the activity in the area, and in its profitability

Presented below are data regarding the trading and clearing services in the reported period:

Market Capitalizations of the Securities Listed for Trade and Clearing (NIS, in billions)			
	As of 30.9.2019	As of 31.12.2018	% change
Shares	780	703	11%
Bonds	946	864	9%

3.4 **Update to section 6.9.2 – Changes in the scope of the activity in the area, and in its profitability**

Presented below are data regarding changes that have occurred in the number of companies whose shares are listed on TASE in the reported period:

Changes That Have Occurred in the Number of Companies Whose Shares are Listed on TASE			
	For the nine months ended 30.9.2019	For the nine months ended 30.9.2018	For 2018
Companies listed at the start of the period	448	457	457
New companies added			
IPOs	6	9	11
Dual-listing	2	1	3
Other*	1	1	1
Total	9	11	15
Companies that were delisted			
Tender offers and mergers	6	4	11
Failures to comply with the maintenance rules	2	8	8
Dual-listed companies that were delisted from TASE only	3	4	5
Companies in settlement/liquidation proceedings	1	-	-
Total	12	16	24
No. of companies listed at the end of the period	445	452	448

* A company that became a stock company following a settlement, or a split from a public company.

3.5 **Update to section 6.9.6 – Changes in the scope of the activity in the area, and in its profitability**

Presented below are data regarding the average daily trading volumes in the equity market in the reported period:

Average Daily Trading Volumes in the Equity Market							
	For the nine months ended 30.9.2019	For the nine months ended 30.9.2018	% change	For the three months ended 30.9.2019	For the three months ended 30.9.2018	% change	For 2018
Shares excluding ETNs	1,043	1,110	(6%)	1,144	1,056	8%	1,124

3.6 Update to section 6.9.6.1 – Changes in the scope of the activity in the area, and in its profitability

Presented below are data regarding the average daily trading volumes in the bonds market in the reported period:

Average Daily Trading Volumes in the Bonds Market (NIS, in millions)							
	For the nine months ended 30.9.2019	For the nine months ended 30.9.2018	% change	For the three months ended 30.9.2019	For the three months ended 30.9.2018	% change	For 2018
Government bonds*	2,701	2,656	2%	2,908	2,415	20%	2,647
Corporate bonds excluding ETNs*	766	897	(15%)	708	773	(8%)	906
Treasury bills	411	358	15%	452	425	6%	431

* Including structured bonds.

3.7 Update to section 6.9.6.2 – Changes in the scope of the activity in the area, and in its profitability

Presented below are data regarding the average daily trading volumes from trading in ETNs/ETFs in the reported period:

Daily Trading Volumes in Trading in ETNs/ETFs (NIS, in millions)							
	For the nine months ended 30.9.2019	For the nine months ended 30.9.2018	% change	For the three months ended 30.9.2019	For the three months ended 30.9.2018	% change	For 2018*
ETNs/ETFs on share indices	215	282	(24%)	223	232	(4%)	282
% of trading volume in shares	17%	20%	(15%)	16%	18%	(11%)	20%
ETNs/ETFs on bond indices	92	124	(26%)	105	117	(10%)	131
% of trading volume in corporate bonds	11%	12%	(8%)	13%	13%	0%	13%

* The trading turnover in 2018 does not include exceptional off-floor transactions carried out during the last quarter of 2018, as part of the reform to convert ETNs into ETFs.

3.8 Update to section 6.10 – Developments in the Markets of the Area of Activity or Changes in the Characteristics of the Customers

During the reported period, the entry of Israeli government bonds into two World Government Bond Index, FTSE World Government Bond Index (WGBI) and FTSE World Inflation Linked Securities Index (unlinked bonds and linked bonds, respectively) was approved, with this being in light of the threshold conditions for inclusion in these indices having been met. It should be noted that some of the Israeli government bonds are expected to be included in these indices with effect from April 2020.

3.9 Update to section 6.16.4 – Breakdown of the Company’s revenue

Presented below are data regarding the breakdown of the Company’s revenue from the product groups in the reported period:

	For the nine months ended 30.9.2019		For the nine months ended 30.9.2018		For the three months ended 30.6.2019		For the three months ended 30.6.2018		For 2018	
	Revenue	% of Company's total revenue	Revenue	% of Company's total revenue	Revenue	% of Company's total revenue	Revenue	% of Company's total revenue	Revenue	% of Company's total revenue
Trading and clearing commissions	80.7	42%	85.9	46%	28.2	43%	25.3	44%	119.4	47%
Listing fees and levies	40.5	21%	32.4	17%	13.5	20%	10.5	18%	46.5	18%
Clearing House services	38.1	20%	36.6	20%	12.9	20%	12.7	22%	49.6	19%
Distribution of data and connectivity services	31.7	16%	26.3	14%	10.4	16%	8.5	15%	35	14%
Other	2.6	1%	4.1	2%	1	1%	1.2	2%	5.1	2%
Total	193.6	100%	185.3	100%	66	100%	58.2	100%	255.6	100%

3.10 Update to section 6.16.5 – Breakdown of the Company’s revenue

Presented below are summary data regarding the activity scopes on the markets in which the Company operates along with data regarding the Company’s revenue from its product groups and services in the reported period:

Trading and clearing commissions

Market Capitalizations of the Securities Listed on TASE, Including ETNs / ETFs (NIS, in billions)					
	As of 30.9.2019	As of 30.9.2018	% change	As of 31.12.2018	% change
Shares	844	859	(1.78%)	763	10.67%
Corporate bonds	438	431	1.62%	407	7.62%
Government bonds – Shekel	275	253	8.61%	248	10.97%
Government bonds – Linked	262	235	11.61%	236	10.93%
T-Bills	120	101	18.83%	108	11.22%

Market capitalizations (NIS, in billions)	As of 30.9.2019	As of 30.9.2018	% change	As of 31.12.2018	% change
Mutual funds	248	243	1.82%	220	12.56%

Average Daily Trading Volume / Average Value of Creations/Redemptions (NIS, in Billions)							
	For the nine months ended 30.9.2019	For the nine months ended 30.9.2018	% change	For the three months ended 30.9.2019	For the three months ended 30.9.2018	% change	For 2018
No. of trading days	185	181	2.21%	62	57	8.77%	245
Shares	1,259	1,387	(9.26%)	1,367	1,288	6.13%	1,594
Corporate bonds	859	1,022	(16%)	812	893	(8.99%)	1,059
Government bonds – Shekel	1,780	1,722	3.37%	1,968	1,582	24.4%	1,741
Government bonds – Linked	921	934	(1.39%)	940	833	12.91%	907
T-Bills	411	358	14.58%	452	425	6.39%	431
Mutual funds	829	905	(8.4%)	819	928	(11.77%)	928

Average Daily Volume of Contracts (contracts, in thousands)							
	For the nine months ended 30.9.2019	For the nine months ended 30.9.2018	% change	For the three months ended 30.9.2019	For the three months ended 30.9.2018	% change	For 2018
Options on indices	100	132	(24.00%)	108	116	(7%)	134
Derivatives on foreign currency	43	61	(30%)	47	60	(22%)	59
Derivatives on single shares	3	3	-	4	3	33%	3
Total derivatives	146	196	(26%)	159	179	(11%)	196

Revenue from Trading and Clearing / Creation and Redemption (NIS, in thousands)							
	For the nine months ended 30.9.2019	For the nine months ended 30.9.2018	% change	For the three months ended 30.9.2019	For the three months ended 30.9.2018	% change	For 2018
Shares	24,044	24,852	(3.25%)	8,698	7,352	18.31%	33,976
Corporate bonds	11,116	13,006	(14.53%)	3,547	3,563	(0.43%)	17,998
Government bonds – Shekel ⁽¹⁾	6,300	5,947	5.93%	2,300	1,723	33.55%	8,106
Government bonds – Linked ⁽²⁾	4,953	4,916	0.76%	1,674	1,419	18.01%	6,431
T-Bills ⁽³⁾	1,964	836	134.89%	595	275	116.00%	3,622
Mutual funds	17,867	17,624	1.38%	6,127	5,645	8.53%	23,900
Other	158	225	(29.72%)	59	72	(17.37%)	281
Derivatives	14,259	18,457	(22.74%)	5,192	5,256	(1.21%)	25,042
Total revenue from trading and clearing	80,661	85,862	(6.06%)	28,193	25,304	11.42%	119,355

(1) Including fixed rate shekel bonds, "shahar" and short-term government bonds.

(2) Including index-linked bonds and variable-rate shekel bonds - "Gilon".

(3) The amount for the fourth quarter of 2018 includes a collection of NIS 1.5 million in respect of previous periods.

Average Commission on Trading Volume/Creation/Redemption Value (in percentages)							
	For the nine months ended 30.9.2019	For the nine months ended 30.9.2018	% change	For the three months ended 30.9.2019	For the three months ended 30.9.2018	% change	For 2018
Shares	0.01032%	0.00990%	4.32%	0.01027%	0.01002%	2.49%	0.00870%
Corporate bonds	0.00700%	0.00703%	(0.44%)	0.00704%	0.00700%	0.59%	0.00694%
Government bonds - Shekel	0.00191%	0.00191%	0.26%	0.00189%	0.00191%	(1.29%)	0.00190%
Government bonds - Linked	0.00291%	0.00291%	(0.03%)	0.00287%	0.00299%	(3.91%)	0.00289%
T-Bills (*)	0.00259%	0.00129%	100.57%	0.00212%	0.00114%	86.65%	0.00343%
Mutual funds	0.01165%	0.01076%	8.28%	0.01207%	0.01067%	13.09%	0.01051%

- The changes in the effective commission rate reflects the effect of the maximum commission on on-exchange transactions and the minimum and maximum commission on off-exchange transactions, as well as the effect of internal transactions chargeable at a fixed commission.

Average Commission per Derivative (NIS)							
	For the nine months ended 30.9.2019	For the nine months ended 30.9.2018	% change	For the three months ended 30.9.2019	For the three months ended 30.9.2018	% change	For 2018
Derivatives	0.528	0.521	1.39%	0.528	0.516	2.39%	0.521

Clearing House services

Market Value of Assets in Custodianship (approximate NIS, in billions)					
	As of 30.9.2019	As of 30.9.2018	% change	As of 31.12.2018	% change
Asset value	2,564	2,689	(4.66%)	2,310	10.99%

Revenue from Clearing House services (NIS, in thousands)							
	For the nine months ended 30.9.2019	For the six months ended 30.9.2018	% change	For the three months ended 30.6.2019	For the three months ended 30.6.2018	% change	For 2018
Custodian fees	19,564	19,933	(1.85%)	6,691	6,908	(3.14%)	26,435
Clearing House services for members / company events	15,121	13,435	12.55%	5,090	4,751	7.14%	18,907
Other	3,461	3,239	6.88%	1,136	1,088	4.48%	4,263
Total revenue from Clearing House services	38,147	36,607	4.21%	12,918	12,747	1.3%	49,605

Average commission on custodian fees (in percentages and annualized)	
For the three- and nine-month periods ended 30.9.2019	For 2018
0.00105%	0.00105%

* Commission on custodian fees is charged once a month based on the value of the assets on the last day of each month.

Listing fees and levies

Average number of companies / funds weighted annually / for the period							
	For the nine months ended 30.9.2019	For the nine months ended 30.9.2018	% change	For the three months ended 30.9.2019	For the three months ended 30.9.2018	% change	For 2018
No. of companies	544	548	(0.78%)	536	550	(2.59)%	563
No. of mutual funds and ETFs	2,093	1,455	43.86%	2,099	1,470	42.76%	1,511

* The average weights the fact that new companies do not pay an annual levy in the first year of their being listed and that companies that are delisted do pay an annual levy through the date of their delisting.

Revenue from Annual Levies (NIS, in thousands)							
	For the nine months ended 30.9.2019	For the nine months ended 30.9.2018	% change	For the three months ended 30.9.2019	For the three months ended 30.9.2018	% change	For 2018
Annual levies from companies	7,679	5,457	41.23%	2,540	1,799	41.16%	7,236
Annual levies from mutual funds and ETFs	11,513	7,918	45.41%	3,843	2,670	43.94%	11,033
Annual levies of Nominee Company and others	1,706	1,273	34.02%	588	496	18.56%	1,883
Total revenue from annual levies	20,898	14,628	42.86%	6,971	4,965	40.40%	20,152

Average Weighted Revenue from Levies for the Period (NIS, in thousands)							
	For the nine months ended 30.9.2019	For the nine months ended 30.9.2018	% change	For the three months ended 30.9.2019	For the three months ended 30.9.2018	% change	For 2018
Companies	14	10	42.33%	5	3	44.91%	13
Funds	6	5	1.08%	2	2	0.83%	7

Revenue from Examination and Listing Fees (NIS, in thousands)							
	For the nine months ended 30.9.2019	For the nine months ended 30.9.2018	% change	For the three months ended 30.9.2019	For the three months ended 30.9.2018	% change	For 2018
Examination fees	4,085	6,460	(36.76%)	1,155	3,303	(65.03%)	7,985
Listing fees – companies – shares and bonds	13,648	10,345	31.93%	3,864	1,875	106.13%	16,922
Listing fees – government bonds	2,385	1,704	39.92%	883	567	55.59%	2,388
Listing fees – treasury bills	670	629	6.54%	251	210	19.58%	964
Levies and examination fees from members	340	--	--	152	--	--	--
Other	402	636	(36.71%)	171	226	(24.09%)	774
Effect of implementing IFRS 15 on the listing fees	(1,958)	(1,995)	(1.83%)	62	(665)	(109.26%)	(2,660)
Total revenue from examination and listing fees	19,572	17,778	10.09%	6,537	5,515	18.54%	26,373

* The revenue from examination fees in the second half of 2018 includes one-time revenue in respect of implementing the ETN reform.

** Revenue from company listing fees in 2018 includes the effect of updating fees on corporate bond offerings with effect from August 2018, as well as the effect of implementing the ETN reform.

Scope of Issuances and Swap Transactions (NIS, in millions)							
	For the nine months ended 30.9.2019	For the nine months ended 30.9.2018	% change	For the three months ended 30.9.2019	For the three months ended 30.9.2018	% change	For 2018
Companies – shares and bonds*	65,451	57,157	14.51%	27,049	9,998	170.54%	74,661
Government bonds	67,923	42,606	59.42%	24,843	14,181	75.18%	59,709
Treasury bills	95,736	89,862	6.54%	35,922	29,942	19.97%	137,712

* The value of capital raising in private placements is according to the reported value in the allocation report, whereas the collection of registration fees is performed according to the market value of the shares listed.

Information on the Number of Issuances							
	For the nine months ended 30.9.2019	For the nine months ended 30.9.2018	% change	For the three months ended 30.9.2019	For the three months ended 30.9.2018	% change	For 2018
Number of Tel Aviv public offerings	43	50	(14.00%)	13	10	30.00%	64
Number of new share offerings	6	9	(33.33%)	2	1	100.00%	11
Number of new (dual-listed) companies	3	1	200.00%	2	--	--	3

Information on Issuances and Scope of Funding (NIS, in millions)							
	For the nine months ended 30.9.2019	For the nine months ended 30.9.2018	% change	For the three months ended 30.9.2019	For the three months ended 30.9.2018	% change	For 2018
Amount raised in IPOs	2,706	1,671	61.94%	514	20	2470%	1,844
Amount raised in preferred shares	--	--	--	--	--	--	--
Number of corporate bond offerings to the public (total)	117	111	5.41%	46	23	1000%	142
Number of new corporate bond offerings to the public	3	12	(75%)	1	3	(66.7%)	13
Amount raised by new bond offerings	1,608	6,955	(77%)	100	882	(88%)	7,196

Average Revenue from Examination and Listing Fees (for the period, in percentages)							
	For the nine months ended 30.9.2019	For the nine months ended 30.9.2018	% change	For the three months ended 30.9.2019	For the three months ended 30.9.2018	% change	For 2018
Companies - shares and bonds and ETNs/ETFs	0.0209%	0.0181%	15%	0.0143%	0.0187%	(24%)	0.0227%
Government bonds	0.0035%	0.0040%	(12%)	0.0036%	0.0040%	(11%)	0.0040%

Distribution of data and connectivity services

Distribution of Data and Connectivity Services (NIS, in thousands)							
	For the nine months ended 30.9.2019	For the nine months ended 30.9.2018	% change	For the three months ended 30.9.2019	For the three months ended 30.9.2018	% change	For 2018
Data terminals in Israel charged monthly – business clients	11,749	13,010	(9.69%)	3,674	4,235	(13.24%)	17,438
Data terminals in Israel charged monthly – private clients	2,333	--	--	729	--	--	--
Data terminals overseas charged monthly	4,695	4,569	2.77%	1,528	1,503	1.69%	6,148
Quote generators	1,077	--	--	344	--	--	--
Data terminals according to extent of use and information files (*)	4,125	6,223	(33.71%)	1,460	1,852	(21.16%)	8,342
Indices and data	2,162	2,501	(13.57%)	550	883	(37.73%)	3,026
Connectivity services	5,589	--	--	2,136	--	--	--
Total revenue from data distribution	31,731	26,303	20.64%	10,422	8,473	23.01%	34,954

* The main decrease in revenue between the first half of 2018 for the first half of 2019 stems from the transition to data terminals in the form of monthly charges instead of information according to usage.

Average Number of Data Terminals Charged Monthly							
	For the nine months ended 30.9.2019	For the nine months ended 30.9.2018	% change	For the three months ended 30.9.2019	For the three months ended 30.9.2018	% change	For 2018
In Israel – for business clients	7,253	8,031	(9.68%)	6,804	7,842	(13.24%)	8,073
In Israel – for private clients	7,177	--	--	6,868	--	--	--
Overseas	4,853	4,709	3.05%	4,824	4,866	(0.86%)	4,745
Quote generators	242	--	--	234	--	--	--
Total	19,525	12,740	53.26%	18,730	12,708	47.39%	12,818

Other revenue

Other Revenue (NIS, in thousands)							
	For the nine months ended 30.9.2019	For the nine months ended 30.9.2018	% change	For the three months ended 30.9.2019	For the three months ended 30.9.2018	% change	For 2018
Rent and Conference Center	1,700	1,541	10.32%	510	420	21.26%	2,091
Analysis project	310	1,605	(80.66%)	139	288	(51.74%)	1,907
Other	566	939	(39.65%)	358	454	(21.04%)	1,168
Total other revenue	2,577	4,085	58.51%	1,007	1,162	(13.34%)	5,166

3.11 Update to section 6.17.3 – Dual-Listing of Foreign ETFs

The Company has drawn up a regulation infrastructure within the framework of the TASE Rules and has adapted the TASE systems so as to enable the effective implementation of such dual-listing. Consequently, through the end of October 2019, 23 foreign ETFs under Blackrock's management had also listed on TASE.

3.12 Update to section 6.18 – Clients

	For the nine months ended 30.9.2019		For 2018	
	Revenue - NIS, in millions	% of the Company's total revenue	Revenue - NIS, in millions	% of the Company's total revenue
TASE member A	24.8	12.79%	34.6	13.5%
TASE member B	24.4	12.59%	35.7	14%
TASE member C	24.1	12.44%	33.7	13.2%

The TASE members referred to above are banks and most of the revenue from them derives from trading and clearing commissions.

3.13 Update to section 6.19 – Marketing and distribution

During August 2019, further to the Company having entered into a Title Sponsorship agreement with Israel's Premier Football League (IPFL), promos for the IPFL have begun to be aired on the various sports channels, at the Company's initiative, as well as other advertising, at the initiative of the IPFL's administration, which include exposure of the Company as the Title Sponsor of the IPFL.

3.14 Update to section 6.20.4 – Trading services in securities

On November 11, 2019, the Israel Securities Authority published the updated text of the General Permit's terms and conditions pursuant to Section 49A of the Securities Law ("the Updated Permit"). In accordance with the Updated Permit's terms and conditions, Trading Services in Securities can also be offered by parties that operate in the field of trading in securities and are subject to oversight and regulation in the fields of trading in securities and investments in Switzerland. The Updated Permit will go into effect at the end of 60 days from the aforementioned publication date.

3.15 Update to section 6.25.10 – Collective labor relations at the Company

The election process for the Company's employees committee was held on September 9, 2019, at the end of which, the members of the committee were elected.

4. Update to Part Four – Description of the Company’s Business

4.1 Update to section 6.25.11 – Officers’ Liability and Professional Liability Insurance Policies

On July 31, 2019, the General Meeting of the Company’s shareholders approved the taking out of officers’ liability and professional liability insurance policies, as well as a POSI policy for the insurance of the offering and the prospectus for a 7-year period from the offering date.

In order to present a full picture, it should be noted that, on July 31, 2019, the General Meetings of shareholders of each of the Tel-Aviv Stock Exchange Clearing House Ltd. and MAOF Clearing House Ltd. (together, “the Clearing Houses”) and the Tel-Aviv Stock Exchange Nominee Company Ltd. approved taking out collective professional liability insurance policies to insure the officers’ liability and an additional coverage tier for the Clearing Houses under an officers and directors’ liability insurance policy (in addition to the existing coverage).

5. Status of the Company’s Financial Commitments as of September 30, 2019, by Repayment Dates

As of the date of this report, the Company had no financial commitments and, accordingly, it has not reported on the status of the commitments.



November 26, 2019

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THE TEL-AVIV STOCK EXCHANGE LTD

BOARD OF DIRECTORS' EXPLANATIONS

AS OF SEPTEMBER 30, 2019

This Report has been prepared assuming that its readers have before them Chapter 6 of the Company's Prospectus Subject to Completion from July 24, 2019 ("the Prospectus") – Description of the Company's Business, as well as the Company's Financial Statements as of December 31, 2018 and March 31, 2019, which are included in the Prospectus.

1. Board of Directors' Explanations for the Company's State of Affairs

1.1 General Review

The Company, including by means of the companies consolidated in its financial statements (collectively, "the Group"), is engaged in the area of securities trading and securities clearing.

Within this framework, the Group is engaged in setting rules regarding the TASE membership, rules for listing securities on TASE (including the obligations that apply to companies whose securities are listed) and rules regarding trading on TASE. The Group operates trading systems and provides clearing services for both listed and non-listed securities. In addition, the Group operates a derivatives clearing house that writes derivatives that are traded on TASE, clears them and serves as a central counterparty for transactions in them. The Group provides central counterparty (CCP) services for transactions in securities and derivatives that are executed on TASE and also provides central securities depository (CSD) services for securities. The Group engages in calculating security indices, in authorizing the use of indices for the creation of financial instruments that track the indices, and in distributing TASE trading data. In addition, since January 2018, the Group has operated a nominee company as defined in the Securities Law (securities traded on TASE are registered in the nominee company's name). The Company has one area of activity that is reported as a business segment in the Company's consolidated financial statements – trading and clearing transactions in securities.

On August 1, 2019, the Company closed an initial public offering by way of a secondary offering of 31,717,504 ordinary shares of the Company and listed them on the Tel-Aviv Stock Exchange Ltd. From said date, the Company became a public company, as this term is defined in the Companies Law, 1999.

This Part describes significant developments in the Company's activity in the third quarter of 2019, in its performance, in the risks to which it is exposed, and

in its goals and strategy. Wherever necessary, this Part should be read in conjunction with Part Six of the Prospectus – Description of the Company's Business, as well as with the Company's financial statements as of December 31, 2018 and as of March 31, 2019, which are included in the Prospectus.

Seasonality

The Company's revenues from trading and clearing are affected, among other things, by the number of trading and clearing days. In 2019, there were 62 trading days in the third quarter, compared to 57 in the corresponding quarter last year – an 8.8% increase. The number of trading days is affected by when exactly the Jewish High Holidays and Sukkot fall: in 2018, most of them fell in the third quarter (in September), while this year most of them fell in the fourth quarter (in October). In the first nine months of 2019, there were 185 trading days, compared to 181 trading days in the corresponding period last year – a 2.2% increase.

Presented below is condensed information relating to the results for the third quarter of 2019 (NIS, in thousands):

<u>Condensed Statement of Profit or Loss</u>	Quarter ended		Difference	
	30.9.2019	30.9.2018	Amount	%
Revenue from services	66,048	58,166	7,882	14%
Expenses	60,287	55,435	4,852	9%
Profit before financing income, net	5,761	2,731	3,030	111%
Financing income, net	3,065	236	2,829	1,199%
Taxes on income	2,021	992	1,029	104%
Net profit	6,805	1,975	4,830	245%
%	10.3%	3.4%		

Below are the main factors that affected the Company's profits in the third quarter of 2019, compared to the corresponding quarter in 2018:

- **The revenue in the third quarter of 2019** – below is the composition of the quarter's revenue, compared to the corresponding quarter last year:

Revenue from services	For the quarter ended				
	30.9.2019	% of the Company's total revenues	30.9.2018	% of the Company's total revenues	% change
Trading and clearing commissions	28,193	43%	25,304	44%	11%
	Most of the increase is due to there being 8.8% more days and to higher trading volumes in equities and government bonds that were partly offset by a reduction in the trading volumes of derivatives.				
Listing fees and levies	13,508	20%	10,480	18%	29%
	Most of the increase is due to updating the annual levies for companies and to ETFs being charged an annual levy since the last quarter of 2018.				
Clearing House services	12,918	19%	12,747	22%	1%
Distribution of data and connectivity services	10,422	16%	8,473	14%	23%
	The increase is mainly due to connectivity revenue that was presented net in the corresponding quarter.				
Other revenue	1,007	2%	1,162	2%	(13%)
Total revenue from services	66,048	100%	58,166	100%	14%

- **The expenses in the third quarter of 2019** after excluding the effect of share-based payment expenses totaled NIS 59.9 million, compared to the expenses in the corresponding quarter last year that totaled NIS 55.4 million. Most of the increase in the expenses is due to an increase in employee benefits, depreciation (among other reasons, as a result of applying IFRS 16) and marketing expenses.
- **Financing income in the third quarter of 2019** increased by 1,199%, compared to the corresponding quarter last year. Most of the increase is due to a positive 1.5% return (compared to a 0.1% return in the corresponding period) on the Company's investments in the held-for-trading financial assets.
- **The net profit in the third quarter of 2019** totaled NIS 6.8 million, compared to NIS 2 million in the corresponding quarter last year – a 245% increase. The increase in the profit is mainly due to the increase in revenue from services and from financing income, as described above, which was offset by an increase in employee benefits, depreciation and tax expenses.

<u>Adjusted EBITDA data¹ and adjusted net profit:</u>	Quarter ended		Difference	
	30.9.2019	30.9.2018	Amount	%
<u>Adjusted EBITDA for the quarter:</u>				
Profit before financing income, net	5,761	2,731		
Share-based payment expenses	432	-		
Depreciation, amortization and capital losses	10,815	8,826		
Adjusted EBITDA for the quarter	17,008	11,557	5,452	47%
%	25.8%	19.9%		
<u>Adjusted net profit for the quarter:</u>				
Net profit	6,805	1,975		
Share-based payment expenses	432	-		
Adjusted net profit for the quarter	7,237	1,975	5,262	266%
%	11.0%	3.4%		

Below are the main factors that affected the Company's adjusted net profit and its adjusted EBITDA in the third quarter of 2019, compared to the corresponding quarter in 2018:

¹ Adjusted data for the profit and EBITDA (operating profit before interest, tax, depreciation and amortization): These data are based on the data in the Company's financial statements for the reported periods, after eliminating the effects of certain events and factors, as explained above, that are not typical of the Company's operating activities.

It is hereby clarified that the data presented above are not presented in accordance with generally accepted accounting principles and do not reflect the Company's cash flows from operating activities or its operating profit and net profit and, accordingly do not constitute a substitute to the data in the Company's financial statements regarding the operating profit and/or the net profit. Nevertheless, in the Company's opinion, these data enable a better comparison to be made of the Company's performance in the reported periods.

- **The adjusted EBITDA in the third quarter of 2019** totaled NIS 17.0 million, compared to NIS 11.6 million in the corresponding quarter last year. The increase is mainly due to an increase in revenue from services, which was partly offset by an increase in expenses – mainly in respect of employee benefits and marketing expenses.
- **The adjusted net profit in the third quarter of 2019** totaled NIS 7.2 million, compared to NIS 2.0 million in the corresponding quarter last year. The increase in profit is due to an increase in revenue from services and financing income, which was partly offset by an increase in expenses – mainly in respect of employee benefits and tax expenses.

For further details regarding profit or loss development, see the analysis of the financial position in section 1.4 below.

Presented below is condensed information relating to the results for the nine-month period ended September 30, 2019 (NIS, in thousands):

<u>Condensed Statement of Profit or Loss</u>	Nine months ended		Difference	
	30.9.2019	30.9.2018	Amount	%
Revenue from services	193,585	185,263	8,322	4%
Expenses	182,974	81,428	101,546	125%
Profit before financing income, net	10,611	103,835	(93,224)	(90%)
Financing income (expenses), net	9,371	(302)	9,673	
Taxes on income	5,254	24,117	(18,863)	(78%)
Net profit	14,728	79,416	(64,688)	(81%)
%	7.6%	42.9%		

Below are the main factors that affected the Company's profits in the nine-month period ended September 30, 2019, compared to the corresponding period in 2018:

- **The revenue in the period** – below is the composition of the period's revenue, compared to the corresponding period last year:

Revenue from services	Nine months ended				
	30.9.2019	% of the Company's total revenues	30.9.2018	% of the Company's total revenues	% change
Trading and clearing commissions	80,661	42%	85,862	47%	(6%)
	The reduction in revenue is due to lower trading volumes in equities, corporate bonds and derivatives in the first quarter; subsequently, trading recovered to the extent that, in the third quarter, revenue was higher than in the corresponding quarter last year.				
Listing fees and levies	40,469	21%	32,406	17%	25%
	Most of the increase is due to updating the annual levies for companies and to ETFs being charged an annual levy since the last quarter of 2018.				
Clearing House services	38,147	20%	36,607	20%	4%
	Most of the increase is due to greater operating activity at the Clearing Houses.				
Distribution of data and connectivity services	31,731	16%	26,303	14%	21%
	The increase is mainly due to connectivity revenue that was presented net in the corresponding period.				
Other revenue	2,577	1%	4,085	2%	(37%)
	Most of the reduction is due to lower revenue from the Analysis Project.				
Total revenue from services	193,585	100%	185,263	100%	4%

- **The expenses in the period** after excluding the effect of share-based payment expenses totaled NIS 179.5 million, compared to the expenses in the corresponding period last year that, after excluding the effect of the impairment reversal, totaled NIS 166.5 million. Most of the increase in the expenses is due to an increase in the expenses for depreciation (among other reasons, as a result of applying IFRS 16), employee benefits and marketing.
- **Financing income in the period.** The transition to financing income in the period is due to the positive 4.9% return (as a result of the downturns in the interest curve on government bonds) on the Company's investments in held-for-trading financial assets, compared to a negative 0.3% return in the corresponding period last year.

- **The net profit in the period** totaled NIS 14.7 million, compared to NIS 79.4 million in the corresponding period last year – an 81% decrease. The reduction in the profit is mainly due to the impairment reversal of NIS 65.5 million, net of tax, in the corresponding period and to an increase in the period, compared to the corresponding period, in depreciation expenses, employee benefits and share-based payment expenses, which were largely offset by an increase in revenue from services and financing income in the period.

<u>Adjusted EBITDA and adjusted net profit data²:</u>	Nine months ended		Difference	
	30.9.2019	30.9.2018	Amount	%
<u>Adjusted EBITDA for the period:</u>				
Profit before financing income, net	10,611	103,835		
Share-based payment expenses	3,440	-		
Reversal of impairment provision	-	(85,108)		
Depreciation and capital losses	33,793	23,995		
Adjusted EBITDA for the period	47,844	42,722	5,121	12%
%	24.7%	23.1%		
<u>Adjusted net profit for the period:</u>				
Net income	14,728	79,416		
Share-based payment expenses	3,440	-		
Reversal of impairment provision, net of tax	-	(65,533)		
Adjusted net profit	18,168	13,883	4,285	31%
%	9.4%	7.5%		

Below are the main factors that affected the Company's adjusted net profit and its adjusted EBITDA in the nine-month period ended September 30, 2019, compared to the corresponding period in 2018:

² Adjusted data for the profit and EBITDA (operating profit before interest, tax, depreciation and amortization): These data are based on the data in the Company's financial statements for the reported periods, after eliminating the effects of certain events and factors, as explained above, that are not typical of the Company's operating activities.

It is hereby clarified that the data presented above are not presented in accordance with generally accepted accounting principles and do not reflect the Company's cash flows from operating activities or its operating profits and net profit and, accordingly do not constitute a substitute to the data in the Company's financial statements regarding the operating profit and/or the net profit. Nevertheless, in the Company's opinion, these data enable a better comparison to be made of the Company's performance in the reported periods.

- **The adjusted EBITDA in the period** totaled NIS 47.8 million, compared to NIS 42.7 million in the corresponding period last year. Most of the increase is due to the initial application in 2019 of IFRS16, the effect of whose application is that the expenses in respect of leases in an amount of NIS 6.3 million are included, starting from 2019, under depreciation expenses.
- **The adjusted net profit in the period** totaled NIS 18.2 million, compared to an adjusted net profit of NIS 13.9 million in the corresponding period last year. The increase is due to an increase in revenue from services and financing income, which was partly offset by an increase in the expenses for depreciation, employee benefits and marketing expenses.

For further details regarding profit or loss development, see the analysis of the financial position in section 1.4 below.

Presented below is condensed information relating to the financial position as of September 30, 2019 (NIS, in thousands):

<u>Condensed statement of financial position</u>	As of		Difference	
	30.9.2019	31.12.2018	Amount	%
Cash and cash equivalents and short-term financial assets	289,548	238,180	51,368	21.6%
Other current assets	27,053	21,913	5,140	23.5%
Property and equipment and intangible assets	434,496	442,031	(7,535)	(1.7%)
Other non-current assets	38,796	12,961	25,835	199.3%
Total assets (*)	789,893	715,085	74,808	10.5%
Current liabilities	78,198	64,721	13,477	20.8%
Non-current liabilities	122,336	90,471	31,865	35.2%
Total liabilities (*)	200,534	155,192	45,342	29.2%
Total equity	589,359	559,893	29,466	5.3%
<i>Ratio of equity to total assets</i>	75%	78%		
<i>Surplus equity over regulatory requirements (in NIS millions)</i>	284	264	20	7.6%
<i>Surplus liquidity over regulatory requirements (in NIS millions)</i>	136	99	37	37.4%

(*) The total assets and liabilities as of September 30, 2019 and December 31, 2018, include a balance of assets/liabilities in respect of open derivative positions amounting to NIS 356,645 thousand and NIS 895,401 thousand, respectively, which – for reasons of convenience in analyzing the financial position – has been offset against each other.

- The total assets as of September 30, 2019 amounted to NIS 789.9 million, a 10.5% increase compared to December 31, 2018. Most of the increase is due to an increase in cash from operating activities and financing activities (with regard to proceeds from listing the Company's shares and to proceeds within the framework of the Securities Law (Amendment No. 63), 2017 with regard to the TASE ownership restructuring ("the Ownership Restructuring"), see section 1.2 below) and to an increase in right-of-use assets following the application of IFRS 16 with effect from January 1, 2019.
- The total liabilities as of September 30, 2019 amounted to NIS 200.5 million, a 29.2% increase compared to December 31, 2018. Most of the increase is due to annual levies being collected in advance and to lease liabilities following the application of IFRS 16 with effect from January 1, 2019 and from an increase in actuarial liabilities for long-term employee benefits due to a decrease in the discount rate.

1.2. **Events at the reporting date and thereafter**

On August 1, 2019, upon closing the sale process of the Company's shares and their listing on the Tel-Aviv Stock Exchange, the Company received its share of the net surplus consideration from the sale process proceeds in an amount of NIS 15.5 million; additionally, in August 2019, one of the Company's shareholders disposed of 1.67 million shares that it had held prior to the TASE Restructuring Law taking effect and the Company received the surplus consideration of NIS 6.6 million in accordance with the provisions of the Law; these amounts were carried directly to the Company's equity during the third quarter and increased its liquidity and equity balances by NIS 22.8 million.

At the end of October 2019, another of the Company's shareholders disposed of 313 thousand shares that it had held prior to the TASE Restructuring Law taking effect and the Company received the surplus consideration of NIS 2.2 million in accordance with the provisions of the Law; these amounts will be carried directly to the Company's equity during the fourth quarter of the year.

1.3. **Presentation and reclassification of financial statements:**

1.3.1. **Retroactive adjustment for Initial Application of IFRS 15 “Revenue from Contracts with Customers” ” in relation to Comparative figures:**

International Financial Reporting Standard 15, “Revenue from Contracts with Customers” (“IFRS 15”) has led to the deferment of revenues from listing fees on the recognition date. For details of the retroactive adjustment for initial application of IFRS 15 and the effect of the aforesaid changes on the Company’s consolidated financial statements, see note 2(K)a to the Company’s annual consolidated financial statements as of December 31, 2018 and note 2B to the Company’s consolidated financial statements as of September 30, 2019.

1.3.2. **Initial Application of a New Accounting Standard, IFRS 16 “Leases”**

International Financial Reporting Standard No. 16 “Leases” (“IFRS 16”) has led operating leases being included within the framework of the financial statements, with effect from January 1, 2019, according to a similar accounting treatment as that applied to finance leases. For details of the initial application of IFRS 16 and the effect of the aforesaid changes on the Company’s consolidated financial statements, see note 2E to the Company’s consolidated financial statements as of September 30, 2019.

1.3.3. **Reclassification**

The Company has reclassified revenue from connectivity (revenue from member communication lines and hosting and connectivity services) from “Other revenue” to “Distribution of data and connectivity services”. Additionally, revenue from members’ levies has been reclassified from “Other revenue” to “Listing fees and levies”.

The new classification more appropriately reflects the composition of the Company’s revenues, based on the types of services that it provides. The new classification does not have a material effect on the comparative figures in the statement of profit or loss for periods prior to 2019. Accordingly, the revenues for such periods have not been reclassified.

The effect of the reclassification for the three- and six-month periods ended June 30, 2019 is as follows:

In the Consolidated Statements of Profit and Loss and Other Comprehensive Income:

	As previously reported	Change	As reported in these financial statements
	NIS, in thousands		
For the six months ended June 30, 2019			
Listing fees and levies	26,772	189	26,961
Distribution of data and connectivity services	17,909	3,400	21,309
Other revenue	5,159	(3,589)	1,570
	<u>49,840</u>	<u>-</u>	<u>49,840</u>
For the three months ended June 30, 2019			
Listing fees and levies	13,371	107	13,478
Distribution of data and connectivity services	8,039	1,631	9,670
Other revenue	2,707	(1,738)	969
	<u>24,117</u>	<u>-</u>	<u>24,117</u>

1.4 Analysis of the Financial Position

Presented below are the principal data from items in the Statements of Financial Position (NIS, in thousands):

Item	As of 30.9.2019	As of 30.9.2018	% change	The Company's explanations
	NIS, in thousands			
Current assets				
Cash, cash equivalents and financial assets	289,548	227,105	27%	The increase is mainly due to an inter-period increase in cash from operating activities, net of investments in property and equipment and intangible assets in an amount of NIS 44.3 million, to the Company's share in the proceeds from listing the Company's shares in an amount of NIS 15.5 million, to the Company's share in the proceeds from a sale of the Company's shares by a shareholder (that held them at the time of the TASE Ownership Restructuring) in accordance with the Law in an amount of NIS 6.6 million – for further details, see note 7 F to the Company's consolidated financial statements as of September 30, 2019, and to the return on the Company's investments in financial assets in an amount of NIS 9.2 million; the aforesaid were partly offset by lease payments in an amount of NIS 7.3 million.
Trade and other receivables	27,053	27,682	(2%)	
	316,601	254,787	24%	
Assets derived from clearing operations in respect of open derivative positions	356,645	891,814	(60%)	The amount expresses the value of the derivative assets that are cleared on the MAOF Clearing House and that are open on the reporting date (an identical amount appears in liabilities).

Item	As of 30.9.2019	As of 30.9.2018	% change	The Company's explanations
	NIS, in thousands			
				The reduction in the balance of the assets is mainly due to a decrease in the open transactions in derivatives on the TA-Banks Index. For further details regarding the offset of financial assets and financial liabilities, see note 5 D to the Company's consolidated financial statements as of September 30, 2019. For further details regarding the financial resources held by the Group to cope with a default event of a MAOF Clearing House member, see note 4 to the Company's consolidated financial statements as of September 30, 2019.
Total current assets	673,246	1,146,601	(41%)	
Non-current assets				
Property and equipment and intangible assets, net	434,496	437,571	(1%)	The inter-period increase is due to the investments made in an amount of NIS 33.2 million, net of depreciation expenses and net retirements in an amount of NIS 36.2 million.
Right-of-use assets	21,440	-	-	This item reflects the effect of the initial application of IFRS 16 (for further details, see note 2 E to the Company's consolidated financial statements as of September 30, 2019).
Other long-term receivables	4,183	539	676%	The increase is mainly due to the balance of the loan, which is presented as long term, that was granted during the period to the CEO in an amount of NIS 2.6 million (net of current maturities. For further details, see note 7 B to the Company's condensed consolidated financial statements as of September 30, 2019), as well as to receivables in respect of long-term leases in an amount of NIS 1 million resulting from the initial application of IFRS 16 (for further details, see note 2 E to the Company's consolidated financial statements as of September 30, 2019).
Deferred tax assets	13,173	12,878	2%	
Total non-current assets	473,292	450,988	5%	
Total assets	1,146,538	1,597,589	(28%)	
Current liabilities				
Trade and other payables	42,300	38,678	9%	The increase in the balance is mainly due to an increase in provisions for short-term employee benefits and in the balance of current taxes, which was partly offset by a reduction in trade payables that arises from the timing of the date of making the payments due to the dates of the Jewish festivals falling in different quarters.
Current maturities of lease liabilities	9,514	-	-	This item reflects the effect of the initial application of IFRS 16 (for further details, see note 2 E to the Company's consolidated financial statements as of September 30, 2019).
Deferred income from listing fees and levies	26,384	23,353	13%	The increase in the balance is mainly due to: an increase in prepaid income in respect of annual levies from ETFs, which were charged with annual levies for the first time at the end of 2018 upon Amendment 28 being fully enacted; updating the tariffs for annual levies from companies; and, an increase in the current maturities of the deferred income from listing fees also increased (see comments below in relation to "Deferred income from listing fees").
	78,198	62,031	26%	
Liabilities derived from clearing operations in respect of open derivative positions	356,645	891,814	(60%)	The amount expresses the value of the derivative liabilities that are cleared on the MAOF Clearing House and that are open on the reporting date (an identical amount appears in assets). The reduction in the balance of the liabilities is mainly due to a

Item	As of 30.9.2019	As of 30.9.2018	% change	The Company's explanations
	NIS, in thousands			
				decrease in the open transactions in derivatives on the TA-Banks Index.
Total current liabilities	434,843	953,845	(54%)	
Non-current liabilities				
Non-current liabilities for employee benefits and other liabilities	36,191	22,440	61%	NIS 12.7 million of the increase in the retirement and termination liability results from an actuarial update of the discount rate as of September 30, 2019 (which is based on the corporate bond yield) and was charged directly against equity (NIS 9.8 million, net of tax).
Lease liabilities	14,330	-	-	This item reflects the effect of the initial application of IFRS 16 (for further details, see note 2 E to the Company's consolidated financial statements as of September 30, 2019).
Deferred income from listing fees and levies	71,815	70,100	2%	The change in this item was affected by the deferral of income received in the period that was offset by the recognition of deferred income from previous periods. Since there has been a net inter-period increase in the prepaid income received from listing fees, the balance of the deferred income has increased.
Total non-current liabilities	122,336	92,540	32%	
Equity	589,359	551,204	7%	The increase in the equity is mainly due to the inter-period profit in an amount of NIS 21.4 million, to the Company's share in the proceeds from the listing of its shares and in the proceeds from the sale of shares within the framework of the Ownership Restructuring in a total amount of NIS 22.8 million – see note 7 F to the Company's consolidated financial statements as of September 30, 2019, and to a reduction in the remeasurement reserve of net liability in respect of defined benefit (the retirement and termination liability) in an amount of NIS 9.8 million as a result of the decrease in the discount rate as of September 30, 2019.
Total liabilities and equity	1,146,538	1,597,589	(28%)	

Item	As of 30.9.2019	As of 31.12.2018	% change	The Company's explanations
	NIS, in thousands			
Current assets				
Cash, cash equivalents and financial assets	289,548	238,180	22%	The increase is mainly due to an inter-period increase in cash from operating activities, net of investments in property and equipment, intangible assets and lease payments in an amount of NIS 31.5 million, to the Company's share in the proceeds from listing the Company's shares in an amount of NIS 15.5 million, to the Company's share in the proceeds from a sale of the Company's shares by a shareholder (that held them at the time of the TASE Ownership Restructuring) in accordance with the Law in an amount of NIS 6.6 million – for further details, see note 7 F to the Company's consolidated financial statements as of September 30, 2019, and to the return on the Company's investments in financial assets in an amount of NIS 10.1

Item	As of 30.9.2019	As of 31.12.2018	% change	The Company's explanations
	NIS, in thousands			
				million; the aforesaid were partly offset by lease payments in an amount of NIS 7.3 million.
Trade and other receivables	27,053	21,913	23%	Most of the increase is due to an increase of NIS 3.8 million in the prepaid expenses (primarily for annual payments made at the beginning of the year and the levy to the Israel Securities Authority for the fourth quarter due to the timing of the Jewish Festivals), as well as a NIS 3.6 million increase in payroll expenses, which are paid in advance each month except in December. These were offset by a decrease of NIS 2.6 million in the balance of current taxes due to refunds of overpaid taxes in respect of prior years.
	316,601	260,093	22%	
Assets derived from clearing operations in respect of open derivative positions	356,645	895,401	(60%)	The amount expresses the value of the derivative assets that are cleared on the MAOF Clearing House and that are open on the reporting date (an identical amount appears in liabilities). The reduction in the balance of the assets is mainly due to a decrease in the open transactions in derivatives on the TA-Banks Index. For further details regarding the offset of financial assets and financial liabilities, see note 5 D to the Company's consolidated financial statements as of September 30, 2019. For further details regarding the financial resources held by the Group to cope with a default event of a MAOF Clearing House member, see note 4 to the Company's consolidated financial statements as of September 30, 2019.
Total current assets	673,246	1,155,494	(42%)	
Non-current assets				
Property and equipment and intangible assets, net	434,496	442,031	(2%)	The decrease is mainly due to depreciation and retirements in an amount of NIS 27.5 million, which was partly offset by investments in an amount of NIS 19.9 million made in the reporting period.
Right-of-use assets	21,440	-	-	This item reflects the effect of the initial application of IFRS 16 (for further details, see note 2 E to the Company's consolidated financial statements as of September 30, 2019).
Other long-term receivables	4,183	538	678%	The increase is mainly due to the balance of the loan, which is presented as long term, that was granted during the period to the CEO in an amount of NIS 2.6 million (net of current maturities. For further details, see note 7 B to the Company's condensed consolidated financial statements as of September 30, 2019), to receivables in respect of long-term leases in an amount of NIS 1 million resulting from the initial application of IFRS 16 (for further details, see note 2 E to the Company's consolidated financial statements as of September 30, 2019) and to other receivables.
Deferred tax and other assets	13,173	12,423	6%	
Total non-current assets	473,292	454,992	4%	
Total assets	1,146,538	1,610,486	(29%)	
Current liabilities				
Trade and other payables	42,300	47,518	(11%)	Most of the decrease is due to a decrease in the balances of suppliers of property and equipment and intangible assets and

Item	As of 30.9.2019	As of 31.12.2018	% change	The Company's explanations
	NIS, in thousands			
				results from a reduction in the scope of this year's investments compared to those of the previous year
Current maturities of lease liabilities	9,514	-	-	This item reflects the effect of the initial application of IFRS 16 (for further details, see note 2 E to the Company's consolidated financial statements as of September 30, 2019).
Deferred income from listing fees and levies	26,384	17,203	53%	The increase is mainly due to the advance charging of annual levies for companies and ETFs that was done during the first quarter.
	78,198	64,721	21%	
Liabilities derived from clearing operations in respect of open derivative positions	356,645	895,401	(60%)	The amount expresses the value of the derivative liabilities that are cleared on the MAOF Clearing House and that are open on the reporting date (an identical amount appears in assets). The reduction in the balance of the liabilities is mainly due to a decrease in the open transactions in derivatives on the TA-Banks Index.
Total current liabilities	434,843	960,122	(55%)	
Non-current liabilities				
Non-current liabilities for employee benefits and other liabilities	36,191	20,060	80%	The NIS 14.9 million increase in retirement and termination liability is mainly due to a reduction in the discount rate 2019 (which is based on the corporate bond yield) and was charged directly against equity (NIS 11.5 million, net of tax).
Lease liabilities	14,330	-	-	This item reflects the effect of the initial application of IFRS 16 -for further details, see note 2 E to the Company's consolidated financial statements as of September 30, 2019.
Deferred income from listing fees	71,815	70,411	2%	The change in this item was affected by the deferral of income received in the period that was offset by the recognition of deferred income from previous periods. Since there has been a net inter-period increase in the prepaid income received from listing fees, the balance of the deferred income has increased.
Total non-current liabilities	122,336	90,471	35%	
Equity	589,359	559,893	5%	The increase in the equity is mainly due to the profit in the period in an amount of NIS 14.4 million, to the Company's share in the proceeds from the listing of its shares and in the proceeds from the sale of shares within the framework of the Ownership Restructuring in a total amount of NIS 22.8 million – see note 7 F to the Company's consolidated financial statements as of September 30, 2019, and to a reduction in the remeasurement reserve of net liability in respect of defined benefit (the retirement and termination liability) in an amount of NIS 11.5 million as a result of the decrease in the discount rate as of September 30, 2019.
Total liabilities and equity	1,146,538	1,610,486	(29%)	

1.5 **Operating results:****Condensed Company profit or loss data (reported amounts) for the three- and nine-month periods ended September 30, 2019 and 2018 (NIS, in thousands)**

Item	For the three months ended September 30,		% change	Explanations for material changes
	2019	2018		
	NIS, in thousands			
Revenue from services:				
Trading and clearing commissions	28,193	25,304	11%	See details in the table below.
Listing fees and levies	13,508	10,480	29%	The inter-period increase is mainly due to the charging of levies to ETFs starting from the end of 2018 (in an amount of NIS 1.1 million), to the increase in the annual levies from companies (in an amount of NIS 0.7 million) and to an increase in revenue from listing fees (in an amount of NIS 1.3 million) following a tariffs update.
Clearing House services	12,918	12,747	1%	
Distribution of data and connectivity services	10,422	8,473	23%	The increase in revenue from the distribution of data arises as a result of reclassifying revenue in respect of connectivity, which was previously presented net, to a gross presentation basis in an amount of NIS 1.5 million.
Other revenue	1,007	1,162	(13%)	
Total revenue from services	66,048	58,166	14%	
Cost of revenue:				
Expenses in respect of employee benefits	33,088	31,117	6%	The increase in payroll expenses is mainly due to pay rises made from January 2019 in an amount of NIS 1.4 million, to an increase in short-term employee benefits and to an increase in overtime hours.
Share-based payment transactions	432	-	-	Expenses in respect of the grant of options to managers and the CEO (for further details see note 7 A and 7 B to the Company's condensed consolidated financial statements as of September 30, 2019).
Computer and communication expenses	6,320	5,636	12%	The increase is mainly due to an increase in manpower costs and software maintenance expenses in an amount of NIS 1.3 million, which were offset by the effect of the initial application of IFRS 16 in an amount of NIS 0.6 million.
Property taxes and building maintenance expenses	3,075	3,327	(8%)	
General and administrative expenses	2,153	2,334	(8%)	
Marketing expenses	1,746	1,163	50%	An increase of NIS 0.8 million is due to the sponsorship agreement with the Israeli Professional Football Leagues Administration that went into effect in the third quarter – see note 7 D to the Company's consolidated financial statements as of September 30, 2019.
Fee to the Israel Securities Authority	2,658	2,629	1%	
Depreciation and amortization expenses	10,809	8,576	26%	The increase in depreciation expenses mainly reflects the application of IFRS 16 (for further details, see note 2 E to the

Item	For the three months ended September 30,		% change	Explanations for material changes
	2019	2018		
	NIS, in thousands			
				Company's consolidated financial statements as of September 30, 2019) in an amount of NIS 2.1 million.
Other expenses	6	653	(99%)	
Total cost of revenue	60,287	55,435	9%	The expenses in the third quarter of 2019 (after excluding the effect of share-based payment transactions) amounted to NIS 59.9 million, compared to expenses of NIS 55.4 million in the corresponding quarter last year. Most of the increase in expenses is due to a NIS 2 million increase in employee benefit expenses and a NIS 2.2 million increase in depreciation expenses.
Profit before financing income, net	5,761	2,731	111%	The profit before financing income, net in the period, after excluding the effect of share-based payment transactions, amounted to NIS 5.3 million. The profit increase is mainly due to the increase in revenue from services, net of the increase in costs, as described above.
Total financing income, net	3,065	236	1199%	The increase in the income is due to positive yields on the Company's investments in held-for-trading financial assets. A yield of 1.5% was recorded in the third quarter, compared to a yield of 0.1% in the corresponding quarter last year.
Profit before taxes on income	8,826	2,967	197%	
Taxes on income	2,021	992	104%	The increase is mainly due to the increase in profit in the third quarter, compared to the corresponding quarter. The increase in the effective tax rate in the corresponding quarter was mainly due to an increase in "Other expenses" for which no deferred taxes were recorded.
Profit for the period	6,805	1,975	245%	The net profit in the third quarter of 2019 amounted to NIS 6.8 million, compared to NIS 2 million in the corresponding quarter last year – a 245% increase. Most of the profit increase, compared to the corresponding period last year, was due to an increase in revenue from services and financing income, which was partly offset by an increase in depreciation expenses, employee benefits and tax expenses.

Item	For the nine months ended September 30,		% change	Explanations for material changes
	2019	2018		
	NIS, in thousands			
Revenue from services:				
Trading and clearing commissions	80,661	85,862	(6%)	See details in the table below.
Listing fees and levies	40,469	32,406	25%	The inter-period increase is due to a NIS 6.2 million increase in the annual levies, resulting from the charging of annual levies to ETFs starting from the end of 2018 (in an amount of NIS 3.3 million) and to a NIS 2.2 million increase in the annual levies commission.
Clearing House services	38,147	36,607	4%	The increase is mainly due to greater operating activity at the Clearing Houses.
Distribution of data and connectivity services	31,731	26,303	21%	The increase in revenue from the distribution of data arises as a result of reclassifying revenue in respect of connectivity, which was previously presented net, to a gross presentation basis in an amount of NIS 4.7 million.
Other revenue	2,577	4,085	(37%)	The decrease in other revenue results from a NIS 1.3 million in revenue from the Analysis project and from reclassifying, from the start of the reporting period, revenue in respect of connectivity to revenue from the distribution of data (revenue of NIS 0.6 million was included in other revenues in the corresponding period).
Total revenue from services	193,585	185,263	4%	
Cost of revenue:				
Expenses in respect of employee benefits	98,675	94,967	4%	The increase in payroll expenses is mainly due to pay rises made from January 2019 in an amount of NIS 3.9 million and to a reduction in costs capitalized to property and equipment and intangible assets in an amount of NIS 2.6 million. These were partly offset by an inter-period reduction in overtime hours.
Share-based payment transactions	3,440	-	-	Expenses in respect of the grant of options to managers and the CEO (for further details see note 7A and 7B to the Company's condensed consolidated financial statements as of September 30, 2019), of which an amount of NIS 1.8 million is in respect of the period from the original grant date through December 31, 2018.
Computer and communication expenses	17,671	18,237	(3%)	The reduction is mainly due to the effect of the initial application of IFRS 16, which was offset by higher software maintenance expenses.
Property taxes and building maintenance expenses	9,174	9,398	(2%)	
General and administrative expenses	6,331	6,402	(1%)	
Marketing expenses	5,916	4,480	32%	Most of the increase in the present period is due to a television campaign aimed at retail investors that cost NIS 3.5 million and from entering into a sponsorship agreement with the Israeli Professional Football Leagues Administration that costs NIS 0.8 million per quarter. This compares to an amount of NIS 1.3 million spent in the corresponding period last year on a campaign celebrating TASE's 65 th anniversary. In addition, there was an inter-period decrease of NIS 1.4 million in the Analysis project's expenses due to the review period for most of the companies terminating at the end of 2018.
Fee to the Israel Securities Authority	7,974	7,882	1%	

Item	For the nine months ended September 30,		% change	Explanations for material changes
	2019	2018		
	NIS, in thousands			
Operating expenses for nominee company	-	448	(100%)	The decrease in 2019 is due to canceling the transfers to the nominee companies of the banks which took effect on February 1, 2018.
Depreciation and amortization expenses	32,514	23,749	37%	The increase in depreciation expenses includes the effect of applying IFRS 16 (for further details, see note 2 E to the Company's consolidated financial statements as of September 30, 2019) in an amount of NIS 6.3 million. In addition, depreciation expenses are higher due to the activation of new assets and to an increase in the depreciation of the TASE building following the reversal of the impairment provision in 2018.
Reversal of the impairment provision	-	(85,108)	-	During 2018, the impairment provision on the TASE building was reversed. For further details, see note 3B to the Company's consolidated financial statements as of December 31, 2018.
Other expenses	1,279	973	31%	The other expenses in the present period mainly reflect capital losses on the retirement of property and equipment and on intangible assets. The other expenses in the corresponding period included the Company's costs in listing its shares that were not actually issued at that time.
Total cost of revenue	182,974	81,428	125%	The total cost of revenue in the present period amounted to NIS 179.5 million (after excluding the effect of share-based payment transactions), compared to NIS 166.5 million (after excluding the effect of the impairment reversal) in the corresponding period last year. Most of the increase in expenses is due to a NIS 8.8 million increase in depreciation expenses, to a NIS 3.7 million increase in employee benefits and to a NIS 1.4 million increase in marketing expenses.
Profit before financing income, net	10,611	103,835	(90%)	The profit before financing income, net in the period, after excluding the effect of share-based payment transactions, amounted to NIS 14 million, compared to the profit of NIS 18.7 million in the corresponding period last year (after excluding the effect of the impairment reversal). The gap reflects the increase in expenses, after offsetting the rise in revenue as described above.
Total financing income (expenses), net	9,371	(302)		The transition to financing income is due to positive yields on the Company's investments in held-for-trading financial assets. A yield of 4.9% was recorded in the reported period, compared to a negative yield of 0.3% in the corresponding period last year.
Profit before taxes on income	19,982	103,533	(81%)	
Taxes on income	5,254	24,117	(78%)	The decrease of NIS 19 million is mainly due to the effect of the impairment reversal in the corresponding period last year. The increase in the effective tax rate in 2019 is due to expenses for share-based payment transactions, which were granted under the capital (102) track and which are not recognized for tax purposes.
Profit for the period	14,728	79,416	(81%)	The profit in the period, after excluding the effect of share-based payment transactions, amounts to NIS 18.2 million, compared to the profit of NIS 13.8 million, after excluding the effect of the impairment reversal net of tax in an amount of NIS 65.5 million, in the corresponding period last year. Most of the profit increase, compared to the corresponding period last year, was due to an increase in revenue from

Item	For the nine months ended September 30,		% change	Explanations for material changes
	2019	2018		
	NIS, in thousands			
				services and financing income, which was partly offset by an increase in depreciation expenses and employee benefits.

Presented below are data relating to the trading and clearing revenue (in NIS, in thousands):

	For the three months ended September 30,		Difference as a %	Explanations for material changes
	2019	2018		
	NIS, in thousands			
Shares and convertibles	8,698	7,352	18%	The number of trading days in the quarter amounted to 62, compared to 57 days in the corresponding quarter last year – an 8.8% increase. The number of trading days was affected by the timing of the Jewish High Holidays and Sukkot which, in the corresponding period, mostly fell in the third quarter (in September), while this year they mostly fell in the fourth quarter (in October). In addition, trading volumes have increased by 6.7%.
Corporate bonds	3,547	3,563	(0%)	The increase in the number of trading days was offset by a decrease in volumes.
Government bonds	3,975	3,141	27%	The increase in revenue results both from higher trading volumes and also from the greater number of trading days between the quarters.
Derivatives	5,192	5,256	(1%)	The decrease in revenue from derivatives in the quarter is mainly due to a decrease in daily trading volumes, which was largely offset by an increase in the number of trading days between the quarters.
Mutual funds clearing	6,127	5,645	9%	The increase in revenue is mainly due to greater number of trading days.
T-bills (Makams) and other	654	347	88%	The increase in revenue is due to an increase in trading volumes in the effective commission.
Total	28,193	25,304	11%	

For further information regarding trading volumes, market value, effective commission rates and other data, see Part One – Update of the Description of the Company's Business, section 3.9.

	For the nine months ended September 30,		Difference as a %	Explanations for material changes
	2019	2018		
	NIS, in thousands			
Shares and convertibles	24,044	24,851	(3%)	The number of trading days in the first nine months of 2019 amounted to 185 and reflects a 2.2% increase. The trading volumes in the first half of 2019 were lower than the volumes in the corresponding period last year. The decrease was due, inter alia, to the steep declines that took place in December 2018 on international exchanges and on

	For the nine months ended September 30,		Difference as a %	Explanations for material changes
	2019	2018		
	NIS, in thousands			
				the local exchange, in particular, as well as to the delisting of three major companies (SodaStream, Mazor and Frutarom) that were part of the TA-35 Index and to the effect of the reform in the transition from ETNs to ETFs at the end of 2018 that led to a decrease in trading and clearing revenue in ETFs relative to ETNs. Most of the decrease occurred during the first quarter of 2019, after which there was a recovery in trading volumes that has resulted in the trading volumes for the third quarter of 2019 being 6.7% higher than in the corresponding period last year.
Corporate bonds	11,116	13,006	(14%)	The trading volumes in corporate bonds in the first nine months of 2019 were affected, inter alia, by the steep declines that characterized December 2018, and by a reduction in trading volumes in ETFs, compared to the trade in ETNs in the corresponding period last year, following the ETFs reform that took place at the end of 2018.
Government bonds	11,253	10,863	3.5%	The revenue increase is due to higher volumes in shekel bonds, as well as to differences in the number of trading days between the periods.
Derivatives	14,259	18,457	(23%)	The TA-35 index derivatives market was affected by the exiting of MAOF players and the shekel-dollar derivatives market was affected by Amendment 28 of the Joint Investment Trust Law; the Amendment permits mutual funds to conduct activity in non-traded futures to hedge their exposures to foreign currency, with effect from January 2019.
Mutual funds clearing	17,867	17,624	1%	
T-bills (Makams) and other	2,122	1,061	100%	The increase in revenue is due to an increase in trading volumes in the effective commission.
Total	80,661	85,862	(6%)	

For further information regarding trading volumes, market value, effective commission rates and other data, see Part One – Update of the Description of the Company's Business, section 3.9

1.6 Liquidity and Sources of Finance

1.6.1 Sources of finance (NIS, in millions)

The Group's sources of finance are the Group's revenues from the various services that it provides. These revenues finance the ongoing activity of the Group, as well as the TASE Group's investment program.

The Group has balances of cash and financial assets as set forth below:

	As of 30.9.19	As of 30.9.18	As of 31.12.18
Cash and financial assets	289.5	227.1	238.2

The Company has an unutilized credit facility from a bank of up to NIS 50 million. For further details, see section 6.29.1 of the Prospectus.

In addition, the TASE Clearing House has been granted a credit facility by a banking corporation in an amount of NIS 30 million. At the request of the TASE Clearing House, the banking corporation will grant it credit in an amount of up to NIS 30 million against the deposit, in a pledged dedicated account of the TASE Clearing House with the banking corporation, of government bonds with a value of NIS 30 million and a lien in favor of the banking corporation. The term of the aforementioned credit facility is through December 31, 2019.

Cash flows (NIS, in millions)

Item		Data for the three months ended September 30		Explanations of the Company for change in period	
		2019	2018		
Net cash from operating activities	Adjusted EBITDA	17.0	11.6	The increase is mainly due to revenue growth in the third quarter. With effect from 2019, following the application of IFRS 16, expenses in respect of leases are included under depreciation expenses and had a NIS 2.1 million effect in the period. Lease payments are included under financing activities.	
	Changes in working capital	(5.1)	(6.2)		
	Financing and tax	0.9	0.4		
	Total	12.8	5.8		
Net cash used in investing activities	Investments in property and equipment and in intangible assets	(6.5)	(14.7)	In 2018, the Company made investments, in addition to the replacement of existing assets, in computer and communications equipment and infrastructure, following under investment in 2016-2017. In addition, in 2018, the Company began implementing the strategic plan that was adopted during 2017 and commenced the development of two major projects during 2018: colocation, which began operating in June 2019, and a central securities lending pool, which is expected to be completed during 2020.	
	Acquisition of financial assets at fair value	0.3	(0.3)		
	Total	(6.2)	(15.0)		
Net cash from financing activities	Proceeds from shareholders within the framework of listing the Company's shares and the Ownership Restructuring	22.2	9.9	The proceeds received in the quarter within the framework of the initial listing of the Company's shares, in an amount of NIS 15.5 million, and the proceeds from a sale of shares within the framework of implementing the Ownership Restructuring, in an amount of NIS 6.6 million (in the corresponding quarter, NIS 9.9 million due to the Ownership Restructuring) – for further details, see note 7 F to the Company's consolidated financial statements as of September 30, 2019.	
	Lease payments	(2.5)	-		Lease payments resulting from the initial application of IFRS 16 – for further details, see note 2 E to the Company's consolidated financial statements as of September 30, 2019.
	Total	19.7	9.9		
Total increase (decrease) in cash and cash equivalents		26.3	0.7	The inter-quarter decrease is mainly due to the investing activities as described above.	

Item		Data for the nine months ended September 30		Data for 2018	Explanations of the Company for change in period
		2019	2018		
Net cash from	Adjusted EBITDA	47.8	42.7	61.5	The increase is mainly due to revenue growth in the third quarter. With effect from 2019, following

operating activities	Changes in working capital	1.3	1.8	6.1	the application of IFRS 16, expenses in respect of leases are included under depreciation expenses and had a NIS 6.3 million effect in the period. Lease payments are included under financing activities.
	Financing and tax	6.7	5.1	3.7	
	Total	55.8	49.6	71.3	
Net cash used in investing activities	Investments in property and equipment and in intangible assets	(24.4)	(43.7)	(52.4)	In 2018, the Company made investments, in addition to the replacement of existing assets, in computer and communications equipment and infrastructure, following under investment in 2016-2017. In addition, in 2018, the Company began implementing the strategic plan that was adopted during 2017 and commenced the development of two major projects during 2018: colocation, which began operating in June 2019, and a central securities lending pool, which is expected to be completed during 2020.
	Acquisition of financial assets at fair value	(29.2)	(1.1)	(2.6)	In the second quarter of 2019, NIS 27 million was deposited in the managed portfolios.
	Total	(53.6)	(44.8)	(55.0)	
Net cash from financing activities	Proceeds from shareholders within the framework of listing the Company's shares and the Ownership Restructuring	22.2	9.9	9.9	The proceeds received in the period within the framework of the initial listing of the Company's shares, in an amount of NIS 15.5 million, and the proceeds from a sale of shares within the framework of implementing the Ownership Restructuring, in an amount of NIS 6.6 million (in the corresponding period, NIS 9.9 million due to the Ownership Restructuring) – for further details, see note 7 F to the Company's consolidated financial statements as of September 30, 2019.
	Lease payments	(7.3)	-	-	Lease payments resulting from the initial application of IFRS 16 – for further details, see note 2 E to the Company's consolidated financial statements as of September 30, 2019.
	Total	14.9	9.9	9.9	
Total increase (decrease) in cash and cash equivalents		17.1	14.7	26.2	

1.6.2 Adjusted profit and adjusted EBITDA data for the reported periods

Presented below are adjusted data for the profit and EBITDA (operating profit before interest, tax, depreciation and amortization). These data are based on the data in the Company's financial statements for the reported periods, after eliminating the effects of certain events and factors, as explained below, that are not typical of the Company's operating activities.

It is hereby clarified that the data presented below are not presented in accordance with generally accepted accounting principles and do not reflect the Company's cash flows from operating activities or its operating profits and net profit and, accordingly do not constitute a substitute to the data in the

Company's financial statements regarding the operating profit and/or the net profit. Nevertheless, in the Company's opinion, these data enable a better comparison to be made of the Company's performance in the reported periods.

Adjusted profit and adjusted EBITDA for the third quarter of 2019 and 2018:

Item	For the three months ended		% change
	September 30, 2019	September 30, 2018	
	NIS, in thousands		
Adjusted profit for the quarter:			
Profit for the quarter	6,805	1,975	244.6%
Adjustments:			
Share-based payment transactions	432	-	-
Adjusted profit for the quarter	7,237	1,975	266.4%
Adjusted profit as percentage of total revenue for the quarter	11.0%	3.4%	
Adjusted EBITDA for the quarter:			
Profit before financing income, net	5,761	2,731	110.9%
Adjustments:			
Share-based payment transactions	432	-	-
Depreciation and amortization expenses	10,809	8,576	26%
Capital loss (gain) on disposal of property and equipment and intangible assets	6	248	(97.2%)
Adjusted EBITDA for the quarter	17,008	11,555	47.2%
Adjusted EBITDA as percentage of total revenue for the quarter	25.8%	19.9%	

For details regarding the effect of the initial application of IFRS 16 "Leases", see note 2 E to the Company's consolidated financial statements as of September 30, 2019.

Adjusted profit and adjusted EBITDA for the nine-month period ended September 30, 2019 and 2018:

Item	For the nine months ended		% change	For 2018 NIS, in thousands
	September 30			
	2019	2018		
NIS, in thousands				
Adjusted profit for the period:				
Profit for the period	14,728	79,416	(81.5%)	86,422
Adjustments:				
Share-based payment transactions	3,440	-	-	-
Reversal of the impairment provision	-	(85,108)	-	(85,108)
Tax effect of reversing the impairment provision	-	19,575	-	19,575
Adjusted profit for the period	18,168	13,883	30.9%	20,899
Adjusted profit as a percentage of total revenue for the period	9.4%	7.5%		
Adjusted EBITDA for the period:				
Profit before financing income, net	10,611	103,835	(89.8%)	113,622
Adjustments:				
Share-based payment transactions	3,440	-	-	-
Reversal of the impairment provision	-	(85,108)	-	(85,108)
Depreciation and amortization expenses	32,514	23,749	36.9%	32,672

Capital loss (gain) on disposal of property and equipment and intangible assets	1,279	248	416.1%	280
Adjusted EBITDA for the period	47,844	42,724	12%	61,466
Adjusted EBITDA as a percentage of total revenue for the period	24.7%	23.1%		

For details regarding the effect of the initial application of IFRS 16 “Leases”, see note 2 E to the Company’s consolidated financial statements as of September 30, 2019.

1.6.3 **Customer credit**

Most of the Company’s revenue is collected on the date of providing the service or adjacent thereto. Revenues from trading and clearing, Clearing House and custodian services are collected through the Bank of Israel’s settlement system (RTGS). Revenues from listing fees, examination fees, data distribution revenues, leasing, etc. are collected mainly by means of bank transfers, credit card payments or check payments.

The Company’s revenue from annual levies is collected at the beginning of the year on “current month +30 days” terms.

Revenue from the distribution of trading and other data is collected on “current month +30 days” terms or on “current month +60 days” terms and the revenue from the use of indices is collected at the beginning of each year in respect of the previous year.

The balance of trade receivables as of September 30, 2019, September 30, 2018 and December 31, 2018 amounted to NIS 13,736 thousand, NIS 11,866 thousand and NIS 15,325 thousand, respectively.

1.6.4 **Supplier credit**

The credit granted to the Company by its suppliers is mainly “current month +30 days” or “current month +60 days” (including that received from suppliers of computer equipment).

The balance of trade payables as of September 30, 2019, September 30, 2018 and December 31, 2018 amounted to NIS 8,119 thousand, NIS 12,588 thousand and NIS 15,272 thousand, respectively. The decrease in trade payables is due to the timing of the Group’s investment activity within the framework of implementing the 2019 work plan.

2. Exposure to Risks and Their Management

The operations of the Group involve exposure to various financial risks, mainly – credit risk, liquidity risk and market risk. In addition, the operations of the Group also involve exposure to settlement risk, operational risk, business risk, and other risks, the materialization of which could lead to a loss and to a material reduction in the Group's equity.

The Group regularly reviews the risk mapping to ascertain that it encompasses all the business activity, market conditions and regulatory requirements.

No material changes occurred in the quarter in the Group's risk exposure. For a listing of the risk exposures and how these are managed, see section 2 of the Board of Directors' Explanations to March 31, 2019 and for 2017 and 2018, which are included in the Prospectus and, for the discussion on risk factors, see section 6.37 of the Prospectus.

2.1 Presented Below is a Note Relating to the Linkage Bases as of September 30, 2019 and December 31, 2018 (NIS, in thousands):

	30.9.2019					
	Foreign currency or linked thereto	CPI-linked	Unlinked	Assets and liabilities derived from clearing operations in respect of open derivative positions	Other items	Total as of 30.9.2019
	NIS, in thousands					
Assets:						
Current assets:						
Cash and cash equivalents and short-term investments	1,203	103,496	184,849	-	-	289,548
Trade receivables	559	-	13,177	-	-	13,736
Other receivables	-	3,097	4,283	-	5,937	13,317
Assets derived from clearing operations in respect of open derivative positions	-	-	-	356,645	-	356,645
Non-current assets:						
Property and equipment and intangible assets, net	-	-	-	-	434,496	434,496
Deferred taxes and other assets	-	-	540	-	13,173	13,713
Right-of-use assets and other long-term receivables	-	1,077	-	-	24,006	25,083
Total assets	1,762	111,635	198,884	356,645	477,612	1,146,538
Liabilities:						
Current liabilities:						
Trade payables	-	-	8,119	-	-	8,119

Current liabilities for employee benefits	-	-	29,727	-	-	29,727
Other payables	-	-	2,832	-	-	2,832
Current maturities of lease liabilities	-	9,514	-	-	-	9,514
Liabilities for current taxes	-	1,622	-	-	-	1,622
Deferred income from listing fees and levies	-	-	7,921	-	18,463	26,384
Liabilities derived from clearing operations in respect of open derivative positions	-	-	-	356,645	-	356,645
Non-current liabilities (including current maturities):						
Non-current liabilities for employee benefits	-	-	-	-	35,500	35,500
Lease liabilities	-	14,330	-	-	-	14,330
Liabilities for deferred taxes	-	-	-	-	151	151
Deferred income from listing fees and levies	-	-	-	-	71,815	71,815
Other liabilities	-	-	540	-	-	540
Total liabilities	-	27,559	47,046	356,645	125,929	557,179
Excess assets over liabilities	1,762	84,076	151,838	-	351,683	589,359

	31.12.2018					
	Foreign currency or linked thereto	CPI-linked	Unlinked	Assets and liabilities derived from clearing operations in respect of open derivative positions	Other items	Total as of 31.12.2018
	NIS, in thousands					
Assets:						
Current assets:						
Cash and cash equivalents and short-term investments	5,022	77,347	155,811	-	-	238,180
Trade receivables	526	-	14,799	-	-	15,325
Other receivables	-	5,067	1,521	-	-	6,588
Assets derived from clearing operations in respect of open derivative positions	-	-	-	895,401	-	895,401
Non-current assets:						
Property and equipment and intangible assets, net	-	-	-	-	442,031	442,031
Deferred taxes and other assets	-	-	538	-	12,423	12,961
Total assets	5,548	82,414	172,669	895,401	454,454	1,610,486
Liabilities:						
Current liabilities:						
Trade payables	3,795	-	11,477	-	-	15,272
Current liabilities for employee benefits	-	-	28,751	-	-	28,751
Other payables	-	-	3,495	-	-	3,495
Deferred income from listing fees and levies	-	-	-	-	17,203	17,203

Liabilities derived from clearing operations in respect of open derivative positions	-	-	-	895,401	-	895,401
Non-current liabilities (including current maturities):						
Non-current liabilities for employee benefits	-	-	-	-	19,522	19,522
Deferred income from listing fees	-	-	-	-	70,411	70,411
Other liabilities	-	-	538	-	-	538
Total liabilities	3,795	2,008	42,253	895,401	107,136	1,050,593
Excess assets over liabilities	1,753	80,406	130,416	-	347,318	559,893

2.2 Sensitivity Analyses

The TASE Group has cash reserves that are deposited with banks and invested in financial instruments. With regard to sensitivity analyses to changes in interest, see note 8 E to the Company's consolidated financial statements as of December 31, 2018, which are included in the Prospectus and also note 5 F to the Company's consolidated financial statements as of September 30, 2019.

2.3 Fair value at risk – For details regarding the adoption of the VaR model by the Company in accordance with the provisions of the Securities Regulations Periodic and Immediate Reports, 1970, see section 2.8 to the Board of Directors' Explanations to March 31, 2019 and for 2017 and 2018, attached to the Prospectus.

Presented below are details of the VaR results for the nine months ended September 30, 2019 and for 2018:

	As of 30.9.2019	Maximum value for the nine months ended 30.9.2019	Average for the nine months ended 30.9.2019
	NIS, in millions		
The VaR for the investment portfolio and the cash balances held in foreign currency	10.2	10.3	9.9
	As of 31.12.2018	Maximum value for 2018	Average for 2018
	NIS, in millions		
The VaR for the investment portfolio and the cash balance held in foreign currency	9.3	9.5	8.4

3. **Effectiveness of the Internal Control Over the Financial Reporting and Disclosure (iSOX)**

Taking into account the date of the initial listing of the Company's shares, on August 1, 2019, the Company was not subject – as of the date of the Report – to the obligation to attach a report regarding the assessment of the Board of Directors and management concerning the effectiveness of the internal control over the financial reporting and over the disclosure, management declarations by the CEO and the most senior officer in the financial sphere regarding the effectiveness of the internal control over the financial reporting and over the disclosure and a report of the independent auditors regarding the effectiveness of the internal control. The aforesaid obligation, apart from the report of the independent auditors regarding the effectiveness of the internal control, will apply to the Company on the date of publishing the Periodic Report that includes the financial statements drawn up to December 31, 2020. With regard to the aforementioned report of the independent auditors, the obligation for it to be attached will apply from August 1, 2024.

4. **The Company's Employees**

The Board of Directors expresses its appreciation to the Company's Management and to the Group's employees for their dedicated work and their contribution to the Company's progress.

Amnon Neubach

**Chairman of the
Board of Directors**

Ittai Ben-Zeev

Chief Executive Officer

Date: November 26, 2019

THE TEL-AVIV STOCK EXCHANGE LTD.

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2019**

(Unaudited)

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.

THE TEL-AVIV STOCK EXCHANGE LTD.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2019

Unaudited

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Translated from the Hebrew language

INDEPENDENT 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 subsidiaries (hereafter - "the Group"), which includes the condensed consolidated statement of financial position as of September 30, 2019, and the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine- and three-month periods then ended.

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

Scope of Review:

We conducted our review in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel, "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 of applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel 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 abovementioned financial information is not prepared, in all material aspects, in accordance with International Accounting Standard 34.

In addition to the statements in the previous paragraph, based on our review, nothing has come to our attention that causes us to believe that the abovementioned financial information does not comply, in all material respects, with the disclosure requirements of Chapter Four of the Securities Regulations (Periodic and Immediate Reports), 1970.

Brightman Almagor Zohar & Co.
Certified Public Accountants
A Firm in the Deloitte Global Network

Tel Aviv, Israel, November 26, 2019

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

	<u>Note</u>	<u>September 30,</u>		<u>December 31,</u>
		<u>2019</u>	<u>2018</u>	<u>2018</u>
		<u>NIS, in</u>	<u>NIS, in</u>	<u>NIS, in</u>
		<u>thousands</u>	<u>thousands</u>	<u>thousands</u>
		<u>(Unaudited)</u>		<u>(Audited)</u>
<u>Assets</u>				
Current assets				
Cash and cash equivalents		71,204	42,970	54,363
Financial assets at fair value through profit or loss		218,344	184,135	183,817
Trade receivables		13,736	11,886	15,325
Other receivables		13,107	13,229	3,797
Current tax assets		210	2,567	2,791
		<u>316,601</u>	<u>254,787</u>	<u>260,093</u>
Assets derived from clearing operations with respect to open derivative positions		<u>356,645</u>	<u>891,814</u>	<u>895,401</u>
Total current assets		<u>673,246</u>	<u>1,146,601</u>	<u>1,155,494</u>
Non-current assets				
Cash restricted as to use		540	539	538
Right-of-use assets	2 E	21,440	-	-
Other long-term receivables	2 E	3,643	-	-
Property and equipment, net		325,232	335,390	336,079
Intangible assets, net		109,264	102,181	105,952
Deferred tax assets		13,173	(*)12,878	12,423
Total non-current assets		<u>473,292</u>	<u>450,988</u>	<u>454,992</u>
Total assets		<u>1,146,538</u>	<u>1,597,589</u>	<u>1,610,486</u>

(*) Retroactively adjusted for change in accounting policy - see note 2 B (1).

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

	Note	September 30,		December 31,
		2019	2018	2018
		NIS, in thousands	NIS, in thousands	NIS, in thousands
		(Unaudited)	(Unaudited)	(Audited)
Liabilities and Equity				
Current liabilities				
Trade payables		8,119	12,588	15,272
Short-term liabilities for employee benefits		29,727	23,883	28,751
Other payables		2,832	(*)2,207	3,495
Current maturities of lease liabilities	2 E	9,514	-	-
Current tax liabilities		1,622	-	-
Deferred income from listing fees and levies		26,384	(*) 23,353	17,203
		<u>78,198</u>	<u>62,031</u>	<u>64,721</u>
Liabilities derived from clearing operations with respect to open derivative positions		<u>356,645</u>	<u>891,814</u>	<u>895,401</u>
Total current liabilities		<u>434,843</u>	<u>953,845</u>	<u>960,122</u>
Non-current liabilities				
Non-current liabilities for employee benefits		35,500	21,901	19,522
Lease liabilities	2 E	14,330	-	-
Deferred tax liabilities		151	(*) -	-
Deferred income from listing fees and levies		71,815	(*) 70,100	70,411
Other liabilities		540	539	538
Total non-current liabilities		<u>122,336</u>	<u>92,540</u>	<u>90,471</u>
Equity				
Remeasurement reserve of net liability in respect to defined benefit		(15,789)	(6,014)	(4,331)
Capital reserve in respect to share-based payment transactions		30,820	27,380	27,380
Other capital reserves		35,863	13,107	13,107
Retained earnings		538,465	(*) 516,731	523,737
Total equity		<u>589,359</u>	<u>551,204</u>	<u>559,893</u>
Total liabilities and equity		<u>1,146,538</u>	<u>1,597,589</u>	<u>1,610,486</u>

November 26, 2019

**Date of Financial
Statements Approval**

(*) Retroactively adjusted for change in accounting policy - see note 2 B (1).

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

	Nine-month period ended September 30,		Three-month period ended September 30,		Year ended December 31,
	2019	2018	2019	2018	2018
	NIS, in thousands (Unaudited)	NIS, in thousands (Unaudited)	NIS, in thousands (Unaudited)	NIS, in thousands (Unaudited)	NIS, in thousands (Audited)
Revenue from services:					
Trading and clearing commissions	80,661	85,862	28,193	25,304	119,355
Listing fees and levies (**)	40,469	(*) 32,406	13,508	(*) 10,480	46,525
Clearing House services	38,147	36,607	12,918	12,747	49,605
Distribution of data and connectivity services (**)	31,731	26,303	10,422	8,473	34,954
Other revenue (**)	2,577	4,085	1,007	1,162	5,166
Total revenue from services	193,585	185,263	66,048	58,166	255,605
Cost of revenue:					
Employee benefits expenses	98,675	94,967	33,088	31,117	129,270
Expenses in respect of share-based payments (see notes 7 A and 7 B (3))	3,440	-	432	-	-
Computer and communications expenses	17,671	18,237	6,320	5,636	26,024
Property taxes and building maintenance expenses	9,174	9,398	3,075	3,327	12,994
General and administrative expenses	6,331	6,402	2,153	2,334	8,829
Marketing expenses	5,916	4,480	1,746	1,163	5,452
Fee to the Israel Securities Authority	7,974	7,882	2,658	2,629	10,506
Operating expenses for nominee company	-	448	-	-	448
Depreciation and amortization	32,514	23,749	10,809	8,576	32,672
Reversal of impairment provision	-	(85,108)	-	-	(85,108)
Other expenses	1,279	973	6	653	896
Total costs	182,974	81,428	60,287	55,435	141,983
Profit before financing income, net	10,611	103,835	5,761	2,731	113,622
Financing income	10,024	(179)	3,286	245	(899)
Financing expenses	653	123	221	9	161
Total financing income (expenses), net	9,371	(302)	3,065	236	(1,060)
Profit before taxes on income	19,982	103,533	8,826	2,967	112,562
Taxes on income	5,254	(*) 24,117	2,021	(*) 992	26,140
Profit for the period	14,728	79,416	6,805	1,975	86,422
Other comprehensive income (loss):					
Items that will not be subsequently reclassified to profit or loss, net of tax:					
Remeasurement of net liability in respect to defined benefit, net of tax	(11,458)	3,080	(6,991)	-	4,763
Comprehensive income (loss) for the period	3,270	82,496	(186)	1,975	91,185
Basic earnings per share (NIS) (see note 6 B)	0.147	(*) 0.794	0.068	(*) 0.020	0.864
Diluted earnings per share (NIS) (see note 6 B)	0.147	(*) 0.794	0.067	(*) 0.020	0.864

(*) Retroactively adjusted for change in accounting policy - see note 2 B (1).

(**) Reclassified - see note 2 B (2).

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

Nine-month period ended September 30, 2019 (Unaudited)

	Capital reserve in respect to share-based payment transactions	Other capital reserves	Remeasure- ment reserve of net liability in respect to defined benefit	Retained earnings	Total
	NIS, in thousands	NIS, in thousands	NIS, in thousands	NIS, in thousands	NIS, in thousands
Balance at January 1, 2019	27,380	13,107	(4,331)	523,737	559,893
Profit for the period	-	-	-	14,728	14,728
Other comprehensive loss for the period	-	-	(11,458)	-	(11,458)
Total comprehensive income (loss) for the period	-	-	(11,458)	14,728	3,270
Share-based payment	3,440	-	-	-	3,440
Company's share in the first-time listing of the shares (see note 7 F).	-	16,147	-	-	16,147
Receipts from shareholders within the framework of implementing the ownership restructuring, net (see note 7 F)	-	6,609	-	-	6,609
	3,440	22,756	-	-	26,196
Balance at September 30, 2019	30,820	35,863	(15,789)	538,465	589,359

Nine-month period ended September 30, 2018 (Unaudited)

	Capital reserve in respect to share-based payment transactions	Remeasu- rement reserve of net liability in respect to defined benefit	Revaluation reserve for available- for-sale financial assets	Other capital reserves	Retained earnings	Total
	NIS, in thousands	NIS, in thousands	NIS, in thousands	NIS, in thousands	NIS, in thousands	NIS, in thousands
Balance at January 1, 2018	27,380	(9,094)	2,099	3,200	500,630	524,215
Effect of changes in accounting policies resulting from the application of new standards:						
IFRS 9, "Financial Instruments"	-	-	(2,099)	-	2,099	-
IFRS 15, "Revenue from Contracts with Customers"	-	-	-	-	(65,414)	(65,414)
Balance at January 1, 2018, after retroactive adjustments	27,380	(9,094)	-	3,200	437,315	458,801
Profit for the period	-	-	-	-	(*) 79,416	79,416
Other comprehensive income for the period	-	3,080	-	-	-	3,080
Total comprehensive income for the period	-	3,080	-	-	79,416	82,496
Receipts from shareholders within the framework of implementing the ownership restructuring, net	-	-	-	9,907	-	9,907
Balance at September 30, 2018	27,380	(6,014)	-	13,107	516,731	551,204

(*) Retroactively adjusted for change in accounting policy - see note 2 B (1).

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-month period ended September 30, 2019 (Unaudited)

	Capital reserve in respect to share-based payment transactions	Other capital reserves	Remeasure- ment reserve of net liability in respect to defined benefit	Retained earnings	Total
	NIS, in thousands	NIS, in thousands	NIS, in thousands	NIS, in thousands	NIS, in thousands
Balance at July 1, 2019	30,388	13,107	(8,798)	531,660	566,357
Profit for the period	-	-	-	6,805	6,805
Other comprehensive loss for the period	-	-	(6,991)	-	(6,991)
Total comprehensive income (loss) for the period	-	-	(6,991)	6,805	(186)
Company's share in the first-time listing of the shares (see note 7 F). Receipts from shareholders within the framework of implementing the ownership restructuring, net (see note 7 F)	-	16,147	-	-	16,147
Share-based payment	432	6,609	-	-	6,609
	432	22,756	-	-	23,188
Balance at September 30, 2019	30,820	35,863	(15,789)	538,465	589,359

Three-month period ended September 30, 2018 (Unaudited)

	Capital reserve in respect to share-based payment transactions	Remeasure- ment reserve of net liability in respect to defined benefit	Other capital reserves	Retained earnings	Total
	NIS, in thousands	NIS, in thousands	NIS, in thousands	NIS, in thousands	NIS, in thousands
Balance at July 1, 2018	27,380	(6,014)	3,200	(*) 514,756	539,322
Comprehensive income for the period	-	-	-	(*) 1,975	1,975
Receipts from shareholders within the framework of implementing the ownership restructuring, net	-	-	9,907	-	9,907
Balance at September 30, 2018	27,380	(6,014)	13,107	516,731	551,204

(*) Retroactively adjusted for change in accounting policy - see note 2 B (1).

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, 2018 (Audited)							
	Capital reserve in respect to share-based payment transactions	Other capital reserves		Remeasure ment reserve of net liability in respect to defined benefit	Revaluation reserve for available- for-sale financial assets	Retained earnings	Total
	NIS, in thousands	NIS,	in	NIS, in thousands	NIS, in thousands	NIS, in thousands	NIS, in thousands
Balance at January 1, 2018	27,380	3,200		(9,094)	2,099	500,630	524,215
Effect of changes in accounting policies resulting from the application of new standards:							
IFRS 9, "Financial Instruments"	-	-		-	(2,099)	2,099	-
IFRS 15, "Revenue from Contracts with Customers"	-	-		-	-	(65,414)	(65,414)
Balance at January 1, 2018, after retroactive adjustments	27,380	3,200		(9,094)	-	437,315	458,801
Profit for the year	-	-		-	-	86,422	86,422
Other comprehensive income for the year	-	-		4,763	-	-	4,763
Total comprehensive income for the year	-	-		4,763	-	86,422	91,185
Receipts from shareholders within the framework of implementing the ownership restructuring, net	-	9,907		-	-	-	9,907
Balance at December 31, 2018	27,380	13,107		(4,331)	-	523,737	559,893

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

	<u>Nine-month period ended September 30,</u>		<u>Three-month period ended September 30,</u>		<u>Year ended December 31,</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2018</u>
	<u>NIS, in thousands</u>	<u>NIS, in thousands</u>	<u>NIS, in thousands</u>	<u>NIS, in thousands</u>	<u>NIS, in thousands</u>
	<u>(Unaudited)</u>		<u>(Unaudited)</u>		<u>(Audited)</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Profit for the period	14,728	(*) 79,416	6,805	(*) 1,975	86,422
Expenses in respect of share-based payments	3,440	-	432	-	-
Tax expenses recognized in profit or loss	5,254	(*) 24,117	2,021	(*) 992	26,140
Net financing expenses (income) recognized in profit or loss	(9,371)	302	(3,065)	(236)	1,060
Depreciation and amortization	32,514	23,749	10,809	8,576	32,672
Reversal of impairment provision	-	(85,108)	-	-	(85,108)
Loss from disposal of property and equipment and intangible assets	1,279	246	6	248	280
	<u>47,844</u>	<u>42,722</u>	<u>17,008</u>	<u>11,555</u>	<u>61,466</u>
Changes in asset and liability items:					
Decrease (increase) in trade receivables and other receivables	(7,997)	(5,298)	1,736	2,430	(1,408)
Decrease in receivables in respect to open derivative positions	538,756	847,756	553,541	822,818	844,169
Decrease in trade payables and other payables	(3,357)	(*) (4,807)	(1,998)	(*) (4,256)	(3,282)
Increase (decrease) in deferred income from listing fees and levies	10,585	(*) 8,500	(6,405)	(*) (3,680)	2,660
Decrease in payables in respect to open derivative positions	(538,756)	(847,756)	(553,541)	(822,818)	(844,169)
Increase (decrease) in liabilities for employee benefits	2,073	3,409	1,518	(658)	8,084
	<u>49,148</u>	<u>44,526</u>	<u>11,859</u>	<u>5,391</u>	<u>6,054</u>
Interest received	5,110	4,250	1,805	1,118	5,058
Interest paid	(468)	(173)	(52)	(21)	(154)
Tax receipts (payments) - operating activities	2,107	1,059	(801)	(713)	(1,171)
	<u>6,749</u>	<u>5,136</u>	<u>952</u>	<u>384</u>	<u>3,733</u>
Net cash provided by operating activities	<u>55,897</u>	<u>49,662</u>	<u>12,811</u>	<u>5,775</u>	<u>71,253</u>

(*) Retroactively adjusted for change in accounting policy - see note 2 B (1).

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

	<u>Nine-month period ended September 30,</u>		<u>Three-month period ended September 30,</u>		<u>Year ended December 31,</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2018</u>
	<u>NIS, in thousands</u>	<u>NIS, in thousands</u>	<u>NIS, in thousands</u>	<u>NIS, in thousands</u>	<u>NIS, in thousands</u>
	<u>(Unaudited)</u>		<u>(Unaudited)</u>		<u>(Audited)</u>
<u>CASH FLOWS FROM INVESTING</u>					
<u>ACTIVITIES</u>					
Proceeds from the disposal of available-for-sale financial assets	-	41	-	-	-
Purchase of property and equipment	(4,869)	(17,593)	(738)	(3,525)	(20,388)
Proceeds from the disposal of property and equipment	2	-	-	-	41
Acquisitions of intangible assets	(7,262)	(11,231)	(1,993)	(7,443)	(14,962)
Refund for overpaid development levies	-	-	-	-	1,788
Payments in respect of costs capitalized to property and equipment and to intangible assets	(12,272)	(14,873)	(3,724)	(3,774)	(18,892)
Proceeds from (Acquisition of) financial assets at fair value through profit or loss, net	(29,220)	(1,142)	253	(341)	(2,633)
Net cash used in investing activities	<u>(53,621)</u>	<u>(44,798)</u>	<u>(6,202)</u>	<u>(15,083)</u>	<u>(55,046)</u>
<u>CASH FLOW FROM FINANCING</u>					
<u>ACTIVITIES</u>					
Lease payments	(7,280)	-	(2,451)	-	-
Company's share in the first-time listing of the shares	15,556	-	15,556	-	-
Receipts from shareholders within the framework of implementing the ownership restructuring, net	6,609	9,907	6,609	9,907	9,907
Net cash provided by financing activities	<u>14,885</u>	<u>9,907</u>	<u>19,714</u>	<u>9,907</u>	<u>9,907</u>
Net increase in cash and cash equivalents	17,161	14,771	26,323	599	26,114
Cash and cash equivalents, beginning of the period	54,363	28,095	44,953	42,452	28,095
Effect of changes in exchange rates on cash balances held in foreign currency	(320)	104	(72)	(81)	154
Cash and cash equivalents, end of the period	<u>71,204</u>	<u>42,970</u>	<u>71,204</u>	<u>42,970</u>	<u>54,363</u>
<u>APPENDIX A – NON-CASH ACTIVITIES:</u>					
Acquisition of property and equipment and intangible assets, under short-term credit	1,170	2,656	1,170	2,656	5,630
Increase in right-of-use assets and lease liabilities as a result of new leases	4,811	-	4,811	-	-
Refund for overpaid development levies - in accordance with a compromise agreement validated as a ruling (net of expenses)	-	1,688	-	1,688	-

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

THE TEL-AVIV STOCK EXCHANGE LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL

- A.** The Tel-Aviv Stock Exchange Ltd. (the “Company” or “TASE”) and its subsidiaries are engaged in the trading and settlement of securities (including shares, corporate bonds, government bonds, index-tracking products, and derivatives), as well as the provision of services as a Central Securities Depository for securities traded on TASE, 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, TASE operates a nominee company within the meaning of such term under the Securities Law and securities traded on TASE are registered in its name.

As of September 30, 2019, TASE has 24 members, consisting of 14 banks (including the Bank of Israel), 7 non-bank members (“NBM’s”) and 3 remote members (as of December 31, 2018, TASE had 22 members).

TASE-CH has 17 members, of which 12 are banks (including the Bank of Israel) and the others are NBM’s. (As of December 31, 2018, TASE-CH had 16 members). Additionally, TASE-CH has a new custodial member, the activities of which are solely custodial. And MAOF_CH has 10 members, consisting of 9 banks and one NBM. (As of December 31, 2018, MAOF-CH had 9 members).

On August 1, 2019, the Company’s shares were listed on the Tel-Aviv Stock Exchange for the first time and the Company became a public company. For additional information, see note 7 F.

These condensed consolidated financial statements should be read in conjunction with the Company’s annual financial statements as of December 31, 2018, for the year ended on that date and the accompanying notes, as signed on July 22, 2019 and attached to the supplementary prospectus dated July 24, 2019 (the “Annual Financial Statements”).

B. Definitions:

- “**The 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.** 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 version 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”).

The Group has applied the same accounting policies, rules of presentation and calculation methods in the preparation of these Interim Financial Statements, as those used in the preparation of its financial statements as of December 31, 2018 and for the year ended on that date, except for changes in the accounting policy that arose from the application of new standards that became effective during the reporting period, as set forth in Section D below.

The Interim Financial Statements have been prepared in accordance with the disclosure provisions under Chapter Four of the Securities Regulations (Periodic and Immediate Reports), 1970.

THE TEL-AVIV STOCK EXCHANGE LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

B. Restatement and Reclassification of Financial Statements

1. Retroactive adjustment for initial application of IFRS 15, “Revenues from Contracts with Customers”, in relation to comparative figures

Further to note 2 T (a) of the Annual Financial Statements as of December 31, 2018, in January 2019 IFRIC issued a final decision on the subject of the recognition of revenue from listing fees and made effective IFRS 15 “Revenues from Contracts with Customers,” which concluded that revenues from listing fees should be recognized over time. The Company adopted IFRS 15, which became effective on January 1, 2018, for the first time in the Annual Financial Statements. As a result, the standard was applied to the comparative figures for September 30, 2018 and for the period then ended and were retroactively adjusted. Therefore, such comparative figures are after the application of the standard and reflect the IFRIC’s final decision published after the standard became effective.

The effect of these changes on the Company’s financial statements is as follows:

In the Consolidated Statements of Financial Position:

	Under the previous policy		Change		After the effect of the application of IFRS 15	
	NIS, in thousands	in thousands	NIS, in thousands	in thousands	NIS, in thousands	in thousands
As of September 30, 2018						
<u>Assets</u>						
Non-current assets						
Deferred tax assets	1,042		11,836		12,878	
<u>Liabilities and Equity</u>						
Current liabilities						
Deferred income from listing fees and levies	6,505		16,848		23,353	
Non-current liabilities						
Deferred income from listing fees and levies	-		70,100		70,100	
Deferred tax liabilities	8,162		(8,162)		-	
Equity						
Retained earnings as of January 1, 2018	502,729		(65,414)		437,315	
Net profit for the period	80,952		(1,536)		79,416	
Retained earnings as of September 30, 2018	583,681		(66,950)		516,731	

THE TEL-AVIV STOCK EXCHANGE LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

B. Restatement and Reclassification of Financial Statements (cont.)

1. Retroactive adjustment for initial application of IFRS 15, “Revenues from Contracts with Customers”, in relation to comparative figures (cont.)

The following table shows the effects on revenue, profit and earnings per share as if the previous revenue recognition policy had continued this year:

In the Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Under the previous policy	Change	After the effect of the application of IFRS 15
	NIS, in thousands	NIS, in thousands	NIS, in thousands
For the three months ended September 30, 2018			
Revenue from services	58,831	(665)	58,166
Profit before financing income, net	3,396	(665)	2,731
Taxes on income	1,144	(152)	992
Profit for the period	2,488	(513)	1,975
Basic and diluted earnings per share (NIS)	0.025	(0.005)	0.020
For the nine months ended September 30, 2018			
Revenue from services	187,258	(1,995)	185,263
Profit before financing income, net	105,830	(1,995)	103,835
Taxes on income	24,576	(459)	24,117
Profit for the period	80,952	(1,536)	79,416
Basic and diluted earnings per share (NIS)	0.809	(0.016)	0.794

2. Reclassification

The Group has reclassified revenue from connectivity (revenue from communication lines and hosting services) from “other revenue” to “distribution of data and connectivity services”. Additionally, revenue from members’ levies has been reclassified from “other revenue” to “listing fees and levies”.

The new classification more appropriately reflects the composition of the Company’s revenues, based on the types of services that it provides. The new classification does not have a material effect on the comparative figures in the statement of profit or loss for periods prior to 2019. Accordingly, the revenues for such periods have not been reclassified.

C. Taxes on income in the Interim Financial Statements:

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

Current tax expenses (benefits) for interim periods are accrued based on the estimate of the expected weighted average annual income tax rate for the full financial year. To calculate the effective income tax rate, losses for tax purposes for which deferred tax assets were not created, that are expected to reduce the tax liability in the reporting year are not recognized.

THE TEL-AVIV STOCK EXCHANGE LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

D. Leases:

As described in note 2 E regarding the initial application of International Financial Reporting Standard 16, "Leases" (the "Standard"), the Company has opted for a modified retrospective approach to the Standard (without restatement of the comparative information).

The accounting policy applied as of January 1, 2019 in respect to leases, is as follows:

The Company accounts for a contract as a lease when, under the terms of the contract, the right to control the use of an identified asset is transferred for a period of time in exchange for consideration.

1. The Company as lessee

For transactions where the Company is the lessee, on the commencement date of the lease (the "Commencement Date"), the Company recognizes the right-of-use asset against a lease liability, with the exception of lease transactions for a period of less than 12 months, and lease transactions with a low-value underlying asset, where the Company has elected to recognize the lease payments as an expense in profit or loss on a straight-line basis, over the lease period. In measuring the lease liabilities, the Company has chosen to apply the exemption set forth in the Standard and has not separated lease components from non-lease components, such as management services, maintenance services and so forth that are included in the same transaction.

On the Commencement Date, the Company measures the lease liability at the present value of the lease payments not paid at that date, discounted at the Company's incremental borrowing rate. Subsequently, the Company measures the lease liability by the effective interest method.

The right-of-use asset on the Commencement Date is recognized at the amount of the lease liability, plus lease payments paid on or prior to the Commencement Date, with the addition of transaction costs incurred. The right-of-use asset is measured using the cost model and is amortized over its useful life or over the lease period, whichever is shorter. If indicators of impairment are present, the Company tests the right-of-use asset for impairment in accordance with the provisions of IAS 36.

2. CPI-linked lease payments

On the Commencement Date, the Company uses the existing CPI rate on such date to calculate the future lease payments.

In transactions where the Company is a lessee, changes in the amount of the future lease payments resulting from changes in the CPI are capitalized (without changing the discount rate applicable to the lease liability) to the balance of the right-of-use asset, and recognized as an adjustment to the balance of the lease liability, only to the extent that the change in cash flows stems from a change in the CPI (i.e., on the effective date of the adjustment of the lease payments). The effect of the change of the CPI on current payments is carried to profit or loss.

3. Extension and termination options

The non-cancellable period of a lease also includes periods with an option to extend the lease if the lessee is reasonably certain to exercise that option, as well as periods with an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

THE TEL-AVIV STOCK EXCHANGE LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

D. Leases (contd.):

In the event of a change in the anticipated exercise of an extension option or the non-exercise of a termination option, the Company remeasures the balance of the lease liability based on the revised period of a lease, at the discount rate on the effective date of change in the anticipated exercise/non-exercise. The amount of that change is carried to the balance of the right-of-use assets until it is reduced to zero and thereafter to profit or loss.

4. Subleases

In transactions where the Company leases a base asset (primary lease) and in turn leases out the same base asset to a third party (sublease), the Company examines whether the risks and rewards of the ownership of the right-of-use asset have been transferred, among other things, by comparing the sublease period to the useful life of the right-of-use asset under the primary lease.

If substantially all of the risks and rewards of ownership of the right-of-use asset have been transferred, the Company accounts for the sublease as a finance lease. Otherwise, the sublease is accounted for as an operating lease.

If the sublease is classified as a finance lease, on the Commencement Date, the leased asset is derecognized against the recognition of a "receivables in respect to a finance lease" asset, which is included under "other receivables" and "other long-term receivables," at the present value of the balance of lease receipts from the sublease, discounted at the same discount rate that is used for the primary lease liability.

E. Initial application of new financial reporting standards and amendments to existing accounting standards

Initial application of IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16, "Leases" (the "Standard"). The Standard supersedes IAS 17 (the "Previous Standard"), IFRIC 4 and IFRIC 15. The Standard defines a lease as a contract, or part of a contract, that conveys the right to use the asset for a period of time, in consideration for payment.

The principal effects of the Standard are as follows:

- The Standard requires lessees to recognize all leases in the statement of financial position (with certain exceptions below). Lessees will recognize a liability for the lease payments against a right-of-use asset, similarly to the accounting treatment of a finance lease under the cancelled standard IAS 17, "Leases". Additionally, lessees will recognize interest expenses and depreciation expenses separately.
- Variable lease payments that are not dependent on an index or a rate, but rather on performance or use will be recognized as an expense by the lessees or as income by the lessors as they arise.
- In the event of a change in variable lease payments that are linked to an index, the lessee will revalue the lease liability and carry the effect of the change to the right-of-use asset.
- The Standard includes two exceptions, under which lessees may apply the existing accounting treatment for operating leases to leases of assets of low monetary value or to leases for periods of up to a year.
- No material changes were made to the accounting treatment by lessors as compared to the Previous Standard (i.e., classification as a finance lease or an operating lease).

THE TEL-AVIV STOCK EXCHANGE LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

E. Initial application of new financial reporting standards and amendments to existing accounting standards (cont.)

Initial application of IFRS 16 - Leases (cont.)

The Standard is applied for the first time since January 1, 2019. As permitted by the Standard, the Company has elected to adopt the Standard under the modified retrospective approach, under which the balance of the right-of-use asset is identical to the balance of the lease liability.

Under this approach, no restatement of the comparative figures is required. The balance of liabilities as of the date of the initial application of the Standard is calculated using the incremental interest rate of the Company on the date of initial application of the Standard.

For information on the accounting policy that has been applied since the date of initial application, see note 2 D above.

The initial application of the Standard primarily affected existing leases of communication lines, the Company's backup facility and vehicles that are used by Company employees, for which the Company is a lessee. Pursuant to the Standard, as described in note 2 D, with some exceptions, for any lease for which the Company is a lessee, the Company recognizes the balance of the liability against the balance of the right-of-use asset. This is contrary to the policy that had been applied under the Previous Standard, which determined that the lease payments in respect to lease contracts in which not all of the risks and rewards of ownership of the right-of-use asset have been substantially transferred are recognized in profit or loss by the straight-line method over the lease period.

In addition, the initial application of the Standard affects sublease transactions for the vehicles that are used by Company employees (where the base asset is leased by the Company and then subleased by the employee). Pursuant to the Standard, as described in note 2 D above, the Company has classified the sublease transaction as an operating lease or a finance lease, inter alia, by comparing the sublease period to the useful life of the right-of-use asset.

Consequently, sublease transactions that had been classified as operating leases under the provisions of the Previous Standard, have been reclassified by the Company as finance leases, pursuant to the provisions of the Standard.

1. The effect of these changes on the financial statements of the Company are as follows:

In the consolidated statements of financial position:

	Under the previous policy	Change	Under IFRS 16
	NIS, in thousands		
As of January 1, 2019			
<u>Assets</u>			
Current assets			
Other receivables	3,797	1,089	4,886
Non-current assets			
Right-of-use assets	-	22,466	22,466
Other long-term receivables	-	837	837
<u>Liabilities and Equity</u>			
Current liabilities			
Current maturities of lease liabilities	-	9,269	9,269
Non-current liabilities			
Lease liabilities	-	15,123	15,123

THE TEL-AVIV STOCK EXCHANGE LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

E. Initial application of new financial reporting standards and amendments to existing accounting standards (cont.)

Initial application of IFRS 16 - Leases (cont.)

1. The effect of these changes on the financial statements of the Company are as follows (contd.):

	Under the previous policy	Change	Under IFRS 16
NIS, in thousands			
As of SEPTEMBER 30, 2019			
<u>Assets</u>			
Current assets			
Other receivables	11,875	1,232	13,107
Non-current assets			
Deferred tax assets	13,151	22	13,173
Right-of-use assets	-	21,440	21,440
Other long-term receivables	2,566	1,077	3,643
<u>Liabilities and Equity</u>			
Current liabilities			
Current maturities of lease liabilities	-	9,514	9,514
Non-current liabilities			
Lease liabilities	-	14,330	14,330
Equity			
Retained earnings	589,398	(73)	589,359
In the statements of profit or loss and other comprehensive income			
	Under the previous policy	Change	Under IFRS 16
NIS, in thousands			
For the nine-month period ended September 30, 2019			
Employee benefit expenses	98,956	(281)	98,675
Computer and communications expenses	23,861	(6,190)	17,671
Depreciation and amortization	26,198	6,316	32,514
Profit before financing income, net	10,456	155	10,611
Financing income, net	9,621	(250)	9,371
Taxes on income	5,276	(22)	5,254
Profit for the period	14,801	(73)	14,728

THE TEL-AVIV STOCK EXCHANGE LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

E. Initial application of new financial reporting standards and amendments to existing accounting standards (cont.)

Initial application of IFRS 16 - Leases (cont.)

1. The effect of these changes on the financial statements of the Company are as follows (contd.):

	Under the previous policy	Change	Under IFRS 16
	NIS, in thousands		
For the three-month period ended September 30, 2019			
Employee benefit expenses	33,182	(94)	33,088
Computer and communications expenses	8,394	(2,074)	6,320
Depreciation and amortization	8,690	2,119	10,809
Profit before financing income, net	5,712	49	5,761
Financing income, net	3,142	(77)	3,065
Taxes on income	2,028	(7)	2,021
Profit for the period	6,826	(21)	6,805

Additionally, the initial application of the Standard has the following effect on the cash flows of the Company for the nine- and three-month periods ended September 30, 2019: an increase of NIS 7,280 thousand and NIS 2,451 thousand, respectively, in cash flows from operating activities, which is offset by a decrease of NIS 7,280 thousand and NIS 2,451 thousand, respectively, in cash flows from financing activities.

2. The incremental interest rate used to discount the future lease payments in calculating the balance of the lease liability on the date of initial application of the Standard ranges from 1.17% to 1.83%. The above discount rates are based on the nominal interest rate applicable to discounting lease contracts, based on the financing risk of the Company and the average duration of the lease contracts.

NOTE 3 - SEASONALITY

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

NOTE 4 - 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 for 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.

THE TEL-AVIV STOCK EXCHANGE LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - THE GROUP'S CAPITAL ADEQUACY AND LIQUIDITY ADEQUACY REQUIREMENTS (Cont.):

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 Reporting Date:

	September 30,		December 31,
	2019	2018	2018
	NIS, in	NIS, in	NIS, in
	thousands	thousands	thousands
	(Unaudited)		(Audited)
Capital requirements in respect to the risk components:			
Credit risk	5,315	2,722	2,421
Market risk	6,313	5,030	5,808
Legal and operational risk (*)	37,608	36,777	37,011
Business continuity and reorganization (**)	108,030	107,675	106,656
Contribution against default waterfall	25,648	25,427	25,390
Total capital requirements in respect to the risk components	182,914	177,631	177,286
Capital base components:			
Retained earnings	538,465	516,731	523,737
Capital reserves	35,863	13,107	13,107
Remeasurement reserve of liabilities in respect to defined benefit	(15,789)	(6,014)	(4,331)
Capital reserve in respect to share-based payment transactions	30,820	27,380	27,380
Less:			
Intangible assets	(109,264)	(102,181)	(105,952)
Deferred tax assets	(13,173)	(12,878)	(12,423)
Total qualifying capital base	466,922	436,145	441,518
Capital surplus (qualifying capital base, less requirements)	284,008	258,514	264,232

* 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.

THE TEL-AVIV STOCK EXCHANGE LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - THE GROUP'S CAPITAL ADEQUACY AND LIQUIDITY ADEQUACY REQUIREMENTS (Cont.):

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

	<u>September 30,</u>		<u>December 31,</u>
	<u>2019</u>	<u>2018</u>	<u>2018</u>
	<u>NIS, in</u>	<u>NIS, in</u>	<u>NIS, in</u>
	<u>thousands</u>	<u>thousands</u>	<u>thousands</u>
	<u>(Unaudited)</u>		<u>(Audited)</u>
Liquidity requirements in respect to the risk components:			
Business continuity and reorganization	108,030	107,675	106,656
Contribution against default waterfall	25,648	25,427	25,390
Total requirements for liquid assets	<u>133,678</u>	<u>133,102</u>	<u>132,046</u>
Qualifying liquid assets			
Cash and cash equivalents	71,204	42,970	54,363
Securities portfolio at fair value	218,344	184,135	183,817
Less – amortization coefficients on the assets	(10,223)	(9,119)	(9,503)
Credit line	50,000	50,000	50,000
Less - current liabilities	(59,735)	(45,183)	(47,518)
Net liquid assets	<u>269,590</u>	<u>222,803</u>	<u>231,159</u>
Liquidity surplus (net liquid assets, less requirements)	<u>135,912</u>	<u>89,701</u>	<u>99,113</u>

It should be noted that the capital surplus and the liquidity surplus as of September 30, 2019 are expected to grow with the receipt of the considerations from the sale of the shares, as described in note 7 F below.

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

	<u>September 30,</u>		<u>December 31,</u>
	<u>2019</u>	<u>2018</u>	<u>2018</u>
	<u>NIS, in</u>	<u>NIS, in</u>	<u>NIS, in</u>
	<u>thousands</u>	<u>thousands</u>	<u>thousands</u>
	<u>(Unaudited)</u>		<u>(Audited)</u>
Capital adequacy position:			
Total capital requirements	90,738	89,634	89,451
Total qualifying capital base	134,637	123,487	126,691
Total capital surplus	<u>43,899</u>	<u>33,853</u>	<u>37,240</u>
Liquidity adequacy position:			
Total liquidity requirements	67,517	67,698	66,713
Total net liquid assets	125,793	114,813	113,782
Total liquidity surplus	<u>58,276</u>	<u>47,115</u>	<u>47,069</u>

THE TEL-AVIV STOCK EXCHANGE LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - THE GROUP'S CAPITAL ADEQUACY AND LIQUIDITY ADEQUACY REQUIREMENTS (Cont.):

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

	<u>September 30,</u>		<u>December 31,</u>
	<u>2019</u>	<u>2018</u>	<u>2018</u>
	<u>NIS, in</u>	<u>NIS, in</u>	<u>NIS, in</u>
	<u>thousands</u>	<u>thousands</u>	<u>thousands</u>
	<u>(Unaudited)</u>		<u>(Audited)</u>
Capital adequacy position:			
Total capital requirements	37,500	37,500	37,500
Total qualifying capital base	44,844	42,201	42,755
Total capital surplus	<u>7,344</u>	<u>4,701</u>	<u>5,255</u>
Liquidity adequacy position:			
Total liquidity requirements	20,892	20,184	20,144
Total net liquid assets	42,743	39,067	39,984
Total liquidity surplus	<u>21,851</u>	<u>18,883</u>	<u>19,840</u>

A contribution against a 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:

	<u>September 30,</u>		<u>December 31,</u>
	<u>2019</u>	<u>2018</u>	<u>2018</u>
	<u>NIS, in</u>	<u>NIS, in</u>	<u>NIS, in millions</u>
	<u>millions</u>	<u>millions</u>	<u>(Audited)</u>
	<u>(Unaudited)</u>		<u>(Audited)</u>
Total margin requirements with MAOF-CH	1,564	2,674	2,869
Total collateral required to be deposited in the MAOF-CH Default Fund (*)(**)	564	680	707
Total collateral required to be deposited in the TASE-CH Default Fund (*)	797	745	726
Contribution against default waterfall allocated from the Group's equity (***)	26	25	25
Total financial resources	<u>2,951</u>	<u>4,124</u>	<u>4,327</u>

(*) On the financial statements' approval date, the total collateral required to be deposited in the Default Fund of MAOF-CH and TASE-CH amounted to NIS 562 million and NIS 796 million, respectively.

(**) Since October 15, 2018, the Default Fund of MAOF-CH has been updated on the basis of new methodology, which was approved by the Clearing House's Board of Directors on March 29, 2018.

(***) As of September 30, 2019, 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 18.1 million, respectively (as of September 30, 2018 – NIS 7.5 million and NIS 17.9 million, respectively, and as of December 31, 2018 – NIS 7.5 million and NIS 17.9 million, respectively).

THE TEL-AVIV STOCK EXCHANGE LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - 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 Annual Financial Statements.

B. Financial Instrument Balances, by Category:

	<u>September 30,</u>		<u>December 31,</u>
	<u>2019</u>	<u>2018</u>	<u>2018</u>
	<u>NIS, in</u>	<u>NIS, in</u>	<u>NIS, in</u>
	<u>thousands</u>	<u>thousands</u>	<u>thousands</u>
	<u>(Unaudited)</u>		<u>(Audited)</u>
Financial assets (*):			
Financial assets measured at amortized cost:			
Cash and cash equivalents	71,204	42,970	54,363
Trade and other receivables	20,903	21,179	17,710
Other long-term receivables	1,076	-	-
Cash restricted as to use	540	539	538
Financial assets at fair value through profit or loss:			
Assets derived from clearing operations - receivables in respect to open derivative positions	356,645	891,814	895,401
Financial assets held for trading (**)	218,344	184,135	183,817
	<u>668,712</u>	<u>1,140,637</u>	<u>1,151,829</u>
Presented in the Statement of Financial Position under:			
Current assets	667,096	1,140,098	1,151,291
Non-current assets	1,616	539	538
	<u>668,712</u>	<u>1,140,637</u>	<u>1,151,829</u>
Financial liabilities:			
Financial liabilities measured at amortized cost:			
Trade and other payables	8,857	12,872	15,463
Current maturities of lease liabilities	9,514	-	-
Lease liabilities	14,330	-	-
Other liabilities	540	539	538
Financial liabilities at fair value through profit or loss:			
Liabilities derived from clearing operations - payables in respect to open derivative positions	356,645	891,814	895,401
	<u>389,886</u>	<u>905,225</u>	<u>911,402</u>
Presented in the Statement of Financial Position under:			
Current liabilities	375,016	904,686	910,864
Non-current liabilities	14,870	539	538
	<u>389,886</u>	<u>905,225</u>	<u>911,402</u>

(*) 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.

(**) The composition of the investment portfolio includes treasury bills and Government of Israel bonds, see note 4 (D) (2) to the Annual Financial Statements.

THE TEL-AVIV STOCK EXCHANGE LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - 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), financial assets held for trading, 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 September 30, 2019 and 2018 and as of December 31, 2018 closely reflect their fair values.

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

The fair value of the financial instruments, which are measured in the Statement of Financial Position at their fair value, is 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 based on the lowest level input (assumption) which is significant to the fair value measurement in its entirety.

THE TEL-AVIV STOCK EXCHANGE LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - 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 NIS, in thousands	Financial Assets at Fair Value Through Profit or Loss – Held for Trading NIS, in thousands
September 30, 2019 (Unaudited):		
Level 1	43,714	218,344
Level 2	334,628	-
	<u>378,342</u>	<u>218,344</u>
Offset between Level 1 instruments, and Level 2 instruments, in the position of the same member on the same expiration date (*)	(21,697)	-
Total balance reported in the Statement of Financial Position	<u><u>356,645</u></u>	<u><u>218,344</u></u>
September 30, 2018 (Unaudited):		
Level 1	418,892	184,135
Level 2	575,009	-
	<u>993,901</u>	<u>184,135</u>
Offset between Level 1 instruments, and Level 2 instruments, in the position of the same member on the same expiration date (*)	(102,087)	-
Total balance reported in the Statement of Financial Position	<u><u>891,814</u></u>	<u><u>184,135</u></u>
December 31, 2018 (Audited)		
Level 1	118,539	183,817
Level 2	882,825	-
	<u>1,001,364</u>	<u>183,817</u>
Offset between Level 1 instruments, and Level 2 instruments, in the position of the same member on the same expiration date (*)	(105,963)	-
Total balance reported in the Statement of Financial Position	<u><u>895,401</u></u>	<u><u>183,817</u></u>

(*) See note 7 A to the Annual 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.

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) to the Annual Financial Statements.

THE TEL-AVIV STOCK EXCHANGE LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - FINANCIAL INSTRUMENTS (Cont.):

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 to offset and 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 NIS, in thousands	Amounts Offset in the Statement of Financial Position NIS, in thousands	Assets/ Liabilities in Respect to Open Derivative Positions, Net, in the Statement of Financial Position NIS, in thousands
September 30, 2019 (Unaudited):			
Options*	546,701	(190,056)	356,645
September 30, 2018 (Unaudited):			
Options*	1,309,762	(417,948)	891,814
December 31, 2018 (Audited):			
Options*	1,486,939	591,538	895,401

* As of September 30, 2019 and 2018 and December 31, 2018, there were no open positions with regard to futures.

THE TEL-AVIV STOCK EXCHANGE LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - FINANCIAL INSTRUMENTS (Cont.):

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

Financial Assets, Available for Offset, in Respect to a Transaction's Counterparty:

<u>Counterparty</u>	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	NIS, in thousands	NIS, in thousands	NIS, in thousands
September 30, 2019 (Unaudited):				
Member B	283,565	1,204	282,361	-
Member F	30,890	5,688	25,202	-
Other members	42,190	37,779	4,411	-
	<u>356,645</u>	<u>44,671</u>	<u>311,974</u>	<u>-</u>
September 30, 2018 (Unaudited):				
Member C	546,948	2,448	544,500	-
Member B	266,339	266,339	-	-
Other members	78,527	71,993	6,534	-
	<u>891,814</u>	<u>340,780</u>	<u>551,034</u>	<u>-</u>
December 31, 2018 (Audited):				
Member B	646,299	1,430	644,869	-
Member C	175,379	175,379	-	-
Other members	73,723	71,086	2,637	-
	<u>895,401</u>	<u>247,895</u>	<u>647,506</u>	<u>-</u>

(*) 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. For details, see note 4 above.

THE TEL-AVIV STOCK EXCHANGE LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - FINANCIAL INSTRUMENTS (Cont.):

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

Financial Liabilities, Available for Offset, in Respect to a Transaction's Counterparty:

<u>Counterparty</u>	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	NIS, in thousands	NIS, in thousands
September 30, 2019 (Unaudited):			
Member C	235,322	1,480	233,842
Member A	68,218	13,127	55,091
Other members	53,105	30,064	23,041
	<u>356,645</u>	<u>44,671</u>	<u>311,974</u>
September 30, 2018 (Unaudited):			
Member A	515,300	19,174	496,126
Member H	279,546	266,339	13,206
Other members	96,968	55,267	41,702
	<u>891,814</u>	<u>340,780</u>	<u>551,034</u>
December 31, 2018 (Audited):			
Member A	442,539	32,653	409,886
Member C	327,149	175,379	151,770
Other members	125,713	39,863	85,850
	<u>895,401</u>	<u>247,895</u>	<u>647,506</u>

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

	September 30,		December 31,
	2019	2018	2018
	NIS, in thousands	NIS, in thousands	NIS, in thousands
	(Unaudited)		(Audited)
Up to one month after the date of the financial statements	222,703	508,068	415,228
1-2 months	96,653	344,619	430,786
2-3 months	19,129	28,099	15,124
Up to one year	18,160	11,028	34,263
Total financial liabilities from clearing activities*	<u>356,645</u>	<u>891,814</u>	<u>895,401</u>

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

THE TEL-AVIV STOCK EXCHANGE LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - FINANCIAL INSTRUMENTS (Cont.):

F. Interest Risks

The Group has monetary surpluses that are placed in bank deposits and investments in financial instruments bearing variable interest rates 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- Rate Instruments	Change of +/- 1%	Change of +/- 2%
	NIS, in millions	NIS, in millions	NIS, in millions
September 30, 2019 (Unaudited)	<u>66.6</u>	<u>0.67</u>	<u>1.33</u>
September 30, 2018 (Unaudited)	<u>34.3</u>	<u>0.34</u>	<u>0.69</u>
December 31, 2018 (Audited)	<u>49.6</u>	<u>0.5</u>	<u>1</u>

In addition, the Group has investments in financial instruments bearing fixed interest rates, which are measured at fair value through profit or loss 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- Rate Instruments	Change of +/- 1%	Change of +/- 2%
	NIS, in millions	NIS, in millions	NIS, in millions
September 30, 2019 (Unaudited)	<u>215</u>	<u>9.78</u>	<u>19.55</u>
September 30, 2018 (Unaudited)	<u>184.1</u>	<u>7.52</u>	<u>15.03</u>
December 31, 2018 (Audited)	<u>181.3</u>	<u>7.71</u>	<u>15.42</u>

THE TEL-AVIV STOCK EXCHANGE LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - REVENUE AND EARNINGS PER SHARE

A. Revenue

Split of Revenues from Contracts with Customers:

	Nine months Ended September 30,		Three months Ended September 30,		Year Ended December 31,
	2019	2018	2019	2018	2018
	NIS, in thousands (Unaudited)	NIS, in thousands (Unaudited)	NIS, in thousands (Unaudited)	NIS, in thousands (Unaudited)	NIS, in thousands (Audited)
By type of service:					
Trading and clearing commissions	80,661	85,862	28,193	25,304	119,355
Listing fees and levies (**)	40,469	(*) 32,406	13,508	(*) 10,480	46,525
Clearing House services	38,147	36,607	12,918	12,747	49,605
Distribution of data and connectivity services (**)	31,731	26,303	10,422	8,473	34,954
Other revenue (**)	2,577	4,085	1,007	1,162	5,166
Total	193,585	185,263	66,048	58,166	255,605

By timing of provision of services:

Revenues recognized at a point in time	118,730	126,211	40,167	39,890	156,418
Revenues recognized over time	74,855	59,052	25,880	18,276	99,187
Total	193,585	185,263	66,048	58,166	255,605

(*) Retroactively adjusted for change in accounting policy - see note 2 B (1).

(**) Reclassified - see note 2 B (2).

B. Earnings per Share

	Nine-Month Period Ended September 30,		Three-Month Period Ended September 30,		Year Ended December 31,
	2019	2018	2019	2018	2018
	(Unaudited)		(Unaudited)		(Audited)
Weighted average number of ordinary shares used to calculate basic earnings per share	100,000	100,000	100,000	100,000	100,000
Options issued within the framework of share-based payment arrangements	530	-	1,185	-	-
Weighted average number of ordinary shares used to calculate diluted earnings per share	100,530	100,000	101,185	100,000	100,000

THE TEL-AVIV STOCK EXCHANGE LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - MATERIAL EVENTS IN THE REPORTING PERIOD AND THEREAFTER

- A.** Further to note 13 E (1) to the Annual Financial Statements, regarding a compensation plan for officers of the Company who report to the CEO, and further to note 15 to the Annual Financial Statements regarding the measurement of the fair value of the options that were granted to the officers, as stated, on April 11, 2019, the Company's Board of Directors approved an amendment to the Plan (which was contingent upon the revision of the Company's Compensation Policy), which, among other things, canceled the Plan's provisions that conditioned the exercise of the Options on the listing of the Company's shares. In addition, an alternative mechanism was set forth for determining the value of the benefit to the offerees in the event that the Company's shares are not listed on the TASE. On May 1, 2019, the general meeting of the Company approved the updating of the Company's Compensation Policy pursuant to the stated above. According to the amendment of the compensation plan, the Company will begin to recognize an expense from a share-based payment on the basis of the fair value as determined on the grant date, and for the duration of the vesting starting from May 1, 2019 (the approval date by the general meeting of the amendment of the compensation plan). The cumulative expense from the date of the original grant, which was initially recognized in the nine-month period ended September 30, 2019 amounted to approximately NIS 3.4 million (including approximately NIS 1.8 million for the period from the original grant date to December 31, 2018).
- B.** On May 1, 2019, the Company's general meeting, after receiving the approval of the Company's Compensation Committee and Board of Directors, approved a retention plan for the Company's CEO, which includes the following three components:
- (1)** An additional monthly payment that will be paid partially starting in the June 2019 and partially starting in January 2022.
 - (2)** The provision of a retention loan to the CEO of NIS 3.5 million (the "Loan") for a period of 5 years started on June 1, 2019 (the "Loan Term"). If the CEO continues to work at the Company until the end of the Loan Term (May 30, 2024), the entire Loan will convert into a one-time bonus for the CEO. If, before the end of the Loan Term, the CEO gives notice of his resignation, the CEO will return the full amount of the Loan to the Company. If the CEO's employment comes to an end prior to the end of the Loan Term at the initiative of TASE and under ordinary circumstances, the CEO will be entitled to a pro rata portion of the Loan as a bonus. The Loan will bear annual imputed interest (in accordance with the provisions of Section 3(i) of the Income Tax Ordinance), the cost of which the Company will bear, including the tax gross-up. The Company will recognize the expense over the Loan Term on a straight-line basis.
 - (3)** The approval of an equity compensation plan for the CEO, pursuant to which 4,250,000 options that are exercisable into shares of the Company will be allocated to a trustee. The options will vest in one installment five years from the date of the allocation. The options for the CEO that are allocated under the equity compensation plan will not be listed on TASE.

Assuming the full exercise of the options for the CEO and the allocation of the maximum possible number of shares that will result from the exercise of the options for the CEO, the exercise shares for the CEO will constitute 4.08% of the Company's issued share capital (immediately following the allocation), and 3.92% assuming full dilution.

On July 4, 2019, the CEO was allocated 4,250,000 options for the purchase of Company shares under the aforementioned equity compensation plan.

THE TEL-AVIV STOCK EXCHANGE LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - MATERIAL EVENTS IN THE REPORTING PERIOD AND THEREAFTER

B. (cont.)

(3) (cont.)

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

<u>Plan Description</u>	<u>Grant Date</u>	<u>Number of Options Granted</u>	<u>Expiry Date</u>	<u>Vesting and Other Conditions</u>	<u>Exercise Price (1)</u>	<u>Fair Value on the Grant Date</u> <u>NIS, in thousands</u>
Options granted to the CEO	May 1, 2019	4,250,000	July 3, 2026	(2)	12	2,743

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

(2) The options will be fully vested at the end of 5 years from the allocation date, subject to the CEO serving in his position until that date.

The options were granted to the CEO in accordance with the provisions of Section 102 of the Income Tax Ordinance, under the "Capital Gains Track". The expenses in respect to the plan are not recognized for tax purposes, and therefore a tax asset has not been recorded in respect to the expenses.

Estimate of the fair value of the options:

The fair value of the options that were granted, as stated above, has been estimated using the binomial model. Below are the parameters that were used when applying the model:

Component

Share price on the grant date (NIS) ⁽¹⁾	6.36
Exercise price (NIS)	12
Exercise coefficient	2.8
Expected volatility of the share price ⁽²⁾	25%
Lifespan of the options (in years)	7
Risk-free interest rate	1.65%
Expected dividend rate ⁽³⁾	0%

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

(2) The volatility has been estimated on the basis of data of similar companies, and has been calculated as a simple average of the annualized standard deviations of traded stock exchanges in ranges of up to NIS 10 billion over a trading period of 7 years (in accordance with the expected lifespan of the options).

(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 have not been included in the valuation, and a dividend rate of 0% has been 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 the "Capital reserve in respect to share-based payment transactions".

THE TEL-AVIV STOCK EXCHANGE LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - MATERIAL EVENTS IN THE REPORTING PERIOD AND THEREAFTER (Cont.)

- C. On September 17, 2018, a labor dispute was declared at TASE by the New General Federation of Labor in Israel (the "Histadrut"). The nature of the dispute, according to the notice that was sent from the Histadrut, mainly concerns the implications of the transaction for the sale of the Company's shares on the employees' rights, and the signing of a new collective agreement to secure the economic rights and employment security of the employees.

On October 8, 2018, TASE filed a motion by a party in a collective dispute to the Tel Aviv Labor Tribunal against the Histadrut and TASE's Employees Committee, to cancel the collective dispute that was declared by the Histadrut. In the Company's opinion, the declaration of the labor dispute constitutes a breach of the collective agreement from 2017 that contains special arrangements in light of the change in the ownership structure.

On May 20, 2019, a labor dispute was declared at TASE by the Histadrut. The nature of the dispute, according to the notice that was sent from the Histadrut, is the lack of agreement regarding the rate and date of the distribution of the annual bonus for 2017. The Company has made a provision for the amount of the annual bonus for 2017 that it expects to pay to the employees.

According to the provisions of the Settlement of Labor Disputes Law, 1957, because the notices were sent regarding labor disputes, the Company's employees are entitled to go on strike. In addition to the labor dispute that was declared, various sanctions have been imposed by TASE employees in the reported period, which even led to a late opening of trading on TASE on May 21, 2019.

On May 23, 2019, the Histadrut announced the commencement of expeditious and intensive negotiations to settle the labor relations. On June 12, 2019, the members of TASE's Employees Committee resigned, and on September 9, 2019 the Company employees elected a new Employees Committee.

- D. In May 2019, TASE entered into an agreement with the Israeli Professional Football Leagues Administration 2014 Ltd. (the "Administration") for primary sponsorship over three seasons of matches (as defined in the Code of the Israel Football Association) commencing in the 2019/2020 season and ending in the 2021/2022 season, for a total consideration of NIS 12.3 million, payable in installments. In return, the Administration has committed to a minimum volume of advertising in the various media, as set out in the above agreement.
- E. Pursuant to note 17 A to the Annual Financial Statements concerning the indemnification of officers, on July 3, 2019, the general meeting of the Company (after obtaining the approval of the Board of Directors and that of the Audit Committee, also in its capacity as the Compensation Committee) approved an amended version of the indemnity letter (the "2019 Indemnity Letter"). The cancellation of the indemnity letter previously provided by the Company to officers in TASE-CH was also approved at the same time. A new letter of indemnity will be issued directly by TASE-CH to the officers of TASE-CH.

The maximum indemnity payable under the 2019 Indemnity Letter in respect to a financial liability that is imposed on an officer toward another person, on an aggregate basis, based on all letters of indemnification that have and/or will be issued by the Company, from one or more of the events detailed in the 2019 Indemnity Letter ("Financial Liability to a Third Party"), shall not exceed 25% of the equity of the Company as per its most recent financial statements published prior to the actual date of payment of the indemnity. Additionally, under the 2019 Indemnity Letter, the indemnity will cover reasonable legal expenses as part of investigation proceedings and legal or administrative proceedings, including reasonable litigation expenses, in respect to damages payable to victims of administrative breaches and in respect to any other liability or expense for which indemnity is permitted by law.

THE TEL-AVIV STOCK EXCHANGE LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - MATERIAL EVENTS IN THE REPORTING PERIOD AND THEREAFTER

E. (cont.)

On July 10, 2019, the shareholders' meeting of TASE-CH and MAOF-CH (after obtaining the approvals of their respective boards of directors and audit committees, also in their capacity as compensation committees), approved indemnity letters to officers thereof, under principles similar to those of the 2019 Indemnity Letter.

Notwithstanding the above, the maximum indemnity, in the aggregate, from a Financial Liability to a Third Party under the 2019 indemnity letter of TASE-CH is set at the higher of the following: (a) NIS 10 million or (b) 25% of the total equity of TASE-CH plus the total secondary equity, as defined in the resolution, as per the most recent financial statements of TASE-CH, published prior to the actual payment date. The maximum indemnity, in the aggregate, in respect to a Financial Liability to a Third Party under the 2019 indemnity letters of MAOF-CH was set at the higher of the following: (a) NIS 5 million or (b) 25% of the total equity of MAOF-CH as per the most recent financial statements of MAOF-CH published prior to the actual payment date.

- F.** Pursuant to a prospectus for an initial public offering by way of a secondary offering of Company shares, dated July 24, 2019, and pursuant to a supplementary notice dated July 29, 2019, on August 1, 2019, 100,000,000 ordinary shares with no par value, existing in the Company's share capital, were listed on TASE, of which 31,717,504 shares were offered in a secondary offering to institutional investors in Israel and overseas, as well as to the public in Israel, and approval was received for the listing of up to 8,429,797 ordinary shares that will result from the exercise of options allotted to the Company's CEO and to officers of the Company.

For the purposes of the marketing and distribution of the Sale Shares, on July 29, 2019 the Company and the holders of the Sale Shares entered into an agreement with the pricing underwriter ("the Pricing Underwriter") for the secondary offering ("the Underwriting Agreement"). The offering of shares in Israel was carried out in accordance with the prospectus ("the Israeli Shares"), while the offering of shares outside Israel ("the International Shares") was carried out on the basis of a designated disclosure document, which consisted primarily of a translation into English of an advanced draft prospectus ("the International Disclosure Package"). In the Underwriting Agreement, the Company has undertaken to indemnify the Pricing Underwriter (including related entities, its officers and employees and anyone acting on its behalf) for claims, liabilities and losses resulting directly or indirectly from a misstatement in the prospectus in relation to the offering of the Israeli Shares ("the Prospectus Indemnification") or in the International Disclosure Package, or from the violation of laws or regulations of foreign countries (i.e., outside Israel and the United States) in which the Sale Shares have been offered or sold. The indemnification undertaking does not apply to a misstatement originating in information provided to the Company by the Pricing Underwriter or by the holders of the Sale Shares for the purpose of inclusion in the prospectus or in the International Disclosure Package.

Notwithstanding the aforesaid, considering the provisions of Section 34.A of the Securities Law, the Underwriting Agreement stipulates restrictions for the maximum amount payable under the Prospectus Indemnification undertaking, so that it will not exceed the overall consideration paid for the Sale Shares, and for the suspension of the undertaking where an amount was paid that represents 25% of the Company's equity as per its most recent financial statements approved prior to the payment date and the Company's Board of Directors determines that an additional payment could impede the ability of the Company to meet its existing and anticipated obligations as they fall due, this until such concern is lifted. It is further stipulated that the payment of the Prospectus Indemnification is subject to additional restrictions that are set out in the Securities Law (primarily, certain qualifications to the payment of the indemnification concerning the good faith of the Pricing Underwriter and regarding a reckless or malicious action).

THE TEL-AVIV STOCK EXCHANGE LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - MATERIAL EVENTS IN THE REPORTING PERIOD AND THEREAFTER

F. (cont.)

As stated in note 1 B to the Annual Financial Statements as of December 31, 2018, the Company is entitled to 50% of the net consideration (after deduction of costs, as agreed with the sellers) that is received for the shares sold in the secondary offering, in excess of NIS 5.51 per share. The price per share set in the secondary offering is NIS 7.1. The total consideration to the holders of the Sale Shares and the Company received under the secondary offering based on the aforesaid share price is approximately NIS 225.2 million. The Company's share of the net consideration amounted to approximately NIS 15.5 million, which the Company intends to use for investment in technological infrastructures.

The amounts received by the Company, as above, total approximately NIS 16.1 million, after the tax benefit, and were carried directly to the equity of the Company in its financial statements for this period.

At the offering date, there were 22,282,501 shares that had been held by shareholders prior to the date of approval of the restructuring arrangement in TASE. In accordance with the TASE Restructuring Law, and to the extent that the consideration from their sale exceeds the value of the means of control sold pursuant to the Law and as stated in note 1 B to the Annual Financial Statements as of December 31, 2018, the excess consideration will be transferred to TASE to be used for the purposes stipulated in the Law.

In August 2019, a shareholder realized 1,670,417 shares held by him prior to the date of approval of the restructuring arrangement in TASE, in consideration of approximately NIS 15.3 million. As stated in note 1 B to the Annual Financial Statements as of December 31, 2018, and in accordance with the TASE Restructuring Law, an amount of approximately NIS 6.6 million of the aforesaid sale consideration was transferred to TASE. The aforesaid amount was carried directly to the equity of the Company in its financial statements for this period.

In October 2019, another shareholder realized 312,694 shares held by him prior to the date of approval of the restructuring arrangement in TASE, in consideration of approximately NIS 3.8 million. As stated in note 1 B to the Annual Financial Statements as of December 31, 2018, and in accordance with the TASE Restructuring Law, an amount of approximately NIS 2.2 million of the aforesaid sale consideration was transferred to TASE. The aforesaid amount will be carried directly to the equity of the Company in its financial statements as of December 31, 2019.

- G.** Pursuant to note 17 B to the Annual Financial Statements concerning the exemption of officers and in light of the changes in the corporate governance directives that apply to the Company and TASE-CH and MAOF-CH (which stem from Amendment No. 63 of the Securities Law), on July 3, 2019 the shareholders' meetings of the Company (after obtaining the approvals of the board of directors and the audit committee, also in its capacity as compensation committee) and on July 10, 2019, the shareholders' meetings of TASE-CH and MAOF-CH (after obtaining the approvals of their respective boards of directors and the audit committees, also in their capacity as compensation committees), including the Nominee Company, approved the granting of an exemption to officers in each company from liability for damages resulting from a breach of the duty of care, subject to the provisions and qualifications of the law.

THE TEL-AVIV STOCK EXCHANGE LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - MATERIAL EVENTS IN THE REPORTING PERIOD AND THEREAFTER

- H. Pursuant to the stated in note 22 D (2) to the Annual Financial Statements concerning officers' and professional liability insurance policies, on July 31, 2019, after receiving the approval of the Company's Board of Directors and Audit Committee, also in its capacity as the Compensation Committee, the general meeting of the Company approved the Company's acquisition of professional liability insurance and liability insurance for directors and officers of the Company and its subsidiaries, for a period of one year commencing on August 1, 2019 and ending on July 31, 2020.

Each of the policies (the officers' liability insurance policy and the professional liability insurance policy) has a liability limit of US\$ 50 million (per incident and in aggregate), and an annual premium for both policies together of US\$ 252 thousand (as compared to approximately US\$ 184 thousand in the corresponding period last year). The officers' liability insurance policy has been adjusted to cover the operations of a public company and includes the requisite expansions and additions. Additionally, the acquisition of an additional layer of insurance in the officers' liability insurance for the clearing houses (TASE-CH and MAOF-CH) was approved, in an amount of up to US\$ 10 million (per incident and in aggregate) in excess of the liability limit of up to US\$ 50 million, for an annual premium of approximately US\$ 22 thousand.

Additionally, the acquisition of a designated insurance policy for the offering (Public Offering of Securities Insurance - POSI) was approved to cover the process of the offering and the prospectus for a period of 7 years from issuance date, with a coverage amount of up to US\$ 30 million (per incident and in aggregate), in consideration for the payment of a premium of approximately US\$ 127 thousand for the entire 7-year insurance period.

Each of the subsidiaries will bear its pro-rata share of the cost of the premiums in accordance with the principles of the allocation model set forth in note 22 C (2) (a) to the Annual Financial Statements. The subsidiaries will not bear the cost of the premium in respect to the POSI policy.

THE TEL-AVIV STOCK EXCHANGE LTD.

SEPARATE INTERIM FINANCIAL INFORMATION AS OF SEPTEMBER 30, 2019

**Prepared pursuant to Section 38D of the Securities Regulations
(Periodic and Immediate Reports), 1970**

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.

THE TEL-AVIV STOCK EXCHANGE LTD.

SEPARATE INTERIM FINANCIAL INFORMATION AS OF SEPTEMBER 30, 2019

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Translated from the Hebrew language

Special Report for Review of the Separate Interim Financial Information under Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970

THE TEL-AVIV STOCK EXCHANGE LTD.

Introduction:

We have reviewed the separate interim financial information that was prepared in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970 of The Tel-Aviv Stock Exchange Ltd. ("the Company") as of September 30, 2019 and for the nine- and three-month periods ended on that date. The Board of Directors and management are responsible for the separate interim financial information. Our responsibility is to express a conclusion on this separate interim financial information based on our review.

Scope of review:

We conducted our review in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of separate interim financial information consists of making inquiries, primarily with personnel 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 generally accepted auditing standards in Israel 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 abovementioned separate interim financial information is not prepared, in all material respects, in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

Brightman Almagor Zohar & Co.
Certified Public Accountants
A Firm in the Deloitte Global Network

Tel Aviv, Israel, November 26, 2019

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THE TEL-AVIV STOCK EXCHANGE LTD.

Financial Position Data

	September 30,		December 31,
	2019	2018	2018
	NIS, in thousands	NIS, in thousands	NIS, in thousands
	(Unaudited)		(Audited)
<u>Assets</u>			
Current assets			
Cash and cash equivalents	55,881	28,759	39,194
Financial assets at fair value through profit or loss	50,519	31,169	31,270
Trade receivables	13,736	11,883	15,268
Other receivables	18,429	19,028	10,702
Current tax assets	-	650	1,617
Total current assets	138,565	91,489	98,051
Non-current assets			
Cash restricted as to use	540	539	538
Investment in subsidiaries	118,700	105,296	108,995
Right-of-use assets	21,440	-	-
Other long-term receivables	3,643	-	-
Property and equipment, net	325,232	335,390	336,079
Intangible assets, net	108,772	101,689	105,460
Deferred tax assets	13,173	(*) 11,836	11,274
Long-term loan to a subsidiary	60,776	60,412	60,472
Total non-current assets	652,276	615,162	622,818
Total assets	790,841	706,651	720,869
<u>Liabilities and equity</u>			
Current liabilities			
Trade payables	8,114	12,584	15,266
Short-term liabilities for employee benefits	29,727	23,883	28,751
Current maturities of lease liabilities	9,514	-	-
Liabilities for current taxes	654	-	-
Deferred income from listing fees and levies	25,885	(*) 22,847	17,203
Other payables	5,403	(*) 3,593	9,285
Total current liabilities	79,297	62,907	70,505
Non-current liabilities			
Non-current liabilities for employee benefits	35,500	21,901	19,522
Lease liabilities	14,330	-	-
Deferred income from listing fees and levies	71,815	(*) 70,100	70,411
Other liabilities	540	539	538
	122,185	92,540	90,471
Equity			
Remeasurement reserve of net liabilities in respect to defined benefit	(15,789)	(6,014)	(4,331)
Capital reserve in respect to share-based payment transactions	30,820	27,380	27,380
Other capital reserves	35,863	13,107	13,107
Retained earnings	538,465	(*) 516,731	523,737
Total equity	589,359	551,204	559,893
Total liabilities and equity	790,841	706,651	720,869

November 26, 2019

**Date of approval of the
separate financial information**

(*) Retroactively adjusted for change in accounting policy - see section B 2.

The accompanying supplementary information is an integral part of the separate interim financial information.

THE TEL-AVIV STOCK EXCHANGE LTD.
Profit or Loss and Other Comprehensive Income Data

	Nine-month period ended September 30,		Three-month period ended September 30,		Year ended December 31,
	2019	2018	2019	2018	2018
	NIS, in thousands (Unaudited)	NIS, in thousands (Unaudited)	NIS, in thousands (Unaudited)	NIS, in thousands (Unaudited)	NIS, in thousands (Audited)
Revenue from services:					
Trading and clearing commissions	19,168	20,541	6,706	5,802	27,468
Listing fees and levies (**)	30,193	(*) 22,573	10,121	(*) 7,115	33,270
Distribution of data and connectivity services (**)	31,188	26,303	10,231	8,473	34,954
Other revenue (**)	2,350	2,611	909	785	3,320
	<u>82,899</u>	<u>72,028</u>	<u>27,967</u>	<u>22,175</u>	<u>99,012</u>
Revenue from initiation fees, net from investees	11,989	14,276	4,259	5,755	20,074
Total revenue from services	<u>94,888</u>	<u>86,304</u>	<u>32,226</u>	<u>27,930</u>	<u>119,086</u>
Cost of revenue:					
Employee benefits expenses	49,778	48,298	16,469	16,202	65,648
Expenses in respect of share-based payments	1,748	-	206	-	-
Computer and communications expenses	7,695	7,479	2,612	2,277	10,579
Rent, property taxes and building maintenance expenses	4,576	4,767	1,522	1,690	6,599
Administrative, fee and general expenses	6,802	6,176	2,313	2,120	8,810
Marketing expenses	2,606	1,830	744	469	2,147
Depreciation and amortization	17,675	10,530	6,015	4,018	14,631
Reversal of impairment provision	-	(85,108)	-	-	(85,108)
Other expenses	579	823	3	503	733
Total cost of revenues	<u>91,459</u>	<u>(5,205)</u>	<u>29,884</u>	<u>27,279</u>	<u>24,039</u>
Profit before financing income, net	<u>3,429</u>	<u>91,509</u>	<u>2,342</u>	<u>651</u>	<u>95,047</u>
Financing income	4,190	2,789	882	786	3,505
Financing expenses	610	113	185	36	153
Total financing income, net	<u>3,580</u>	<u>2,676</u>	<u>697</u>	<u>750</u>	<u>3,352</u>
Profit after financing income, net	<u>7,009</u>	<u>94,185</u>	<u>3,039</u>	<u>1,401</u>	<u>98,399</u>
Company's share in profits of investees	9,704	7,134	4,491	1,112	10,834
Profit before taxes on income	<u>16,713</u>	<u>101,319</u>	<u>7,530</u>	<u>2,513</u>	<u>109,233</u>
Taxes on income	1,985	21,903	725	538	22,811
Profit for the period	<u>14,728</u>	<u>79,416</u>	<u>6,805</u>	<u>1,975</u>	<u>86,422</u>
Other comprehensive income (loss):					
Items that will not be subsequently reclassified to profit or loss, net of tax:					
Remeasurement of net liabilities in respect to defined benefit, net of tax	(11,458)	3,080	(6,991)	-	4,763
Comprehensive income (loss) for the period	<u>3,270</u>	<u>82,496</u>	<u>(186)</u>	<u>1,975</u>	<u>91,185</u>
Basic and diluted earnings per share (NIS)	<u>0.147</u>	<u>(*) 0.794</u>	<u>0.068</u>	<u>(*) 0.020</u>	<u>0.864</u>
Diluted earnings per share (NIS)	<u>0.147</u>	<u>(*) 0.794</u>	<u>0.067</u>	<u>(*) 0.020</u>	<u>0.864</u>

(*) Retroactively adjusted for change in accounting policy - see section B 2.

(**) Reclassified, see note B 2 B.

The accompanying supplementary information is an integral part of the separate interim financial information.

THE TEL-AVIV STOCK EXCHANGE LTD.

Cash Flow Data

	Nine-month period ended September 30,		Three-month period ended September 30,		Year ended December 31,
	2019	2018	2019	2018	2018
	NIS, in thousands (Unaudited)	NIS, in thousands (Unaudited)	NIS, in thousands (Unaudited)	NIS, in thousands (Unaudited)	NIS, in thousands (Audited)
Cash Flows from Operating Activities					
Profit for the period	14,728	(*) 79,416	6,805	(*)1,975	86,422
Expenses in respect of share-based payments	3,440	-	432	-	-
Tax expenses recognized in profit or loss	1,985	(*)21,903	725	(*)538	22,811
Net financing income recognized in profit or loss	(3,580)	(2,676)	(697)	(750)	(3,352)
Reversal of impairment provision	-	(85,108)	-	-	(85,108)
Loss from disposal of property and equipment and intangible assets	1,279	246	6	248	280
Depreciation and amortization	32,514	23,752	10,809	8,579	32,672
Company's share in profits of investees	(9,704)	(7,134)	(4,491)	(1,112)	(10,834)
	<u>40,662</u>	<u>30,399</u>	<u>13,589</u>	<u>9,478</u>	<u>42,891</u>
Changes in asset and liability items:					
Decrease (increase) in trade receivables and other receivables	(6,471)	3,937	750	2,760	6,479
Increase (decrease) in trade payables and other payables	(6,207)	(*) (4,201)	(729)	(*) (9,490)	1,377
Increase (decrease) in liabilities for employee benefits	2,073	3,409	1,518	(658)	8,084
Increase (decrease) in deferred income from listing fees and levies	10,086	(*) 7,994	(5,964)	(*) (3,382)	2,660
	<u>40,143</u>	<u>41,538</u>	<u>9,164</u>	<u>(1,292)</u>	<u>18,600</u>
Interest received	3,091	2,767	1,205	816	3,636
Interest paid	(448)	(113)	(157)	(36)	(152)
Tax receipts (payments) - operating activities	1,906	2,665	76	(77)	1,533
	<u>4,549</u>	<u>5,319</u>	<u>1,124</u>	<u>703</u>	<u>5,017</u>
Net cash provided by (used in) operating activities	<u>44,692</u>	<u>46,857</u>	<u>10,288</u>	<u>(589)</u>	<u>66,508</u>

(*) Retroactively adjusted for change in accounting policy - see section B 2.

The accompanying supplementary information is an integral part of the separate interim financial information.

THE TEL-AVIV STOCK EXCHANGE LTD.

Cash Flow Data

	Nine-month period ended September 30,		Three-month period ended September 30,		Year ended December 31,
	2019	2018	2019	2018	2018
	NIS, in thousands (Unaudited)	NIS, in thousands (Unaudited)	NIS, in thousands (Unaudited)	NIS, in thousands (Unaudited)	NIS, in thousands (Audited)
<u>Cash Flows from Investing Activities</u>					
Purchase of property and equipment	(4,869)	(17,593)	(738)	(*) (3,525)	(20,388)
Proceeds from the disposal of property and equipment	2	41	-	-	41
Acquisitions of intangible assets	(7,262)	(11,231)	(1,993)	(*) (7,443)	(14,962)
Refund for overpaid development levies	-	-	-	-	1,788
Payments in respect of development costs capitalized to property and equipment and to intangible assets	(12,272)	(14,873)	(3,724)	(3,774)	(18,892)
Acquisition of financial assets at fair value through profit or loss, net	(18,327)	(29)	1,564	500	(510)
Net cash used in investing activities	<u>(42,728)</u>	<u>(43,685)</u>	<u>(4,891)</u>	<u>(14,242)</u>	<u>(52,923)</u>
<u>Cash Flows from Financing Activities</u>					
Company's share in the first-time listing of the shares	15,556	-	15,556	-	-
Receipts from shareholders within the framework of implementing the ownership restructuring, net	6,609	9,907	6,609	9,907	9,907
Lease payments	(7,280)	-	(2,451)	-	-
Net cash provided by financing activities	<u>14,885</u>	<u>9,907</u>	<u>19,714</u>	<u>9,907</u>	<u>9,907</u>
Net increase (decrease) in cash and cash equivalents	16,849	13,079	25,111	(4,924)	23,492
Cash and cash equivalents, beginning of the period	39,194	15,575	30,782	33,761	15,575
Effect of changes in exchange rates on cash balances held in foreign currency	(162)	105	(12)	(78)	127
Cash and cash equivalents, end of the period	<u>55,881</u>	<u>28,759</u>	<u>55,881</u>	<u>28,759</u>	<u>39,194</u>
<u>APPENDIX A – NON-CASH ACTIVITIES:</u>					
Acquisition of property and equipment and intangible assets, under short-term credit	1,170	2,656	1,170	2,656	5,630
Increase in right-of-use assets and lease liabilities as a result of new leases	4,811	-	4,811	-	-
Refund for overpaid development levies - in accordance with a compromise agreement validated as a ruling (net of expenses)	-	1,688	-	1,688	-

(*) Reclassified

The accompanying supplementary information is an integral part of the separate interim financial information.

THE TEL-AVIV STOCK EXCHANGE LTD.
Supplementary Information to the Separate Interim Financial Information

A. General:

This separate interim financial information has been prepared in a condensed format as of September 30, 2019 and for the nine- and three-month periods ended on that date, pursuant to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970. This separate financial information should be read in conjunction with the separate financial information for the Company's annual financial statements as of December 31, 2018 and for the year ended on that date and the accompanying supplementary information.

B. Significant Accounting Policies:

(1) This separate financial information has been prepared pursuant to the accounting policy set out in note A of the Company's separate financial information as of December 31, 2018 and for the year ended on that date, with the exception of the changes in the accounting policy described in note 2 to the condensed consolidated interim financial statements published together with this separate financial information.

(2) Restatement of Financial Statements for Previous Reporting Periods

a. Retroactive adjustment for Initial Application of IFRS 15, "Revenues from Contracts with Customers", in relation to Comparative Figures

For details of the retroactive adjustment for initial application of IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15") in relation to comparative figures, see note 2 B to the condensed consolidated interim financial statements published together with this separate financial information.

b. Reclassification

The Group has reclassified income from connectivity (income from communication lines and hosting services) from "other income" to "distribution of trading and other data". Additionally, income from membership fees has been reclassified from "other income" to "listing fees and levies".

The new classification more appropriately reflects the composition of the Company's revenues, based on the types of services that it provides. The new classification does not have a material effect on the comparative figures in the statement of profit or loss for periods prior to 2019. Accordingly, the revenues for such periods have not been reclassified.

(3) Initial application of new financial reporting standards and amendments to existing accounting standards:

Initial application of IFRS 16 - Leases

For the effect of the application of IFRS 16, see note 2 E to the condensed consolidated interim financial statements published together with this separate financial information.

C. Material Events in the Reporting Period and Thereafter:

For events in the reporting period and thereafter, see note 7 to the condensed consolidated interim financial statements published together with this separate financial information.