



Plus500 Limited

2018

ANNUAL REPORT AND ACCOUNTS

Plus⁺500
World's Trading Machine

www.plus500.com

ABOUT PLUS500

Plus500 Ltd. (the "Company" and together with its subsidiaries, the "Group") is a leading online provider of Contracts for Difference ("CFDs"). Plus500 has developed and operates a leading online trading platform for individual customers to trade CFDs internationally with reference to more than 2,200 different underlying global financial instruments, comprising equities, indices, commodities, options, exchange-traded funds ("ETFs"), cryptocurrencies and foreign exchange. The Company enables customers to trade CFDs in more than 50 countries and in 32 languages. The trading platform is accessible from multiple operating systems (Windows, iOS, Android and Surface) and web browsers.

In June 2018, Plus500 completed its admission to the premium listing segment of the Official List and to

trading on the London Stock Exchange's Main Market for Listed Companies (just under five years since its successful AIM IPO). Plus500 was included within the FTSE250 index in September 2018.

Plus500 retains operating licences and is regulated in the United Kingdom, Australia, Cyprus, New Zealand, Israel, South Africa and Singapore. Customer care is and has always been integral to Plus500: customers cannot be subject to negative balances and there are no commissions on trades. A free demo account is available on an unlimited basis for platform users and a variety of risk management tools, including stop losses, are provided free of charge to help customers manage leverage, protect profits and limit financial losses.





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Plus500 Limited

STRATEGIC REPORT



2018 HIGHLIGHTS

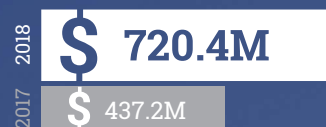
FINANCIAL HIGHLIGHTS

- Revenue increased 65% to \$720.4 million (2017: \$437.2 million)
- EBITDA¹ increased 95% to \$506.0 million (2017: \$259.2 million)
- Exceptional first quarter benefitting in particular from cryptocurrency trading
- Total P&L gain in 2018 of \$172 million (FY 2017: loss of \$103 million)
- EEA performance impacted by ESMA measures from 1 August 2018, offset by \$56 million P&L gain in the fourth quarter of 2018
- EBITDA margin increased to an exceptional 70.2%, reflecting the record revenue and operational leverage (2017: 59.3%)
- Net profit increased 90% to \$379.0 million (2017: \$199.7 million)
- Earnings per share increased 90% to \$3.33 (2017: \$1.75)
- Cash generated from operations increased 78% to \$495.0 million (2017: \$278.7 million)
- ARPU² reached a record high of \$2,365 in 2018, against \$1,379 for 2017
- Strong financial position: debt-free balance sheet and high cash conversion ratio³ (98%)

OPERATIONAL HIGHLIGHTS

- Strong progress and trading activity:
 - Total number of transactions in 2018 increased by 6% year on year
 - More than 3 million transactions per month on average
 - More than \$1.3 billion deposited by customers, reflecting strong trust in the Plus500 brand
- Continued expansion of global presence and diversification of revenues outside the EEA:
 - Australian domiciled revenues increased approximately four times year-on-year and represented 12% of Group revenue in 2018
 - Launched operations in Singapore
- Leading industry positions improved:
 - The largest CFD provider in the UK⁶, Spain and Germany⁷
 - Australia's best CFD mobile platform⁸
 - Leadership in technology and product innovation:
 - over 77% of revenues from mobile devices
 - maintained position as the highest rated industry app by customers in both Apple's AppStore and Google's Play Store
- Move up to the Main Market of the London Stock Exchange completed on 26 June 2018; joined the FTSE250 in September 2018

REVENUE



EBITDA



ACTIVE CUSTOMERS⁴

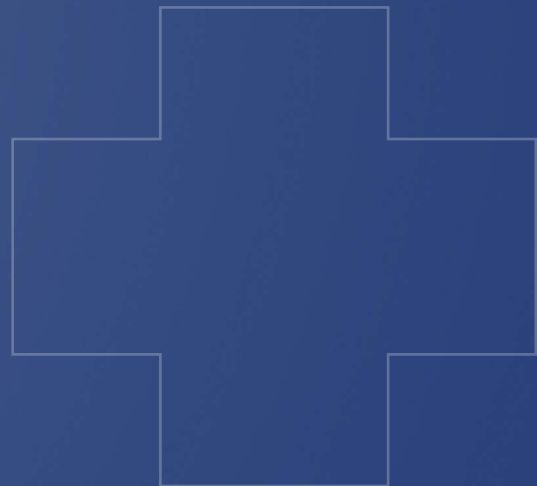


NEW CUSTOMERS⁵



SHAREHOLDERS' RETURNS

- Significant returns to shareholders during the period:
 - Final dividend of \$0.6191 per share (final dividend 2017: \$0.8129 per share)
 - A total of \$229.7 million (2017: \$199.6 million) is returned to shareholders, consisting of dividends of \$227.4 million and an initial \$2.3 million of a share buyback programme in the period
 - The Company maintains its core 60% dividend pay-out ratio, with interim and final dividends split in accordance with half yearly profits
 - The Board will continue to assess the availability of any excess capital and prioritise its use, as it has always done, between value-adding investment growth opportunities and additional returns to shareholders



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- 1 Earnings before Interest, Taxes, Depreciation and Amortisation
 - 2 Average Revenue per Active User
 - 3 Cash generated from operations / EBITDA
 - 4 Customers who made at least one real money trade during the period
 - 5 Customers depositing for the first time ever during the period
 - 6 By total number of client relationships, Investment Trends 2018 UK Leverage Trading Report
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 - 8 By own client satisfaction rating, Investment Trends 2018 Australia Leveraged Trading Report

CHAIRMAN'S STATEMENT



" Plus500 remains well positioned to capitalise on the significant global market opportunity in the financial trading industry, which we believe will enable it to generate growing and sustainable returns over time. "

Penny Judd
Chairman

INTRODUCTION

2018 was a momentous year for Plus500 and I am pleased with the operational progress made by the business during the year. Our successes included:

- a record financial performance and maintenance of a robust financial position
- payment of significant shareholder returns
- joining the Main Market of the London Stock Exchange and joined the FTSE250 index
- implementing major regulatory changes smoothly and on time
- improving on our market leading industry positions
- continuing our expansion into new territories and diversification of our sources of revenues

This success was all made possible by the hard work of our talented management and employees combined with our continued investment in the core business – in our trading platform, our marketing, our innovative technology edge, our compliance and regulation, and our risk management.

OUR COMPETITIVE ADVANTAGE

Our strong performance was achieved by the Company's superior technology, which is both a significant barrier to entry and a competitive advantage. It enables:

- a highly rated, user friendly trading platform delivered seamlessly across the latest devices

- smart marketing technology to acquire valuable customers cost effectively
- the rapid introduction of new trading instruments and quick and efficient updates to our platform to comply with new regulations

All of our key technology is delivered in-house by Plus500 staff and is based on proprietary technology supported solely by the Company's internal technical expertise. This is cost effective, flexible and supports our goal of being number one in the market.

REGULATION

Plus500 challenges itself to be the best in the CFD industry. In particular, we have made strides in enhancing our regulatory compliance procedures and embedding a compliance culture within our global business. We continued to invest in our regulatory and compliance operations during the year, with employees dedicated to regulatory compliance and customer-facing employees aware of and fully trained to meet regulatory requirements.

Plus500 operates in a highly regulated industry, which requires a continuing focus on best practice and continuous and open dialogue with regulators. During the year, a number of regulatory changes came

into force, as a result of MiFID II, GDPR and the new measures introduced by the European Securities and Markets Authority ("ESMA").

Plus500 implemented these required changes assisted by its strength in technology. With regard to the ESMA measures in particular, the Company has never offered binary options and has always provided negative balance protection as part of its business model, meaning that the impact on the business was limited largely to the changes in leverage levels. While client trading behaviour is adjusting to the reduction in leverage, this is expected to continue to impact short term revenue and profits, while supporting value over the longer term.

The Board believes the Company is well prepared for the various UK Brexit scenarios, given its separate EU licence in Cyprus, through which it can operate in other European jurisdictions in line with applicable regulatory requirements. The Company also continues to build its business outside of the European Economic Area ("EEA").

SHAREHOLDER RETURNS

The Company's core dividend policy is to pay out 60% of retained profits in each financial year as dividends to shareholders.

The Board declared a final dividend for the year ended 31 December 2018 of \$0.6191 per share (2017: \$0.8129 per share), reflecting an 18% increase in the total dividend for the year, amounting to \$1.9977 per share (2017: \$1.6867).

In addition, during the year the Company also bought back 130,963 Ordinary Shares, or 0.1% of its capital for an aggregate purchase price of \$2.3 million at an average share price of £13.58.

STRATEGY

Plus500 aims to maintain its leadership in innovation, grow its customer base in established markets, extend its market leadership and strengthen and expand its geographical reach into new regions, with the aim of becoming the number one global listed CFD provider. We believe this will allow us to continue to deliver significant shareholder returns.

During the year we continued to improve our market position and either became or maintained our ranking as the largest CFD provider in the UK, Spain and Germany according to recent reports published by Investment Trends (measured by total number of client relationships).

We will continue to build the Plus500 business by:

- investing in marketing initiatives, to enhance our brand globally and attract new, high value customers with a good lifetime value
- further developing our technology, thus ensuring we continue to be first to market and flexible in our approach
- obtaining new operating licences in existing and new target territories, thereby increasing customer numbers and geographically diversifying our earnings
- ensuring regulatory compliance and rapid implementation of all required regulatory changes
- further improving our customer service, to deliver an excellent trading experience to our customers

OUTLOOK

As we enter 2019, market conditions are very different to last year. The new regulatory environment in Europe presents both opportunities and challenges to which we are adjusting rapidly. I am confident that our team will successfully navigate this period of transition and that Plus500 will emerge a stronger and better business as a result, building on our market leading positions and identifying exciting opportunities for future growth.

In conclusion, Plus500 remains well positioned to capitalise on the significant global market opportunity in the financial trading industry, which we believe will enable it to generate sustainable returns over time.



Penny Judd
Chairman
12 April 2019



CHIEF EXECUTIVE OFFICER'S STATEMENT



" Our highly flexible business model, industry leading scale and market share, technology edge, lean cost structure and robust financial position will help mitigate the impact of regulatory measures. "

Asaf Elimelech
Chief Executive Officer

INTRODUCTION

I am pleased to report a year of record numbers and performance. These results demonstrate both our strong operational performance and the ongoing commitment to delivering an excellent customer experience. Our focus on innovation and technology leadership continues to deliver benefits, through the acquisition of New Customers and the continued activity and increasing loyalty of existing ones, evidenced by the continued downward trend in customer churn.

It was a momentous year as we successfully completed our move up to the premium listing segment of the Official List and to trading on the London Stock Exchange's Main Market for Listed Companies, with the subsequent inclusion in the FTSE250 – barely five years since our successful AIM IPO. We expect this listing to increase interest and trust in Plus500, both from investors and potential new customers.

The year was also notable for the introduction of regulatory measures by ESMA in August 2018. Although we saw a marked reduction in Group revenue in the second half of the year attributable to ESMA regulation, we welcomed the new regulatory framework, as it is aimed at ensuring a level playing field across industry providers and increased transparency and fairer

outcomes for customers. This creates a backdrop against which we expect Plus500 to excel over the medium to longer term.

Our operating licences in the United Kingdom, Australia, Cyprus, New Zealand, Israel, South Africa and Singapore, provide both a strong foundation in this new environment and the benefit of diversified revenues.

In summary, our highly flexible business model, industry leading scale and market share, technology edge, lean cost structure and robust financial position will help mitigate the impact of regulatory measures. We believe that we can continue to successfully develop our business and expand into new markets, in order to enable us to continue to provide strong shareholder returns.

OPERATIONAL REVIEW

In order to continue to grow, it is essential to recruit and retain high quality customers in new and existing territories. Plus500 therefore continues to invest in broadening and enhancing its brand awareness and diversifying its customer base internationally, both inside and outside the EEA. The Company is currently exploring a number of opportunities to further extend

its market reach to new territories, which the Board believes could be a major driver for future growth and further diversification of revenues.

The trading platform continues to be diversified across an increasing range of financial instruments, in line with our customers' trading interests. During 2018 various instrument categories were in the headlines and the Company broadened its offering accordingly with relative ease thanks to our innovative technology.

Our successful partnerships as official main sponsors of Club Atlético de Madrid and the Plus500 Brumbies continued to attract interest and raise our brand awareness worldwide.

During the year, the Company continued to recruit new staff to maintain its position as an industry leader. Ari Shotland joined as the Group's Chief Technology Officer, having most recently held the position of Senior Staff Software Engineer and Tech Lead Manager at Google Israel. This appointment reflects the importance that the Group places on its in-house proprietary technology and internal technical expertise, which the Company believes represents a significant competitive advantage.

The adoption of the Group's mobile offering (including tablet) continued to grow and mobile represented

77% of the Group's 2018 total revenues (2017: 75%), with 73% of all customer trades executed on a mobile device.

During the year, the Company also improved the scalability of the trading platform infrastructure and its capacity to deal with sudden surges in demand and a growing number of customers and simultaneous transactions.

The Company invested in improving the level and quality of customer support, particularly in the live chat facility, extending native language support to the 16 languages most demanded by our customers. Overall the trading platform is now available in 32 languages in 50 countries. In addition, Plus500 further improved its withdrawal and deposit processes including shortening its processing times, ensuring rapid platform availability for new customer trading.

RISK MANAGEMENT FRAMEWORK

Plus500's target audience is exclusively individual customers and the platform is not available to institutional or corporate traders. As a result, Plus500 does not have a dependency on a small number of very large customers – the largest customer in 2018 contributed only 0.36% of total Group revenue.

Plus500 offers its customers sophisticated risk management tools to manage their trading positions and guarantees all of its customers, including those who have elected and qualified for Elective Professional Clients ("EPCs"), cannot lose more than their account balance at no additional cost – this has been true since the formation of the Company and has been a key commercial and cultural advantage over the years.

The Company employs a combination of real-time monitoring technology, predefined limits and internal offsetting techniques across its hundreds of thousands of customers to ensure risk is effectively managed- full details are set out in the Risk Management Framework on page 38.

In the Company's Preliminary Results announcement issued on 12 February 2019, we provided additional disclosure on the components of the reported revenue for the 2017 and 2018 financial years. Due to unusual market circumstances, particularly in the cryptocurrency asset type, revenue was negatively impacted by strong customer trading performance in 2017 and positively impacted by weak customer trading performance in 2018.

RESEARCH AND DEVELOPMENT

Research and Development remains a priority for the Company, as it is imperative to maintain its competitive advantage and to drive new products and platform enhancements. The fact that the trading platform has been developed in-house provides Plus500 with a clear competitive advantage. This structure contributed to the smooth implementation of ESMA's new measures, the flow of EPCs, and expedited reactive product development in line with market trends.

Plus500 remains the industry leader in mobile and retains the highest rated app in its sector in both Apple's AppStore and Google's Play Store. This will continue to be an area of concentration, as the Company seeks to protect this important advantage.

The Company is also constantly working on further developments, which are expected to reduce churn and enhance customer value; this is increasingly important as regulation changes the industry.

OUTLOOK

Plus500 is well positioned to capitalise on the global market opportunity in the financial trading industry, building on its success to date. The Company continues to work on a number of initiatives in order to attract and retain valuable customers. The Company's success to date has been built on its technological leadership and its unified omni-channel trading platform, along with its popular and intuitive mobile offering. Ten years on from its formation, Plus500's technology edge remains a significant competitive advantage.

The trading platform has evolved over the years, while retaining the ease of use that has attracted the vast majority of customers. The proprietary infrastructure means that enhancements can be designed, tested and implemented very rapidly. Future upgrades to the platform are planned and will continue to enhance the overall customer experience and improve customer satisfaction and retention.

Over the last few years, the Group has sought to broaden and de-risk its operations and its geographic revenues by successfully acquiring licences in addition to its initial UK licence, including in Australia, Cyprus, Israel, New Zealand, Singapore and South Africa. Plus500 is continuing to pursue opportunities to expand its footprint and is actively working on gaining additional licences which will further diversify its revenue and provide significant opportunities for growth. With the recent regulatory changes designed to raise standards across the industry, Plus500 believes these changes create both a barrier to entry and a disincentive for some current players.

The Group has now adjusted to the new industry regulations. New customer flow remains at levels well above all major competitors in the industry; ARPU is growing as a result of the targeting of valuable customers; the proportion of EEA region revenue from EPCs continues to grow; customer retention metrics are improving and customer tenure is increasing, supporting lifetime values; the proportion of Group revenue from outside the EEA region continues to rise as Plus500 makes good progress in Australia, Singapore and beyond, and the Company is seeking to expand its global footprint to further diversify its revenue base.

Following our latest assessment of the ESMA regulatory measures of August 2018, on 12 February 2019 we announced that this year's revenues and profits were expected to be lower than the existing market expectations, although the long-term impact of the ESMA measures is expected to be partially mitigated by increased deposit levels across this customer segment and falling churn rates.

Underpinned by technology, and given its scale, its culture of compliance and its commitment to outstanding customer service, Plus500 is set to benefit over the medium to long-term from the stricter regulatory oversight, and to generate growing and increasingly sustainable returns over time.



Asaf Elimelech
Chief Executive Officer
12 April 2019

OUR STRATEGY

By focusing on our core strategic pillars we seek to achieve our goal of being the leading global listed CFD provider

Strategic Objectives	2018 Performance
Maintain leadership in innovation	<ul style="list-style-type: none">• Introduction of new features and redesigns to the trading platform to enhance customer experience• Developed innovative financial instruments• The Group's technology edge enabled it to comply quickly and efficiently with recent regulatory changes, including MiFID II, GDPR and ESMA intervention measures
Grow our customer base in established markets and extend market leadership	<ul style="list-style-type: none">• Increased its leading position and international brand recognition• Extended and enhanced our 24/7 live chat
Strengthen and expand our geographical reach into new regions	<ul style="list-style-type: none">• Launched its operation in Singapore, entering a significant market for our product, increasing revenue diversification and reducing specific location regulatory risk

9 Average User Acquisition Cost

KPIs

Priorities

- Increase in customer registration rates introduced during the period
- Immediate release of new instruments in accordance with market trends
- Number 1 ranking among CFD providers for mobile app in Apple AppStore and Google Play, and in number of downloads
- Over 77% of revenues from mobile devices (2017: 75%)

- Aim to be among the first to launch attractive new instruments, responding rapidly to news flow, such as high profile, newly listed equities or fluctuating currencies
- Further developing the trading platform, launching various tools to provide more in-depth analysis for our customers, improving satisfaction levels, enhancing customers experience and reducing churn

- 134,237 New Customers (2017: 246,946)
- 304,616 Active Customers (2017: 317,175)
- ARPU: \$2,365 (2017: \$1,379)
- AUAC⁹: \$934 (2017: \$474)
- Number 1 CFD provider in the UK, Germany and Spain (according to Investment Trends reports)
- Reduced response times in customer support channels
- Increase in customer satisfaction and retention

- Continue to invest in marketing scale and abilities to ensure that it remains a key differentiator and attracts new valuable customers, while increasing our return on investment and improving retention rates
- Continue to increase brand awareness in measurable, innovative, cost-effective ways to attract new and valuable customers
- Further invest in customer support measures to increase overall customer satisfaction

- Increased revenue diversification between the EEA and non-EEA territories

- Extend the global footprint and to continue to diversify revenues through growth in current territories and the addition of new operating licences

OUR BUSINESS MODEL

Our robust, agile, lean and scalable business model generates operating leverage to create value for our stakeholders



WHAT WE DO

Plus500 developed and operates a leading online trading platform for individual customers to trade CFDs internationally. Our online trading platform in 2018 provided 304k Active Customers with the ability to trade CFDs on over 2,200 underlying financial instruments, comprising equities, indices, commodities, options, ETFs, cryptocurrencies and foreign exchange. The trading platform is based on our self-developed technology and is exclusively for the use of individual customers



HOW WE MAXIMISE VALUE

Clear strategy

Simple coherent strategy based on constantly evolving our trading platform, enhancing our brand through excellent customer service, cutting-edge marketing and ultimately improving operational leverage

Read more on page 36

HOW WE SHARE VALUE

SHAREHOLDERS AND INVESTORS

Delivery of returns to shareholders

Shareholders and investors

Attractive returns through capital growth, ordinary and special dividends, and share buybacks

Total returns in dividends and share buybacks since admission to AIM in 2013 amount to \$761 million

Read more on page 36

REGULATORS

The Company contributes to round table discussions within the industry and has regular dialogue with global regulators

EMPLOYEES

Providing rewarding careers, with opportunities for training, development and progression and participation in the Plus500 Share Appreciation Rights scheme

Participation in relevant departmental training sessions on a global basis to raise skills to global best practice

Read more on page 46

Comprehensive risk management

Proprietary risk management that incorporates real-time functionality risk management systems and trading thresholds triggers to reduce risk

Read more on page 38

Sound governance

Plus500 Board is comprised of experienced individuals with vast knowledge of finance, regulation and compliance, technology and capital market disciplines. Our Board operates according to the best practices of the main market and, as a premium listed company, we have upgraded our internal policies and procedures to be as compliant as possible, in order to provide our shareholders with a framework for long term success

Read more on page 61

CUSTOMERS

Customers enjoy a highly rated, robust and scalable, user-friendly trading platform with a leading position in the mobile space

Intuitive navigation and consistency minimises the learning curve between devices and improves user experience

Customer centric approach – negative balance protection and maintenance margin automatic close-out are offered for all customers across the Group at no cost

Unlimited demo account to enable Plus500 potential customers to fully understand the product and its characteristics before conducting any real-money trading

Leadership in innovation

24/7 customer service in multiple languages

SPONSORSHIPS

The cooperation of the Company with its partners provide all parties with stronger brand recognition

Read more on page 48

SUPPLIERS

More activity and growth of the business provides more support to the Group's Marketing and operations' suppliers with whom we have regular dialogues

OUR COMPETITIVE ADVANTAGE



Sophisticated, proprietary software

Intuitive in-house platform allowing flexibility, integrated features and rapid innovation

Read more on page 30



Smart marketing technology

Proprietary, highly effective system to identify opportunities and acquire customers efficiently

Read more on page 30



Flexible, scalable business structure

Ability to adjust to the changing environment as a result of our lean cost structure and proprietary technology. The Company does not pay any royalties to third parties for the use of the trading platform by its customers and can therefore maintain high margins and profitability levels



No.1 CFD provider
in the UK¹⁰,
Germany and Spain¹¹



Over 50 Countries



32 Languages



**7 locations
worldwide**

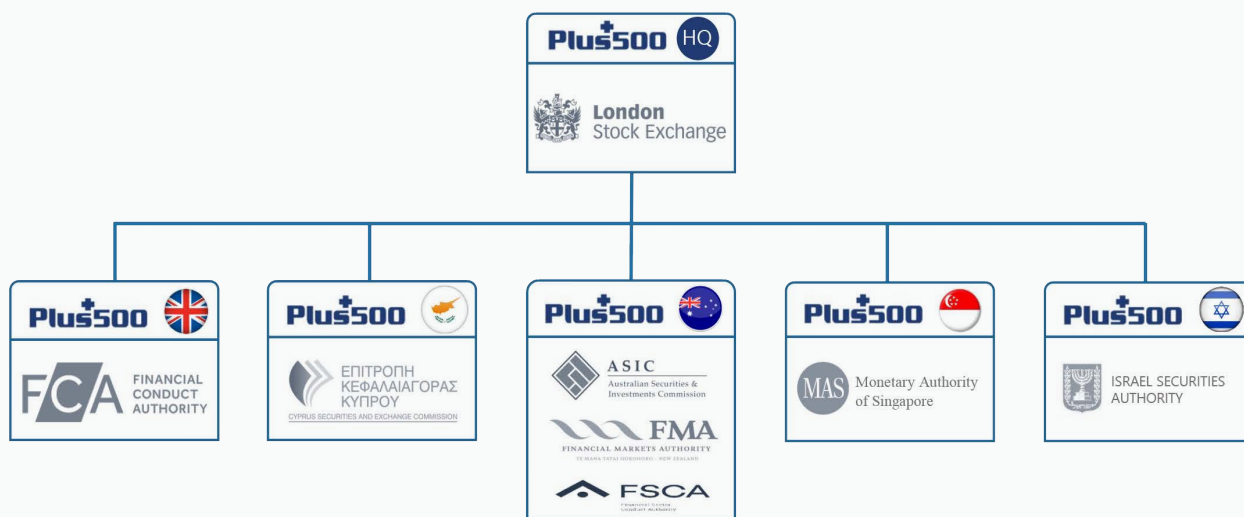
¹⁰ By total number of client relationships, Investment Trends 2018 UK Leverage Trading Report

¹¹ By total number of client relationships, Investment Trends 2018 Germany & Spain CFD & FX Reports

WHERE WE OPERATE

Our trading platform is available in more than 50 countries in 32 languages

Operations are conducted from our seven locations worldwide. Plus500 retains operating licences and is regulated in the UK, Australia, Cyprus, New Zealand, Israel, South Africa and Singapore



KEY STAKEHOLDER RELATIONSHIPS

Stakeholder	Why it is important to engage
Customers	Understanding customers' needs is an integral part of providing a relevant and up to date product offering that will attract a growing number of new valuable customers and will assist in retaining existing customers thereby reducing churn
Employees	Automation has been very important in the Group's success to date and will continue to be a central theme, as the Company operates a lean and efficient structure. The Company regards its employees as the key asset which support and enable such a structure
Regulators	Regulatory oversight is an integral part of the Group's business, as its subsidiaries retain operating licences and are supervised by various regulators across the globe. The Group sees great importance in reviewing and enhancing its regulatory compliance procedures and embedding a compliance culture within its global business, including through open and constructive communications with relevant regulatory bodies
Shareholders and Investors	As a public listed company, Plus500 aims to provide fair, balanced and understandable information to investors and shareholders. Maintaining a close connection to its shareholders through transparent dialogue has always been the Group's focus. The Company continues to seek ways to strengthen the relationship with its shareholders and investors
Suppliers	Plus500 uses the services of various suppliers in order to provide its customers with the best user experience. Suppliers assist with the ongoing activities surrounding the Plus500 trading platform
Sponsorships	Plus500 is the official sponsor of the Spanish football club, Atlético de Madrid FC and of the Australian professional rugby union team, the Plus500 Brumbies. Both sponsorships have been highly successful, increasing brand recognition with the Company's current and potential global customer base within its target markets

How we engage

- Online and offline marketing channels
 - Omni-channel customer-centric approach
 - 24/7 customer support available in multiple languages
-
- Evaluation and feedback processes for employees and management
 - Competitive reward packages
 - Encourage employee training and development
 - Non-Executive Director (Steven Baldwin) responsible for employee engagement
-
- Ongoing constructive interactions with various regulators
 - Participation in regulators' coordination groups
 - Public consultations issued by regulators on relevant industry matters
-
- Annual reports
 - Regulatory News Service
 - Annual General Meeting
 - Investor presentations
 - Investor conferences
 - One-on-one meetings
-
- engagement with suppliers allow the ongoing review and monitoring of suppliers' performance levels
 - Building strong partnerships with suppliers through open two-way dialogue
-
- Ongoing relationship, including online and offline marketing campaigns and the prominent feature of Company logo on all team jerseys
 - Mutually beneficial relationship enhancing all brands
-

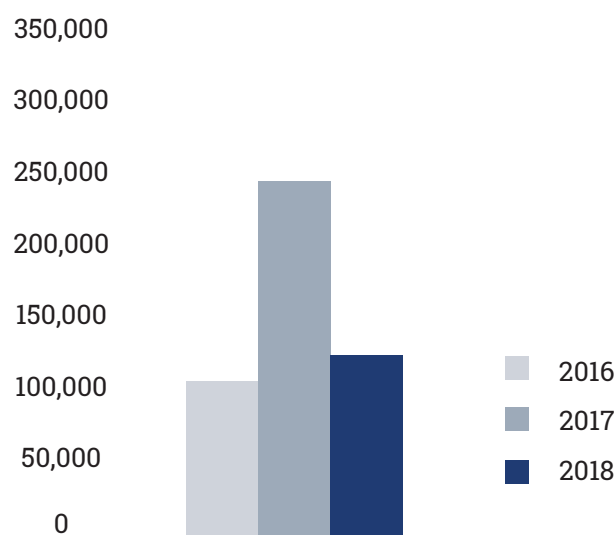


KEY PERFORMANCE INDICATORS

The Board monitors the Company's performance against its objectives, and the financial performance of its operations through a number of key performance indicators ("KPIs") regularly. In particular, these KPIs are used to benchmark revenue generation and operating costs, and to ensure the ongoing and improving effectiveness of the Company's marketing budget to maximise efficiency and returns on investment. The following charts set out the Group's KPIs, which are following the industry's common practice.

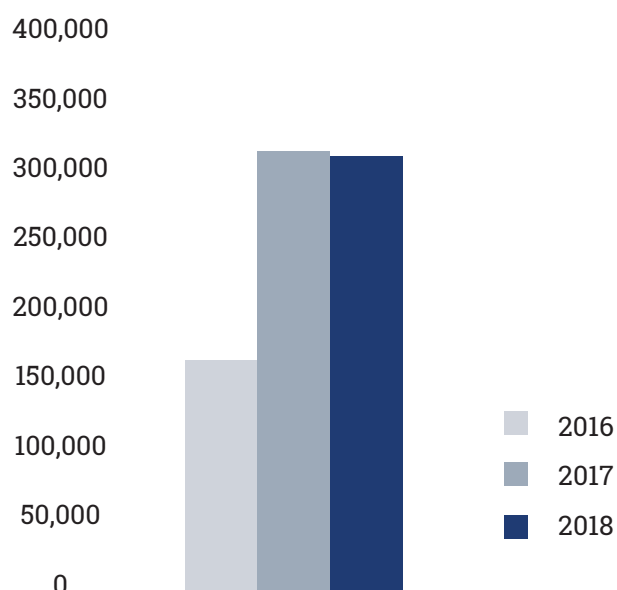
NUMBER OF NEW CUSTOMERS

'New Customers' are customers who deposited real money into their own trading account for the first time ever in the relevant financial period. This is used as a consistent and relevant measure to track the number of new customers the Group is attracting on a year-on-year basis. It is important in the overall strategy for the Group to attract new valuable customers, whilst engaging and retaining existing customers.



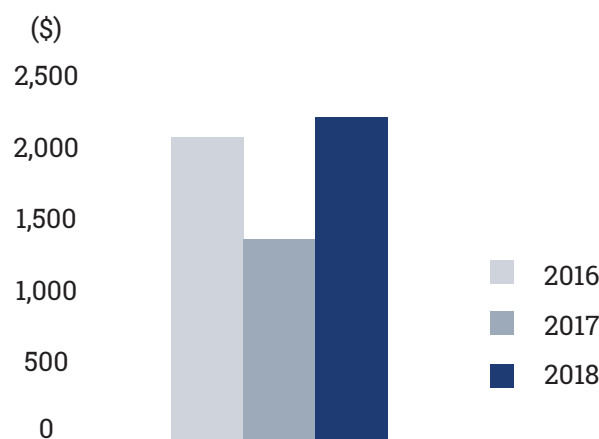
NUMBER OF ACTIVE CUSTOMERS

'Active Customers' are customers who made at least one trade using real money on the trading platform in the relevant period. This measure assists in reflecting the level of customer activity within the trading platform and is indicative of the degree of customer satisfaction. It is important that the Group attracts and retains active trading customers to continue deliver sustainable revenue and profits.



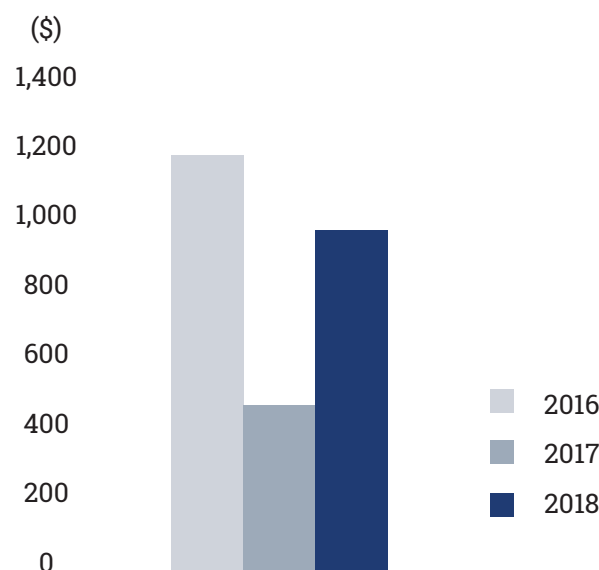
AVERAGE REVENUE PER USER (ARPU)

Average Revenue per User is calculated by dividing the total trading revenue by the number of Active Customers in the relevant financial period. This measure is only indicative of how the value of the average customer moves over time, as it is affected by other factors such as extreme periods of customer acquisition; periods of low or high volatility in financial markets; and customer trading performance.



AVERAGE USER ACQUISITION COST (AUAC)

Average User Acquisition Cost is used to show the costs of attracting a new customer to use the trading platform. This is calculated by dividing the total marketing expenses by the number of new customers in the relevant financial period. Along with ARPU, the direction of movement here indicates the level of return on marketing investment. The Company feels it is important to manage the average user acquisition cost to ensure a balanced spend on customer retention and acquisition. The Group overlays this with a series of retention and customer satisfaction initiatives, to reduce churn and increase the lifetime value of customers.



OUR TECHNOLOGY

THE TRADING PLATFORM

The trading platform has been designed to be intuitive and user-friendly, providing customers with a simple and consistent interface across a wide variety of devices, including mobile, tablet, web and PC. This approach ensures that customers are able to enjoy a multi-channel experience, allowing them full accessibility to trade the financial instruments which are of interest to them, across all formats and through a single customer account; this offers the customer a familiar interface, greatly reducing the learning curve when switching between different devices.

DEMO ACCOUNT

The Group offers potential customers the opportunity to operate a free demo account for an unlimited period of time. The demo account fully imitates the real trading experience, providing customers with access to all financial instruments, trading tools and features and ensures that customers have an opportunity to familiarise themselves with the features of the trading platform and to fully understand the product before they commence trading using a real money account. The Group also allows customers to open real money accounts with relatively small deposits, when compared

to many of its primary competitors, which allows new customers to only have to commit relatively small amount at the initial stage.

CUSTOMER INTERFACE AND BACK-END TO THE TRADING PLATFORM

The trading platform operates a simple and consistent, but highly localised, user interface across a number of desktop and mobile devices, available in more than 50 countries and in 32 languages. It has been designed to be as intuitive and as user-friendly as possible and provides customers with real-time prices, allowing users to continuously monitor their open positions and trading activity, with immediate access to trade execution across a multitude of order types.

CONTINUED DEVELOPMENT OF THE TRADING PLATFORM

The trading platform continues to evolve in order to further improve systems scalability for meeting the growing demands of the Group's active customer base and the increased customer activity, thus creating an even more robust infrastructure which can support substantial volumes. For example, the Group rapidly released new interfaces for users following the

launches of Apple's operating systems updates. The Android version has also been updated and has seen a step up in its usability. The Group is constantly updating and introducing new financial instruments to its supported portfolio to meet customer demand and asset trends across the geographies in which its offering is available.

The industry-wide trend for trading CFDs on smartphones and tablets continues to gather pace. The Group's mobile platforms for both smartphones and tablets now account for more than 77 per cent of revenues. The Group's mobile app is ranked the highest amongst its peers, with an average rating of

between 4.2 and 4.2 respectively, out of 5 on Google's Play Store and Apple's AppStore as of 31 March 2019. It has also received considerably more reviews than those provided to the Group's competitors. The success of the Group has been supported by maintaining a tight and flexible cost structure. The high degree of operating leverage within the business, driven by the efficiency and automation of the trading platform and the supporting elements, enables the Group to generate a relatively high average revenue per employee, whilst maintaining a relatively low average cost per employee; these are metrics which the Board believes compare favourably to some of the Group's primary competitors.



OUR MARKETS

CFDs are highly flexible products, traded internationally, which can be based on a wide range of underlying financial instruments. The growth of this industry over recent years has been aided by a number of factors: increasing awareness of its existence through online and social media channels; a growing desire by individuals to control their finances along with changes in financial regulation providing greater freedoms; the ongoing growth in internet usage along with the explosion in the use of mobile devices; the development of intuitive yet highly advanced online trading platforms. Together these have enabled individual customers to trade in an increasingly wide variety of financial assets and instruments that were previously inaccessible. Within the broader industry, the Group is currently focused solely on the provision of CFDs.

GLOBAL OPERATIONS

Our seven offices are located in Europe, the Middle East, Australia and Asia and provide services to customers all around the world. Our worldwide operations enable us to provide our customers with a best-in-class product and to expand our offering to potential new customers within additional territories, while operating within the local regulatory regimes.

REGULATION

The Group is regulated in the EEA, Australia, South Africa, Israel, New Zealand and Singapore and its services are also available in certain other jurisdictions across Asia, the Middle East and elsewhere. The Group operates through five subsidiaries which have been granted licences by regulators:

- Plus500UK Ltd is authorised in the United Kingdom by the Financial Conduct Authority (FCA) and has obtained “passports” allowing it to offer its services across the EEA;
- Plus500CY Ltd is authorised in Cyprus by the Cyprus Securities and Exchange Commission (CySEC) and has similarly obtained “passports” allowing it to offer its services across the EEA;
- Plus500AU Pty Ltd is authorised in Australia by the Australian Securities and Investments Commission

(ASIC), in New Zealand by the Financial Market Authority (FMA) and in South Africa by the Financial Sector Conduct Authority (FSCA);

- Plus500IL Ltd is authorised in Israel by the Israeli Securities Authority (ISA); and
- Plus500SG Pte Ltd is authorised in Singapore by the Monetary Authority of Singapore (MAS).

The Group believes that regulators around the globe continue to increase scrutiny and standards in the retail leveraged trading industry. In particular, the regulatory environment continues to evolve in many of the Group’s European markets and in other parts of the globe.

As a result of a tightening global regulatory environment, the Company believes there will be a greater need for efficiency and automation within the business models of industry participants and that the scale of the Group and its accepted technological leadership positions it well to benefit from these trends.

BREXIT

The Company believes it is well prepared for the various UK Brexit scenarios, given its separate EU licence in Cyprus, through which it can continue to operate in other European jurisdictions in line with applicable regulatory requirements.





" The combination of the Group's inherent operational leverage together with strong KPIs resulted in a record financial performance. This has enabled us to provide significant shareholder returns, whilst continuing to invest in the future growth and diversification of the business through current and new verticals. "

Elad Even-Chen
Chief Financial Officer

INTRODUCTION

Financially, 2018 was a very strong year for Plus500. The combination of the Group's inherent operational leverage together with strong KPIs resulted in a record financial performance. This has enabled us to provide significant shareholder returns, whilst continuing to invest in the future growth and diversification of the business through current and new verticals - and at the same time remain debt free with 98% conversion of operating profit to cash flow (2017: 108%).

Our corporate structure encourages streamlined systems and efficiency across the Group enabling us to form a lean and agile operating structure; this, in turn, enables us to efficiently and quickly adapt to ongoing changes to our industry and business, thereby enhancing our overall performance.

REVENUE

The Group delivered record revenue and profitability in the year. Revenue was up by 65% to \$720.4 million (2017: \$437.2 million), with growth across all key geographies. This step-change in the Company's financial performance included an exceptional first quarter with revenues of \$297.3 million (more than triple Q1 2017), following the record New Customer acquisition at the end of 2017.

In the first half of 2018, revenue was 147% compared to the same period in the prior year. The Company also delivered a solid second half, 2.5% ahead of the prior year. Although the ESMA measures in August did impact the Group's revenue in the EEA region, 33% of the Group's FY 2018 revenue was delivered outside the EEA, up from 28% in 2017, evidence of the Company's move to further diversify its revenue base. Within the EEA, 61% of the second half revenues were generated from Elective Professional Customers, who made up 5% of Active Customers in the period.

We had an outstanding growth in Australian domiciled revenue, as they saw an increase of approximately four times year on year. UK revenue grew as well by 47% as a result of increased brand recognition and marketing success. In the EEA (excluding UK), revenue increased 55% to \$384.7 million (2017: \$247.8 million).

EBITDA

The Company delivered a significant increase of 95% in EBITDA to \$506.0 million in 2018 (2017: \$259.2 million), with EBITDA margins increasing to an exceptional 70.2% in 2018 (2017: 59.3%). Net profit for 2018 increased 90% to \$379.0 million (2017: \$199.7 million). Earnings per share were \$3.33 (2017: \$1.75).

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

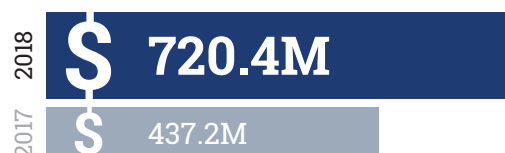
The Company continued to keep costs under control. Non-marketing and non-processing costs were up by 55%, relative to Group revenue up by 65% in comparison to the previous year. Plus500 continued to invest in disciplined marketing, with spend up by 7% to \$125.4 million (2017: \$117 million).

Selling, general and administrative expenses increased by 20% to \$215.1 million (2017: \$178.7 million), with the majority (68%) represented by advertising and marketing costs and processing costs. The remaining costs (32%) also included payroll and related expenses, variable bonuses and Share Appreciation Rights and one-off costs for legal, professional and regulatory fees relating to the move to the Main Market.

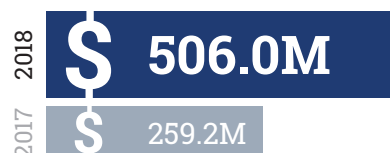
FINANCIAL EXPENSES

In 2018, the Company's financial expenses amounted to a net \$2.3 million (2017: \$5.1 million), the majority arising from foreign exchange and translation differences. A significant proportion of the Company's cash is held in US dollars in order to provide a natural hedge to reduce the impact of currency movements on financial expenses.

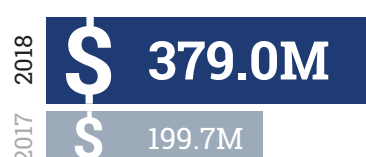
REVENUE



EBITDA



NET PROFIT



TOTAL DIVIDEND PER SHARE



BALANCE SHEET

Plus500's total assets in 2018 increased 23% to \$332.9 million (2017: \$271.6 million); equity was \$280.7 million (2017: \$225.9 million), representing approximately 84% of the total shareholders' equity and liabilities on the balance sheet. Plus500's business model continued to be highly cash-generative in 2018, with 98% conversion of operating profit to cash flow (2017: 108%). Earnings from customer trades are recognised in cash on the Company's balance sheet as customers' trading activity occurs. In addition, the Company requires relatively low levels of capital expenditure. The combination of these features mean that a high proportion of net income is rapidly converted into cash.

In 2018 the Company generated \$495.0 million of cash from operations (2017: \$278.7 million), resulting in cash and cash equivalent balances of \$315.3 million at 31 December 2018 (31 December 2017: \$241.9 million). Cash balances increased despite the Company's significantly higher dividend distribution, amounting to the payment of \$321.9 million in 2018 compared to \$102.3 million in 2017.

All amounts stated exclude client funds which are held in segregated accounts and are subject to annual audit and certification, in line with global best practices. Total customer deposits in the year were up 29% at over \$1.3 billion (2017: \$1 billion). The amount of net customer equity in 2018 was \$107.2 million (2017: \$162 million).

PRESENTATION OF CURRENCIES

The Consolidated Financial Statements are presented in US dollars, which is the Company's functional and presentation currency. Foreign currency transactions and balances in currencies different from the US dollar are translated into the US dollar using the exchange rates prevailing on the dates of the transactions or at the statement of financial position dates.

SHAREHOLDERS' RETURN

The Board considers the Group's dividend policy annually, including the optimal balance between allocating surplus funds to the payment of ordinary and special dividends or share buybacks. The Company's core policy is to pay out 60% of retained profits in each financial year as dividends to shareholders. In addition,

the Board has undertaken buybacks in the past and has the power to implement them at short notice. It will continue to consider buybacks as a means of returning capital, taking into account market conditions, share price, trading volume and other factors.

In October 2018 the Board approved a programme to buyback an initial amount of \$10 million of the Company's Ordinary Shares in accordance with the authority granted at the Company's AGM. Subsequently, the Company bought back 130,963 Ordinary Shares, or 0.1% of its capital, between 5 November and 17 December 2018, for an aggregate purchase price of \$2.3 million at an average share price of £13.58. The Company has since purchased a further 410,500 Ordinary Shares in accordance with this programme during the year 2019 up to the signing date of the Annual Report, for an aggregate purchase price of \$5.5 million, and at an average share price of £11.03.

The Board declared a final dividend for the year ended 31 December 2018 of \$0.6191 per share (2017: \$0.8129 per share), with an ex-dividend date of 21 February 2019, a record date of 22 February 2019 and a payment date of 9 July 2019. This makes a total dividend for the year of \$1.9977 per share (total dividend for 2017: \$1.6867 per share) an increase of 18% from previous year.

The resulting total distribution to shareholders for the full year amounts to a pay-out of \$229.7 million (2017: \$199.6 million) in line with the Company's stated dividend policy, with the interim and final dividends split in accordance with half yearly profits.

The Company maintains its core 60% dividend pay-out ratio. Beyond this, the Board will continue to assess the availability of any excess capital and prioritise its use, as it has always done, between value-adding investment and growth opportunities and additional returns to shareholders.



Elad Even-Chen
Chief Financial Officer
12 April 2019

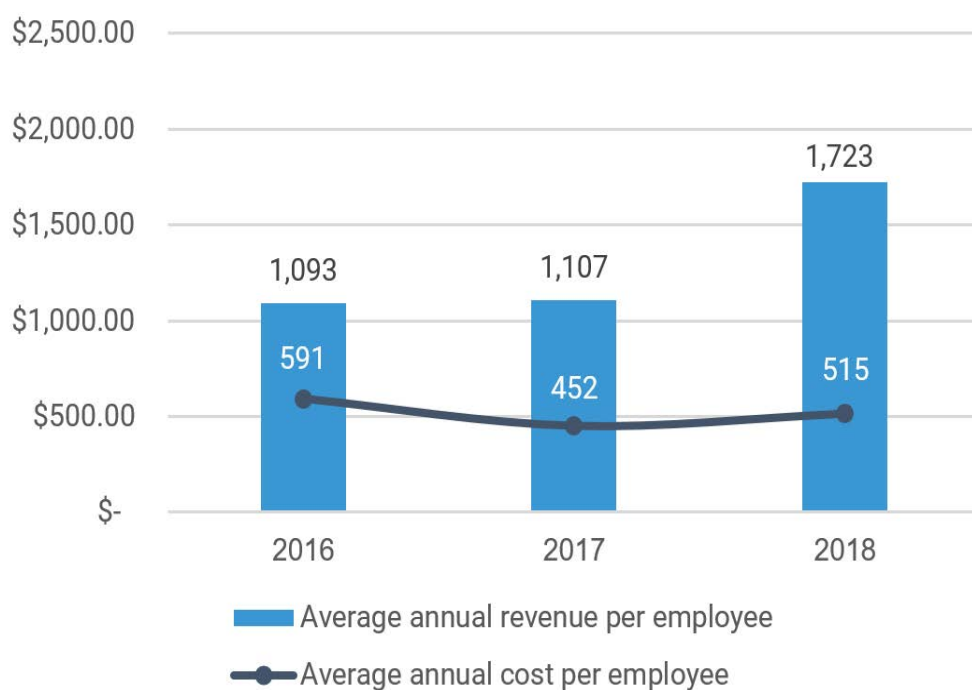
The table below shows the consolidated audited results of the two financial years ended 31 December 2018:

	2018	2017
Revenue	\$720.4m	\$437.2m
EBITDA	\$506.0m	\$259.2m
Profit before Tax	\$503.0m	\$253.4m
Net Assets	\$280.7m	\$225.9m

The table below shows the consolidated audited cash flows of the Group for the two financial years ended 31 December 2018:

	2018	2017
Net cash provided by operating activities	\$400.4m	\$212.0m
Net cash used in investing activities	\$(0.7)m	\$(1.0)m
Net cash used in financing activities	\$(324.2)m	\$(109.8)m

AVERAGE REVENUE & COST PER EMPLOYEE (\$,000)



RISK MANAGEMENT FRAMEWORK

The management and control of risks within the Company is embedded within day-to-day operating procedures. The Company has developed a comprehensive risk mitigation plan, to control exposure and provide secure solutions. These procedures comprise a range of measures including corporate policies, operating rules, systematic reporting, external audits, internal audits, self-assessment and continuous monitoring by the Regulatory & Risk Committee, the Board and the executive management team.

RISK GOVERNANCE FRAMEWORK

The financial, market and regulatory environments in which Plus500 operates inherently expose it to a number of strategic, financial and operational risks. The Company recognises the importance of understanding and managing these risks and has determined levels of risk that it believes are acceptable. Policies and procedures have been developed within a robust risk management framework that attempts to minimise various risks, including market risk.

Plus500 monitors trading levels and exposure limits (by customer, instrument and as a total), with the ability to cap trades or, in extremis, to hedge once pre-agreed limits are reached. Credit risk is limited by having all customers pre-fund their account and offering a margin close-out policy to minimise unfunded customer losses. In addition, Plus500 does not offer CFDs in less liquid and less popular instruments, such as small cap stocks.

The lowest and highest daily financial performance in 2018, as to the closed positions, were a loss of \$2.0 million and profit of \$19.4 million, respectively. In 2018, 92% of the days were profitable. The average daily revenue in 2018 was just under \$2 million.

GOVERNANCE

The role of the Board

The Board is ultimately responsible for the risk strategy and has developed a Risk Governance Framework. The Board believes the robust, technology-driven risk management systems of the Group are a key competitive strength and an important factor in its revenue generation. The implementation of the risk

strategy is delegated to management under the more detailed supervision of the Regulatory & Risk Committee.

The role of the Regulatory & Risk Committee

The Regulatory & Risk Committee receives updates from management on risk, compliance and regulatory issues and reviews the related internal systems. The Regulatory & Risk Committee has responsibility for reviewing relationships with the regulatory authorities and reviewing the adequacy and quality of the Group's systems and procedures for compliance with regulatory requirements where the Group is regulated and in other jurisdictions where the Group has a significant market presence. The Regulatory & Risk Committee also has responsibility for reviewing the Company's most significant risks to the achievement of strategic objectives, reviewing the Company's risk policy and ensuring that its ethical standards are being adhered to.

LINES OF DEFENCE

Within the Risk Governance Framework, three lines of defence are created through:

- Front-line risk management processes
- Regulatory compliance
- Independent assurance provided by internal audit

First line of defence

The first line of defence consists of front-line risk management processes operated by management within the day-to-day trading activities of the Group's businesses.

There are three elements to the management of day-to-day trading risk.

a. Financial Risk Limitation Policies

The Group has developed proprietary risk management systems that incorporate various real-time financial risk limits.

b. Trading Limits

i. Customer limits

Monetary limits are placed on a customer's: (a) exposure to any single instrument; (b) aggregate open positions as a whole; and (c) aggregate

deposit amounts. Customer limits are determined with reference to, amongst other things, a customer's credit score, trading history, location and other due diligence results.

ii. Group limits

Monetary limits are also placed on the Group's exposure to individual instruments. These limits are set according to, amongst other things, the asset class, the size, the liquidity and the beta (volatility) of the underlying instrument. In each case, when these limits are reached the trading platform automatically ceases to accept trades from the relevant individual or on the underlying instrument until such time as exposure levels fall below the relevant threshold(s) or such thresholds are reviewed and amended.

c. Hedging

To further manage risk the Group has a hedging policy in place which would, in extremis, mitigate exposure of the Group as a whole beyond certain thresholds.

Second line of defence

A strong Compliance function is in place in all territories where the Group operates. The Board continues to develop the Group's compliance policies in line with each of the regulatory environments in which the Group's offering is available.

Third line of defence

The third line of defence, independent assurance, is provided by internal audit.

The role of the internal auditor is to examine, among other things, the Company's compliance with applicable law and orderly business procedures. In accordance with the Israeli Companies Law 5759-1999 (the "Companies Law") the internal auditor is appointed by the Board following recommendation by the Audit Committee, which also oversees the internal auditor's work plan, monitors its activities and assesses its performance.

Pursuant to the Companies Law, the internal auditor may be an employee of the Company but may not be an interested party or office holder, or a relative of any interested party or office holder and may not be a member of the Company's external auditor or its representative.

The Company's internal auditor is Brightman Almagor Zohar & Co. (Deloitte Israel) a member firm of Deloitte Touche Tohmatsu Limited.

Compliance with applicable regulations is also provided by local advisors in the main territories that the Group operates in, and advice on the regulatory regime is considered when planning new licence applications.

INTERNAL CONTROLS

The Board has overall responsibility for the Company's systems of internal control and for monitoring their effectiveness. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Company's systems are designed to provide the directors with reasonable assurance that issues are identified on a timely basis and dealt with appropriately.

The Company's key internal financial control procedures include:

- a review by the Board of actual results compared with budget and forecasts;
- reviews by the Board of year end forecasts;
- the establishment of procedures for acquisitions, capital expenditure and expenditure incurred in the ordinary course of business;
- the appraisal and approval of proposed acquisitions outside of the ordinary course of business by the Board;
- the detailed budgeting and monitoring of costs incurred on the development of new products;
- a review of day to day management controls and test of operating effectiveness of key controls;
- an annual review of the system of internal controls;
- the reporting to, and review by, the Board of changes in legislation, regulatory requirements and practices within the sector, accounting and regulatory and legal developments pertinent to the Company; and
- the appointment of experienced and suitably qualified staff to take responsibility for key business functions to ensure maintenance of high standards of performance.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board has undertaken a robust assessment of the principal risks facing the Group and how these risks are managed or mitigated in accordance with provision C.2.1 of the Financial Reporting Council's UK Corporate Governance Code (the "Code"). Significant and emerging risks are considered those that would threaten its business model, future performance, solvency or liquidity. These are outlined below and details of financial risks and their management are set out in note 21 to the Consolidated Financial Statements.

The annual and ongoing elements of the Group's risk management process are controlled by an established risk identification, assessment and monitoring process.

The 2018 risk assessment process identified certain risks and was narrowed down into major risks monitored by the executive management and the Regulatory & Risk Committee, then further consolidated into seven principal risks closely monitored by the Board.

The Risk Factors section included within the Prospectus is available at:

<https://www.plus500.com/Docs/Plus500UK/Prospectus.pdf>.

The Board has reviewed the effectiveness of the Group's system of internal controls. As a result of this review, the Board considers that the measures that have been or are planned to be implemented, complement the Group's risk management framework and are appropriate to the Group's circumstances.

Business & Strategic Risks		
Risk	Description	Management & Mitigation
Legal and Jurisdictional Risk	The risk that changes in the regulatory frameworks in which the Group currently operates could adversely affect its performance	<ul style="list-style-type: none">• Diversification of jurisdictions in which the Group offers its services• Monitoring market and regulatory sentiment, developments and advice from compliance functions on actual and possible changes and offering remedial actions
Regulatory Risk	Regulatory changes could result in the product offering becoming less profitable, restrictions on the product marketing, or a ban on the product offering in one or more of the countries in which the Group operates	

Financial Risks

Risk	Description	Management & Mitigation
Business Risk	<p>The risk of a commercially adverse impact on the business resulting from:</p> <ul style="list-style-type: none"> Group's strategic decision making failing to seize business opportunities or react to changes in the market. This risk may result in damage or loss, financial or otherwise, to the Group as a whole. The risk that a third-party organisation on which the Group relies significantly will inadequately provide or fail to deliver its outsourced activities or contractual obligations to the standard required 	<ul style="list-style-type: none"> Robust governance, challenge and oversight Managing the Group in line with the agreed strategy, policies and risk appetite and periodic reviews of such assumptions Developing redundancies for services provided by third parties by having secondary providers and alert systems, as well as automated processes to operate redundancies Due diligence performed on service suppliers ahead of outsourcing Service level agreements in place and regular monitoring of performance
Market Risk	<p>The risk of exposure to the market.</p> <p>The market risk is mainly comprised of the following factors:</p> <ul style="list-style-type: none"> Price movements Foreign currency exposures 	<p>The Group manages market risks by steering/balancing natural hedge (client positions are offsetting each other) and the Group risk tolerance (for each financial market in which the Group's customers trade). Market risk is mitigated by:</p> <ul style="list-style-type: none"> The Group's real time position monitoring and alert system which allows the Group to constantly manage its market exposure and adjust controls Defining daily/weekly/monthly Group market risk limits for each financial market or instrument If predetermined limits are exceeded, the Group takes appropriate actions to reduce exposure (e.g. margin requirement change)

Financial Risks

Risk	Description	Management & Mitigation
Credit Risk	<p>The risk of client or counterparty failing to fulfil contractual obligations and/or settlements resulting in financial loss, specifically:</p> <ul style="list-style-type: none">• Client credit risk: Leveraged trading can result in client trading losses exceeding available funds on their account (mainly due to sharp market movements); such losses are absorbed by the Group (negative balance protection has always been offered to the Group's clients)• Institutional credit risk: The risk that financial counterparties will not meet their obligations, risking both client and Group's assets	<ul style="list-style-type: none">• Client Credit Risk: The Group has a "no-credit" policy in which customers can only fund their accounts from their own resources. Customer can set a wide range of loss risk mitigation tools such as alerts and stops features• Institutional Credit Risk: The Group engages only with prominent, high ranked and well-established financial institutions for the holding of its own assets and in order to meet its regulatory obligations to safeguard client money in segregated accounts. The Group periodically reviews its engagements with such financial institutions to make sure they remain within the standard

Liquidity Risk

The risk that there is insufficient available liquidity to meet the financial liabilities of the Group

The Group utilises liquidity forecasts to identify potential risks. These forecasts incorporate the impact of all liquidity regulations in force in each jurisdiction and other hindrances to the free movement of liquidity around the Group. Key issues affecting the Group's liquidity are discussed with the Board

Operational Risks

Risk	Description	Management & Mitigation
Operational Risk	<p>The risk of enduring losses resulting from inadequate or failed internal processes due to people, failed technology adoption and innovation, external events (such as natural disaster, major utilities or infrastructure failure etc.) or inability to attract and maintain competent staff the Group requires for operational purposes</p>	<ul style="list-style-type: none"> • Business and regulatory sign-off of processes and procedures to ensure business efficiency and regulatory compliance • Investment in system development to improve process automatisation • Monitoring, quality checks and robust analysis of performance to identify errors, underlying causes and mitigation plans • Centralised operations - helps monitoring and maintaining high standards • Centralised technical operations, to ensure Group-wide monitoring, issue handling and analysis • Unified IT strategy with focus on performance and growth • Continuous development efforts towards operational risk framework to ensure risk recognition and timely control • Recruitment of highly competent employees • Enhanced staff training and oversight • The Group has a clear business continuity plan, ensuring quick recovery and cover for both IT and operational aspects (connectivity, Distributed Dos Attacks, unresponsiveness of server etc., as well as external events have an emergency plan and contacts in place)
Information and Data Security Risk	<p>The risk of loss of technology services caused by network disruption and loss of systems, data, and failure to restore services of a third party in a timely manner resulting in the Group's incapability to offer its services</p>	<ul style="list-style-type: none"> • Operating a multi-layered delivery, security and mitigation solution • Continuous investment in increased functionality, scalability, capacity and responsiveness of systems to monitor, react and prevent cyber attacks • Continuous real-time monitoring of incoming and outgoing network activity • Constant monitoring of systems performance and controls • Selective software design methodologies and testing regimes • A robust Group IT policy sets out strategic, stability, security and performance standard as well as backup processes to enable service availability in the event of failures

GOING CONCERN AND VIABILITY STATEMENT

GOING CONCERN

Having given due consideration to the nature of the Group's business, the Group's budget and cash flow forecasts for the period to December 2021, taking into account the Company's anticipated investment commitments and working capital requirements. The Board considers that the Company and the Group are going concerns and the Consolidated Financial Statements are prepared on that basis. This treatment reflects the reasonable expectation that the Group has adequate resources to continue in business for the foreseeable future and the consideration of the various risks set out on pages 38 to 43 and the financial risks described in note 21 to the Consolidated Financial Statements.

VIABILITY STATEMENT

In accordance with provision C2.2 of the Code, the Board has considered the Group's current financial position and future prospects and has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of the assessment.

In reaching this conclusion, both the prospects and viability considerations have been assessed:

Prospects

- The Group's current financial position is outlined in the Strategic Report (pages 18 to 19).
- The Group's business model: despite regulatory changes in a number of jurisdictions, the core of the current strategy remains in place and continues to demonstrate delivery of sufficient cash generation to support operations.
- Assessment of prospects and assumptions: conservative expectations of future business prospects through delivery of the Group strategy as presented to the Board through the budget approval process. The annual budget approval process consists of a detailed bottom-up process with a 12-month outlook which involves input from all relevant functional and regional heads. The process includes a collection of resource assumptions required to deliver the Group strategy and associated

revenue impacts with consideration of key risks. This is used in conjunction with external assumptions such as a region-by-region review of the regulatory environment and incorporation of any anticipated regulatory changes as outlined in the Strategic Report, to revenue modelling, market volatility, interest rates and industry growth which materially impact the business. The budget is used to set targets across the Group. The budgeting process also covers liquidity and capital planning and, in addition to the granular budget, a three-year outlook is prepared using assumptions on industry growth, the effects of regulatory change, revenue growth from strategic initiatives and cost growth required to support initiatives. The budget was reviewed by the Board in December 2018 and was finally approved in February 2019.

- Ongoing review and monitoring of risks: these have been identified in the Group's Risk Appetite Statement, outlined in the Group's principal risks and uncertainties (pages 40 to 43) and monitored monthly by management, with review and challenge from the Regulatory & Risk Committee.

Viability

- Scenario stress testing: available liquidity and capital adequacy are central to understanding the Group's viability hence stress scenarios, such as adverse market conditions and adverse regulatory change are therefore considered in the Group's Individual Capital Adequacy Assessment Process and Individual Liquidity Adequacy Assessment documents, which are shared with our regulators on request. The results of the stress testing showed that, due to the robust nature of the business, the Group would be able to withstand scenarios, including combined scenarios, over the financial planning period by taking management actions that have been identified within the scenario stress tests.

The Board has considered that three years is an appropriate period over which to provide a viability statement as this is the longest period over which the Board reviews the success of strategic opportunities and this timeline is also aligned with the period over which internal stress testing occurs. The Board has no reason to believe that the Group will not be viable over a longer period, but given the uncertainty involved, in

particular of regulatory change, the Board believes this period presents the readers of the Annual Report with a reasonable degree of confidence.

The Group also monitors performance against pre-defined budget expectations and risk indicators, along with strategic progress updates, allowing management action to be taken where required, including the assessment of new opportunities.



CORPORATE SOCIAL RESPONSIBILITY REPORT

Plus500 is committed to operating responsibly in all aspects of its business, including enriching the communities where it operates and creating an inclusive, safe and healthy workplace. Plus500 believes that Corporate Social Responsibility ("CSR") is both its duty and an essential part of good management. As Plus500 grows its business it remains committed to integrating CSR initiatives into its business, not only to enrich and contribute to the lives of the communities in which it works and lives, but also to create tangible value for its employees, customers and shareholders.

VALUES

Our core values include:

- putting our customers and stakeholders in the centre
- leading the industry while standing out and providing an innovative self-developed high standard product
- providing a dynamic and evolving work environment for our employees in which they can grow and develop

CULTURE

The Group's lean cost structure enables it to engage highly talented and motivated employees who receive the opportunity to develop and optimise the Group's technology, including among others, the ongoing developments to the trading platform. The Group encourages and motivates its employees by rewarding them via the Share Appreciation Rights programme and by promoting them within the organisation. Plus500 operates in an entrepreneurial cultural environment where employees are encouraged to develop, innovate and brainstorm new ideas. It is this culture that creates continuous improvements in the technology, employee satisfaction and loyalty.

DEVELOPMENT OF EMPLOYEES AND EMPLOYEE ENGAGEMENT

Plus500 is committed to the creation of a work environment in which fairness, trust and individual responsibility are valued. The Group believes that talented and dedicated employees are our most valuable asset and that everyone should be given an equal opportunity to succeed. The Group's employees are offered rewarding careers with opportunities for

training, development and progression. The Group is committed to equal opportunity in employment and to creating, managing and valuing diversity in its workforce. The Group has an Equality and Diversity Policy with respect to hiring, promotion, compensation, training and assignment of responsibilities, termination, or any other aspect of the employment relationship on age, gender orientation, marital status, physical or mental disability.

DIVERSITY

Plus500 encourages a supportive, diverse and inclusive culture amongst its workforce. The Group's aim is to ensure that all employees and job applicants are given an equal opportunity no matter their age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, ethnic origin, colour, nationality, national origin, religion or belief, or sex and sexual orientation. All employees, whether they are part-time, full-time, or temporary, will be treated fairly and with respect.

Plus500 commits to:

- create an environment in which individual differences and the contributions of all team members are recognised and valued
- create a working environment that promotes dignity and respect for every employee
- not tolerate any form of intimidation, bullying, or harassment, and to discipline those that breach the policy
- make training, development, and progression opportunities available to all staff
- promote equality in the workplace
- encourage anyone who feels they have been subject to discrimination to raise their concerns so corrective measures can be applied
- encourage employees to treat everyone with dignity and respect
- regularly review all employment practices and procedures so that fairness is maintained at all times

The Equality and Diversity Policy is monitored and reviewed annually to ensure that equality and diversity is continually promoted in the workplace.

Gender diversity

	Male (%)	Female (%)
Board members	6 (86%)	1 (14%)
Senior managers	15 (68%)	7 (32%)
All employees	184 (50%)	185 (50%)

HUMAN RIGHTS & EQUAL OPPORTUNITIES

Plus500 conducts business in an ethical manner and adheres to policies which support recognised human rights principles.

Plus500 is committed to the creation of a work environment in which fairness, trust and individual responsibility are valued. The Company believes that talented and dedicated employees are our most valuable asset and that everyone should be given an equal opportunity to succeed. The Group is committed to equal opportunity in employment and to creating, managing and valuing diversity in its workforce. The Group has an equal opportunities policy with respect to hiring, promotion, compensation, training and assignment of responsibilities, termination, or any other aspect of the employment relationship on age, gender orientation, marital status, physical or mental disability.

According to the Israeli Extension Order for Encouragement and Enhancement of Employment of People with Disabilities, a company that employs more than 100 employees should have representation of 3% or more people with disabilities within its workforce. The Company complies with the requirements of the Extension Order and by this creates more diversification and equal opportunities to its different employees.

ANTI-BRIBERY AND ANTI-CORRUPTION

Plus500 operates a zero tolerance approach to bribery and corruption. The Company's Anti-bribery and Corruption Policy ensures it conducts all business in an honest, ethical manner whilst acting professionally and fairly with integrity in business dealings and relationships in all jurisdictions.

The Anti-bribery and Corruption Policy apply to all individuals working for the Company at all levels and grades, including senior managers, officers, directors, employees (whether permanent, fixed term or

temporary), consultants, contractors, trainees, seconded staff, homeworkers, casual workers and agency staff, volunteers, interns, agents, sponsors, or any other person associated with us, or any subsidiaries or their employees, wherever located.

The policy covers:

- bribes;
- gifts, hospitality and expenses;
- facilitation payments;
- third party suppliers or agents;
- client entertainment and benefits;
- political contributions;
- charitable contributions.

The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of the Company and its individuals. All individuals are required to avoid any activity that might lead to, or suggest, a breach of the policy. Internal control systems and procedures are subject to regular audits to provide assurance that they are effective in countering bribery and corruption.

Training on the anti-bribery and corruption policy forms part of the introduction process for all new individuals. All existing individuals receive regular, relevant training on how to implement and adhere to the policy. In addition in 2019 and beyond, all individuals will be asked to formally confirm compliance with the policy on an annual basis.

The Regulatory & Risk Committee reviews the implementation of the Anti-bribery and Corruption Policy. The Committee annually considers the policy's suitability, adequacy and effectiveness.

ENVIRONMENTAL MATTERS

The Group conducts its business using an online platform and therefore it is an environmentally low impact business. However, Plus500 is committed to managing its environmental impact and is fully aware that by considering the environment in its decision making, particularly around technology adoption and office selection, it can have a beneficial impact on its performance.



SPONSORSHIPS

In January 2015 Plus500 announced a business partnership via a sponsorship agreement with the Spanish football club, Atlético de Madrid FC. In June 2015 the Company announced that it had become the main sponsor for the 2015/16 and 2016/17 seasons and in January 2017 the partnership was renewed for 2017/18 season. In November 2017 Plus500 extended the sponsorship agreement entitling it to advertise and promote itself as the main sponsor of the club for the 2018/2019, 2019/2020 and 2020/2021 seasons.

Plus500

**MAIN SPONSOR OF
ATLÉTICO DE MADRID**



Atlético de Madrid FC is one of the most successful clubs in Europe and is currently ranked fourth in the UEFA rankings for club competitions.

Atlético de Madrid FC plays in La Liga, one of the most popular leagues in the world, which is the top professional association football division of the Spanish football league system and the club also regularly participates in European tournaments such as the UEFA Champions League, the most prestigious club competition in Europe.

Atlético de Madrid FC has won ten La Liga titles. The club has also won the Copa del Rey on ten occasions along with other Spanish cup competitions. It is also one of the most successful clubs in Europe having won the UEFA Super Cup in 2010, 2012 and 2018, and won the UEFA Europa League in 2010, 2012 and 2018.

This partnership with Atlético de Madrid FC, one of the most successful clubs in Europe that plays in one of the most popular leagues in the world, is helping Plus500 to further its strategy of increasing brand recognition and expanding its customer base globally.



SPONSORSHIPS



In December 2016 Plus500 announced a business partnership via a sponsorship agreement with the Australian professional rugby union team, the Brumbies. In November 2017, Plus500 announced it will continue to be the Official Sponsor of the Brumbies for the 2018-2020 seasons.

The Brumbies is an Australian professional rugby union team based in Canberra that competes in the Super Rugby competition and is a member of the Australian Rugby Union.

This sponsorship complements the Group's existing licences in Australia New Zealand and South Africa, all of these countries are participating in the Super Rugby competition.



Super Rugby is the pre-eminent professional men's rugby union competition in the Southern Hemisphere and Japan featuring teams from Australia, South Africa, New Zealand, Argentina and Japan. The Brumbies are one of the most successful of the Australian teams, having been the Super Rugby champions in 2001 and 2004 and won the Australian Conference Champions in 2013, 2016 and 2017.

Together both sponsorships have been highly successful, increasing brand recognition with the Company's global customer base and target markets.





Plus500 Limited

GOVERNANCE



CHAIRMAN'S INTRODUCTION TO GOVERNANCE



Penny Judd
Chairman

Dear Shareholder,

I would like to take this opportunity to give you an overview of the work of the Board during 2018. A key focus was the preparation for Plus500's admission to the premium listing on the Main Market of the London Stock Exchange, which took place in June, and its inclusion in the FTSE250 index in September. The preparatory work for this included a comprehensive review and update of the Group's policies and procedures and provided a chance to consider and enhance the Governance framework. As we stated at the time, an objective of the move to the Main Market was to give us a platform for continued growth and an opportunity to further raise the Group's profile and status. However, we recognise that with this opportunity comes a responsibility to ensure that we develop our corporate governance standards as we seek to apply the standards of the UK Corporate Governance Code across all of our Board and committee activities. This has been one of the Board's key priorities during the year; both before and since our admission to the Main Market. I am pleased to report that we have made good progress in this task.

Having made changes to the composition of the Board during 2016 and 2017, we were able to embark on the move to the Main Market with a settled Board. The focus, therefore, has been on the readiness of our policies and procedures to meet the requirements of the UK Corporate Governance Code. With the Code

being updated during 2018, we have begun to turn our attention to its new requirements and we will be particularly focussing on our relationships with Plus500's key stakeholders during 2019.

Corporate governance has been just one of several key themes for the Board during the year. With information technology being critical to Plus500's business model, the Board has spent a lot of time on this topic. Cyber security, and the General Data Protection Regulation (GDPR) in particular, were areas of focus and the Board has made key appointments in this area with the appointment of a new Chief Technology Officer and Data Protection Officer during the year. The Group's relationships with regulators in the jurisdictions in which it operates are equally important to our ongoing success and therefore has been a regular subject for review and discussion during the year.

During 2018, the Board has considered the channels of communication with its independent shareholders. The three significant votes against resolutions presented at our AGM in June, while relating to issues of a technical nature, are clearly indicative of a need to ensure we focus on the detailed guidance issued by the various shareholder bodies and that we continue to enhance our understanding of shareholder expectations and the quality of our engagement with our shareholders. In

relation to the 2018 votes we can confirm that we will increase the transparency on audit and non-audit fee split paid to the Company's external auditor.

There was also a significant vote against the 2019 executive remuneration at the January 2019 EGM and this matter is covered more fully in the Remuneration Committee report; however the Board is committed to moving towards compliance with the Code and considers that the 2019 remuneration arrangements are a significant move towards compliance.

We have taken steps to increase our investor relations presence in the UK with the addition of a senior hire and we will continue to seek opportunities for further engagement. On a personal note, I recognise the importance of this and I will always welcome opportunities for dialogue with shareholders and have engaged with many of our significant shareholders over the past year.

We continue to be mindful of the need to monitor our own effectiveness as a Board and we have undertaken an internal Board evaluation exercise during 2018, facilitated by our Company Secretary. In 2019, we have already initiated an externally facilitated Board review. The following report describes the activities of the Board and its committees during 2018 in more detail.

I look forward to reporting on the Board's further progress in next year's annual report.



Penny Judd
Chairman

BOARD OF DIRECTORS

THE ROLE OF THE BOARD

The Board is responsible to shareholders for effective direction and control of the Company which is aimed at providing a long-term success for the Company. In order to lead the development of the strategy of the Company and the progress of financial performance, the Board is provided with timely and comprehensive information that enables it to review and monitor the performance of the Company and to ensure it is in line with its objectives for achieving its strategic goals.



Committee membership Key:

- NM** Nomination
- AU** Audit
- RG** Regulatory & Risk
- DS** Disclosure
- RM** Remuneration
- Chairman

PENNY JUDD CHAIRMAN

Date of appointment: June 2016

Committee membership:

RG

Penny Judd is a Non-Executive Director, Chairman of the Board and chairman of the Risk and Regulatory Committee. Penny Judd is a chartered accountant with over 30 years of experience in compliance, regulation, corporate finance and audit.

Penny Judd was Managing Director and EMEA Head of Compliance at Nomura International plc until June 2016. Penny Judd was also the Managing Director and EMEA Head of Compliance at UBS investment bank for nine years. She was a consultant to the London Investment Banking Association (now AFME) and a corporate finance executive in Cazenove & Co.

Penny Judd was previously the UKLA Head of Equity Markets for six years and also worked for ten years in KPMG as a Corporate Finance Manager and Auditor.

Penny Judd sits on the Boards of Trufin Plc, Alpha Financial Management Consulting Plc and Team 17 Plc, in each case as a Non-Executive Director and Chair of Audit Committee.



ASAF ELIMELECH
CHIEF EXECUTIVE OFFICER

Date of appointment: February 2016

Committee membership:



Asaf Elimelech is Chief Executive Officer of the Company. He previously served as the CEO of Plus500AU Pty Ltd. and has worked for the Group for the last four years. In his previous role as the Company's Chief Subsidiaries Officer, he was responsible for managing the Company's subsidiaries, working with the senior management to ensure that the Group, through its subsidiaries, is meeting its strategic goals.

Prior to joining Plus500, Asaf Elimelech was a Supervisor at PwC Israel from 2008 to 2012, specialising in biotech and commercial audit as well as providing tax services to clients. As part of his role he managed several audit teams and was responsible for the preparation of financial reports for private and international public companies. Asaf Elimelech holds a B.A. in Accounting and Economics from Haifa University and is a certified accountant in Israel.



CHARLES FAIRBAIRN
SENIOR INDEPENDENT NON-EXECUTIVE
DIRECTOR & EXTERNAL DIRECTOR

Date of appointment: July 2013

Committee membership:



Charles Fairbairn is a Non-Executive Director, the Senior Independent Director and Chairman of the Audit Committee. Charles Fairbairn has held similar positions for a number of publicly traded companies over the past 18 years including Research Now Ltd, the online research company of which he was a founder investor, Statpro Group plc, providing analytics for asset managers, and Brightview plc, an internet service provider. Charles Fairbairn graduated from Durham University with a BA (Hons) in Economics and then qualified as a Chartered Accountant with Deloitte Haskins & Sells in London. Having spent seven years at Deloitte Haskins & Sells, he joined Pearson Plc as Group Accountant, Group Chief Accountant and latterly Finance Director of Pearson New Entertainment, a start-up division. Over the following 20 years, he has held a number of positions as finance director, executive and non-executive director of a portfolio of companies, helping to develop and scale growth companies from start-ups into global companies. Charles Fairbairn is an active investor in growth companies and reviews new business and turnaround opportunities, exposing him to a multitude of sectors and business models. He also holds an Investment Management Certificate.



DANIEL KING
INDEPENDENT NON-EXECUTIVE DIRECTOR
AND EXTERNAL DIRECTOR

Date of appointment: June 2013

Committee membership:



Daniel King has over 20 years' experience in e-commerce technologies, data and analytics, digital and online media and has extensive knowledge in developing and scaling high-growth companies.

Daniel King is currently the President & COO for Profitero, a SaaS provider of online insights and e-commerce intelligence for retailers and brands. Previously, Daniel King worked for UK Trade & Investment as Head of High Growth & Emerging Markets, working with companies and individual investors looking to set up their business or investment in the UK. Daniel King was previously Managing Partner of Blue Leaf Capital, a private boutique venture capital and advisory services company based in London. Prior to this Daniel King held managing director roles with Compete Inc; MySupermarket.co.uk; and Experian Hitwise, overseeing the company's EMEA operations and was a key member of staff that led to the eventual acquisition of Hitwise by Experian in June 2007.

Daniel King is also a non-executive director of several private companies and advises companies on their business model, growth strategies, and international expansion plans.



STEVEN BALDWIN
INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of appointment: June 2017

Committee membership:



Steven Baldwin is a non-executive director and chairman of the Nomination Committee. He has an extensive corporate finance background and held the position of Head of European Equity Capital Markets and Corporate Broking at Macquarie Capital until 2015 when he decided to pursue a non-executive career.

He is currently the Senior Independent Non-Executive Director of Elegant Hotels Group plc and TruFin plc and is also a Non-Executive Director of The Edinburgh Investment Trust plc. Prior to joining Macquarie Capital, Steven Baldwin was a Director at JP Morgan Cazenove for ten years and was a Vice President of Corporate Finance at UBS. He qualified as a Chartered Accountant at Coopers & Lybrand.



GAL HABER **MANAGING DIRECTOR**

Date of appointment: June 2013

Committee membership:



Gal Haber is Managing Director of the Company. Gal Haber has over 20 years' experience in software programming and business development. One of the Company's founders, he currently holds the position of Managing Director, having previously held the position of Chief Executive Officer. Gal Haber led the design of the user-friendly trading platform, which represents one of the key competitive advantages for the business.

Before founding Plus500, Gal Haber served as Chief Operating Officer of InterLogic Ltd, a 'skilled games' programme provider for the internet, digital television and mobile devices, which he co-founded in 2004. Previously, Gal Haber worked for Top Image Systems Ltd, the enterprise content management specialist. Gal Haber holds a B.Sc. in Computer Science from the Technion, Israel.



ELAD EVEN-CHEN **GROUP CHIEF FINANCIAL OFFICER**

Date of appointment: July 2016

Committee membership:



Elad Even-Chen is the Chief Financial Officer of the Group, Vice President of Business Development and Head of Investor Relations. Elad Even-Chen's responsibilities cover a broad range of finance, business, corporate and strategic functions, including managing the Group finance departments, and is responsible for Plus500's strategic business development projects and their financial angles.

Elad Even-Chen joined the Group in 2011.

Elad Even-Chen is a certified accountant in Israel and, prior to joining the Group, he was a senior associate at KPMG, specialising in commerce and real estate audit. Elad Even-Chen holds a B.A. in Accounting and Economics from Tel-Aviv University, a LL.B Degree from the College of Management and an MBA (specialising in Financial Management) from Tel-Aviv University.

UK CORPORATE GOVERNANCE CODE COMPLIANCE STATEMENT

With effect from admission to the Main Market of the London Stock Exchange, and with respect to 2018, Plus500 is required to comply with corporate governance policies and practices consistent with the Code (a copy of which can be found on the website of the Financial Reporting Council: www.frc.org.uk), or otherwise explain its reasons for non-compliance.

The following statement is therefore made in respect of the year ended 31 December 2018 in compliance with this requirement. The following sections of this report explain how the principles of the Code were applied and provide cross-references to other sections of the report and/ or the Company's website (www.plus500.com) where more detailed descriptions are available.

For the financial year ended 31 December 2018, the Company has complied with the provisions of the Code, other than in respect of the directors' re-election mechanism. While the Code recommends the submission of all directors for re-election annually, as a company registered in Israel, it is subject to mandatory corporate governance requirements under the Companies Law, which require that the Company must always have at least two External Directors (as described below). The Company's External Directors are currently Charles Fairbairn and Daniel King. These External Directors must meet certain statutory requirements of independence and, as prescribed by the mandatory requirements of the Companies Law, must be elected for three-year terms and not annually as the Code recommends.

GOVERNANCE REPORT

THE BOARD

The Board maintains full control and direction over appropriate strategic, financial, organisational and compliance issues. The Company's organisation structure has clearly defined lines of authority, responsibility and accountability, which are reviewed regularly. The annual budget and forecasts are reviewed by the Board prior to approval being given. This includes the identification and assessment of the business risks inherent in the Company and the online financial trading industry as a whole, along with associated financial and regulatory risks.

BOARD ACTIVITIES DURING THE YEAR

The Board agrees an annual calendar and forward meeting agendas during the prior year. The matters recognised by the Board for consideration at Board meetings are business strategy, operational highlights and current trading, quarterly forecast, budget and financial performance and governance, risk and regulation.

Board Activity in 2018

Strategy

As in every year, a strategy discussion was held in December 2018, at which the Board discussed, together with management, strategic matters and actions to deliver on the strategy for the coming years.

Business, operational highlights and current trading

The Board receives monthly updates including CEO reviews, financial, risk and regulatory compliance reports on an ongoing basis.

Quarterly forecast and budget

Updates were provided and discussed on a monthly basis. Discussion on the 2019 budget was held in December 2018 and finally approved in February 2019.

Financial performance

The Board reviewed and approved the ongoing trading updates and results announcements.
The Board considered and approved dividend distribution and share buybacks, Consolidated Financial Statements and annual report.

Governance, risk and regulation

The Board received updates and conducted discussions about regulatory developments.
It also received training and briefings on regulatory changes and updates, in addition to ongoing updates on compliance matters.

Other

An annual internal effectiveness evaluation of the Board, committees, chairman and each director has been conducted and a discussion was held to address follow up and action items.

BOARD COMMITTEES

The Board has appointed five principal committees to whom certain aspects of the Board's work are delegated:

Nomination Committee

The Nomination Committee has been delegated responsibility for the oversight of appointments to the Board and the senior management team. The Committee's responsibilities, main activities and priorities for the next reporting cycle are set out on pages 66 to 67.

Audit Committee

The Audit Committee has been delegated responsibility for ensuring the financial performance of the Group is properly reported on and reviewed and the monitoring of the external auditor, the internal auditor and oversight of internal controls. The Committee's responsibilities, main activities and priorities for the next reporting cycle are set out on pages 68 to 70.

Regulatory & Risk Committee

The Regulatory & Risk Committee has been delegated responsibility for the monitoring and oversight of risk management and mitigation and the approval of risk appetite. The Committee's responsibilities, main activities and priorities for the next reporting cycle are set out on pages 71 to 72.

Remuneration Committee

The Remuneration Committee has been delegated responsibility for determining, within the agreed terms of reference, the Group's policy on the remuneration packages of the Company's Chief Executive Officer, Chief Financial Officer and Managing Director, the Chairman and the other Non-Executive Directors, the Company Secretary and other senior executives. The Committee's responsibilities, main activities and priorities for the next reporting cycle are set out on pages 73 to 75.

Disclosure Committee

The Disclosure Committee assists the Board in fulfilling its obligation to make timely and accurate disclosure of all information that is required to be disclosed to meet legal and regulatory requirements and obligations under MAR and the Disclosure Guidance and Transparency Rules of the FCA and the requirement for the Company to establish and maintain adequate procedures, systems and controls to enable it to comply with these obligations. The Committee met to discuss the content

of the announcements proposed to be released to the Stock Exchange and approve their content where relevant.

OPERATION OF THE BOARD

The Board is responsible to shareholders for the effective direction and control of the Group.

The Board is also responsible for the overall strategy and financial performance of the Group and has a formal schedule of matters reserved for its approval. The schedule of matters covers key strategic, financial and operational matters including:

- approval of the Group's strategic aims and objectives;
- approval of the annual operating and capital expenditure budgets of the Group, and any material changes to them;
- changes to the Group's capital structure, management and control structure;
- contracts which are material strategically or by reason of size, entered into by the Company or any subsidiary in the ordinary course of business; and
- recommendation to appointments to the Board.

The Company Secretary, Dana Comber, is responsible for ensuring that the Company complies with the statutory and regulatory requirements and maintains high standards of corporate governance. She supports and works closely with the Chairman of the Board, the Chief Executive Officer and the Board committee chairs in setting agendas for meetings of the Board and its committees and supports the transfer of timely and accurate information flow from and to the Board and the management of the Company. Dana Comber is a certified lawyer in Israel. All directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with. Both the appointment and removal of the Company Secretary is a matter for the Board as a whole.

BOARD EFFECTIVENESS

The Board holds its meetings in accordance with its scheduled calendar. Each Board meeting is preceded by a clear agenda and any relevant information is provided to the directors in advance of the meeting. The Board met on twelve occasions in 2018 to review, formulate and approve the Group's strategy, budgets and corporate actions and to oversee the Group's progress towards its

goals. The Board also holds regular telephone calls to update the members on operational and other business matters. A summary of the key activities of the Board in 2018 is set out on pages 61 to 75.

Where directors have concerns which cannot be resolved about the running of the Company or a proposed action, they may request that their concerns are recorded in the Board minutes. An agreed procedure exists for directors in the furtherance of their duties to take independent professional advice.

Newly appointed directors are made aware of their responsibilities through the Company Secretary. The Company provides to the directors training sessions via internal meetings, presentations and conversations which are conducted by Company advisors, management and other relevant persons during the year in order to enable greater awareness and understanding of the Company's business and the environment in which it operates.

The Chairman is responsible for leading the Board and ensuring its effectiveness by setting relevant

agenda and providing sufficient time for constructive discussions in which the Board has the ability to challenge the discussed items. The Chairman is responsible for creating the open and engaging atmosphere that enables the healthy and constructive discussions of the Board. The Chairman is also responsible for ensuring effective communication between Executive, Non-Executive Directors, shareholders and between other major stakeholders and the Board, in line with the Company's Written Statements of Responsibilities. The Chief Executive Officer acts as the main point of communication between the Board and the management and is responsible for the day-to-day running of the business and implementation of strategy.

Collectively, the Non-Executive Directors bring a valuable range of expertise in assisting the Company to achieve its strategic aims. The effectiveness of the Board benefits from the following skills and experience offered by current members of the Board: financial services, finance and accounting, governance and regulatory, research and development, technology and CFD trading and financial instrument expertise.

Board Composition

Board	Scheduled meetings eligible to attend	Scheduled meetings attended
Chairman		
Penny Judd	12	12
Executive Directors		
Gal Haber	12	12
Asaf Elimelech	12	12
Elad Even-Chen	12	12
Senior Independent Non-Executive, External Director		
Charles Fairbairn	12	12
Independent Non-Executive, External Director		
Daniel King	12	12
Independent Non-Executive Director		
Steven Baldwin	12	12

The Board is comprised of three Executive Directors: Gal Haber, Asaf Elimelech and Elad Even-Chen, and four Non-Executive Directors: Penny Judd (Chairman of the Board), Charles Fairbairn (Senior Non-Executive Director), Daniel King and Steven Baldwin. Penny Judd was independent on appointment. As Senior

Independent Director, Charles Fairbairn is available to meet with shareholders if they have concerns which are not being addressed through the usual channels of the Chief Financial Officer, the Chief Financial Officer or the Chairman.

In accordance with the Companies Law, the Board must always have at least two external directors who meet certain statutory requirements of independence (the "External Directors"). The Company's External Directors are currently Charles Fairbairn and Daniel King. The term of office of an External Director is three years, which can be extended for two additional three-year terms. Under the Companies Law, External Directors are elected by shareholders by a special majority and may be removed from office only in limited cases. In addition to the above, any committee of the Board must include at least one External Director and the Audit Committee and Remuneration Committee must each include all of the External Directors (including one External Director serving as the chair of the Audit Committee and Remuneration Committee), and a majority of the members of each of the Audit and Remuneration Committees must comply with the director independence requirements.

ELECTION OF DIRECTORS

Following recommendations from the Nomination Committee and review by the Chairman, the Board considers that all directors continue to be effective, remain committed to their roles and have sufficient time available to perform their duties. Information with respect to directors re-election will be set out in the Notice of AGM.

INDEPENDENCE OF NON-EXECUTIVE DIRECTORS AND TIME COMMITMENT

Each of the Non-Executive Directors is considered to be independent of management and is considered by the Board to be free from any business or other relationships that could compromise their independence. Their role is to effectively advise and challenge management, and to monitor management's success in delivering the strategy agreed by the Board. Non-Executive Directors held discussions and met during the year, without the Executive Directors present, in order to review and monitor management performance.

Each director is aware of the need to allocate sufficient time to the Company in order to fulfil their responsibilities and is notified of all scheduled Board and Board Committee meetings. None of the Non-Executive Directors hold any directorships in any FTSE100 companies.

CONFLICTS OF INTEREST

The Company has procedures for the disclosure and review of any conflicts of interest, or potential conflicts, which the directors may have. The Board members are asked to disclose any conflicts of interest at each scheduled Board meeting. Each Director is aware of their responsibility to avoid conflicts of interest and to disclose any conflict or potential conflict of interest to the Board. A director who has a personal interest in a matter that is considered at a meeting of the Board, the Audit Committee or the Remuneration Committee may not attend that meeting or vote on that matter, unless a majority of the respective forum has a personal interest in the matter as well. If a majority of the Board, the Audit Committee or the Remuneration Committee, as applicable, has a personal interest in the transaction, the shareholders' approval, by way of ordinary resolution, is also required.

The authorisation of a conflict matter, and the terms of authorisation, may be reviewed at any time by the Board. The Board considers that these procedures are operating effectively. There have been no matters arising requiring assessment by the Board as a potential conflict during the year.

BOARD EVALUATION

The performance of the Board, the Board committees and the individual Board members is self-assessed by an evaluation of Board performance survey conducted on an annual basis via questionnaire and Board discussion. Following a Board review of the results arising from the questionnaire, appropriate actions are taken in order to address the areas which could be improved upon to increase Board effectiveness.

During the year, all the Non-Executive Directors, led by the Senior Independent Director, met without the presence of the Chairman, in order to evaluate the Chairman's performance.

ENSURING THAT THE ANNUAL REPORT IS FAIR, BALANCED AND UNDERSTANDABLE

In relation to the Annual Report and the Consolidated Financial Statements for the year ended 31 December 2018, the Board, in conjunction with the Audit Committee have sought to ensure that the Annual Report is fair, balanced and understandable. The Board considers that, taken as a whole, the Annual Report is fair, balanced and understandable.

SHAREHOLDER ENGAGEMENT

The Company encourages the participation of both institutional and private investors. In 2018 a new UK-based investor relations representative, Kieran McKinney joined the Company's Investors Relations team. The Chief Executive Officer, Asaf Elimelech, and Chief Financial Officer, Elad Even-Chen, together with Kieran McKinney, meet regularly with institutional investors, usually with regard to the issuance of half and full year results. The Chairman of the Board meets regularly with key investors as well.

Communication with private individuals is maintained through the Annual General Meeting, the Company's annual and interim reports and the scheduled, or otherwise required, trading updates. The Chairmen of the Company's Audit, Remuneration, Nomination and Regulatory & Risk Committees are made available to answer questions at the Company's Annual General Meetings. In addition, further details on the strategy and performance of the Company can be found at its website (www.plus500.com), which includes copies of the Company's press releases and financial presentations and reports.

Regular updates are provided to the Board on meetings with shareholders and analysts and brokers' opinions. Non-Executive Directors are available to meet major shareholders, if required. Investors are encouraged to contact the Company's Investor Relations at: ir@Plus500.com.

MAJOR INTERESTS IN SHARES

As at 29 March 2019, being the latest practicable date before the approval of this report, the Company is aware of the following persons who, directly or indirectly, were interested in three per cent. or more of the Company's capital or voting rights:

Notifying party	No. of shares held or controlled	%
Odey Asset Management	11,242,557	9.92
Invesco	10,643,342	9.39
BlackRock Inc	6,881,671	6.07
Standard Life Aberdeen	5,595,510	4.94
BrightSphere Investment Group	4,567,881	4.03
Morgan Stanley	4,239,834	3.74
The Vanguard Group, Inc	4,044,450	3.57
Investec Asset Management	3,837,411	3.38

2018 ANNUAL GENERAL MEETING

The 2018 Annual General Meeting was held on 10 July 2018 at the offices of Liberum Capital.

All resolutions were duly passed by shareholders by means of a poll vote. The Board of Plus500 noted that there were more than 20% of votes cast against Resolution 6, the re-appointment of auditors, due to the lack of disclosure of the split between audit and non-audit fees paid to the auditors, and Resolution 8, purchase of own shares due to the lack of disclosure of the proposed maximum purchase price. The Board takes shareholder voting seriously, and the analysis of external auditors' fees for 2018 are available for review as part of this report. The price range used for the purchase of shares by the Company is included in announcements to the market whenever any shares are bought back.

2019 ANNUAL GENERAL MEETING

The Annual General Meeting is scheduled to be held on 18 June 2019 at Liberum Capital, Level 12, Ropemaker Place, 25 Ropemaker Street, London EC2Y 9LY UK. Details of all resolutions to be proposed at the Annual General Meeting will be included in the Notice of Annual General Meeting to be circulated by the Company to all shareholders.

REPORT OF THE NOMINATION COMMITTEE



Steven Baldwin

Chairman of Nomination Committee

Dear Shareholder,

As the new Chairman of the Nomination Committee, I am pleased to take this opportunity to give you an overview of the work of the Nomination Committee during 2018 chaired by Daniel King.

Throughout 2018, the membership of the Board has remained unchanged, following the changes that took effect during the previous two years. Consequently, our focus has turned to the executive team and, in particular, two critical appointments – the succession of the Chief Technology Officer, Chief Marketing Officer and the appointment of the Data Protection Officer. These three appointments were successfully completed in the first half of the year.

The Nomination Committee has reviewed and discussed Board composition and succession planning to ensure that the necessary set of skills and expertise will continue to the next generation of directors and management.

The Nomination Committee evaluated the nomination of Board members for re-election at the 2018 AGM in June and was pleased to note that the directors that were standing for re-election were all re-elected with strong levels of shareholder support.

Following Plus500's move to the Main Market and the enhanced expectations placed on the Nomination Committee by the UK Corporate Governance Code, we are developing our programme of activity accordingly. We have already begun to consider our approach to diversity at Board and senior management levels within the context of a broader Board-led approach to diversity.

A handwritten signature in black ink, appearing to read 'S Baldwin', written in a cursive style.

Steven Baldwin

Chairman of the Nomination Committee

COMMITTEE COMPOSITION

The Nomination Committee comprises Steven Baldwin, Daniel King, Charles Fairbairn and Gal Haber, and is chaired by Steven Baldwin. The Code recommends that a majority of the members of a nomination committee should be independent non-executive directors. The Board considers Steven Baldwin, Charles Fairbairn and Daniel King to be independent for the purposes of the Code.

Committee Attendance

Nomination Committee	Scheduled meetings eligible to attend	Scheduled meetings attended
Gal Haber	4	4
Charles Fairbairn	4	4
Daniel King	4	4

* Steven Baldwin was appointed to the Nomination Committee in February 2019

COMMITTEE RESPONSIBILITIES

The Nomination Committee has responsibility for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board, and giving full consideration to succession planning. The other key governance mandates pursuant to the written terms of reference of the Nomination Committee (which are available on the Company's website) are as follows:

- to oversee succession planning for directors and other senior executives, taking into account the challenges and opportunities facing the Company;
- to identify, and nominate for the approval of the Board, candidates to fill Board vacancies (including external directors vacancies);
- to make recommendations concerning the continuation in office of any director at any time, including the suspension or termination of service; and
- to prepare a description of the role and capabilities required for a particular appointment.

The Nomination Committee meets not less than twice a year and at such other times as required. The Nomination Committee takes into account the challenges and opportunities facing the Group and what skills and expertise will therefore be needed on the Board and Committees in the future.

2018 COMMITTEE ACTIVITIES

The Nomination Committee met on four occasions since the beginning of 2018 in relation to the appointment of senior executives, re-election of directors, review of the Company's succession plan,

organisational structure and senior leadership and for review of Board composition.

SUCCESSION PLANNING & DIVERSITY

Directors succession plans were reviewed during the year by the Committee, which takes an active role in succession planning. As part of the review, the Committee considered the benefits and importance of diversity to the management of the Company and the Board. Diversity in skills, experience and knowledge are key elements and contribute to the successful management of the Company.

PRIORITIES FOR 2019 FINANCIAL YEAR

In the coming year the Committee will continue to focus on key themes such as diversity and succession planning.

DIVERSITY

The Board confirms a strong commitment to diversity (including, but not limited to, gender diversity) at all levels of the Group. The Board's policy on diversity commits to:

- ensuring the selection and appointment process for employees and directors includes a diverse range of candidates;
- disclosing statistics on gender diversity in every Annual Report (on pages 46 to 47); and
- reviewing this policy from time to time and continuing to disclose this policy in the Annual Report.

At the Board level, based on the current size and composition and taking into account current succession plans, the Board to date includes one female director. The Board remains committed to ensuring that the directors bring a wide range of skills, knowledge, experience, backgrounds and perspectives.

The Committee notes the updated requirement under the Disclosure Guidance and Transparency Rules (DTR) for our 2018 Annual Report to disclose diversity policies with regard to aspects such as age, gender, educational and professional backgrounds. Our diversity data is disclosed in our Corporate Responsibility report on pages 46 to 47.

REPORT OF THE AUDIT COMMITTEE



Charles Fairbairn
Chairman of the Audit Committee

Dear Shareholder,

I am pleased to take this opportunity to give you an overview of the work of the Audit Committee during 2018.

Financial reporting and the associated assurance that the Audit Committee needs to review has been an important priority during the year. In addition to its usual activities, a significant financial reporting exercise was also required in preparing the prospectus for the move to the Main Market. Following the successful completion of that move, we are aware that we will need to focus on the quality of our reporting to shareholders and other stakeholders and we asked PwC to provide a gap analysis review to present the steps for compliance with Main Listing requirements.

With the assistance of Deloitte, our internal auditor, we reviewed and approved a multi-year internal audit plan and associated risk survey which we will continue to monitor and update over time.

The Committee also reviewed a list of non-audit services provided this year by the Company's external auditor and approved its plan for 2019.

A handwritten signature in black ink, appearing to read 'C Fairbairn', written in a cursive style.

Charles Fairbairn
Chairman of the Audit Committee

COMMITTEE COMPOSITION

The UK Corporate Governance Code recommends that an audit committee should comprise of at least three members who are independent non-executive directors, and that at least one member should have recent and relevant financial experience. The Audit Committee is chaired by Charles Fairbairn, and its other members are Daniel King and Steven Baldwin. All of the members are therefore independent Non-Executive Directors.

The directors consider that Charles Fairbairn has recent and relevant financial experience in accordance with the requirements of the Code.

Committee Attendance

Audit Committee	Scheduled meetings eligible to attend	Scheduled meetings attended
Charles Fairbairn	7	7
Daniel King	7	7
Steven Baldwin	7	7

COMMITTEE RESPONSIBILITIES

The Audit Committee has responsibility for ensuring that the financial performance of the Group is properly reported on and reviewed. The other key governance mandates pursuant to the written terms of reference of the Audit Committee (which are available on the Company's website) are as follows:

- to monitor the integrity of the Consolidated Financial Statements of the Group (including annual and interim accounts and results announcements);
- to monitor the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems;
- to advise on the appointment of the Company's external auditor and on their remuneration; and
- to monitor the effectiveness of the Company's internal audit function.

In addition, under the Companies Law, the Audit Committee is required to monitor deficiencies in the administration of the Company, including by consulting with the internal auditor and independent accountants, to review, classify and approve related party transactions and extraordinary transactions, to review the internal auditor's audit plan and to establish and monitor whistleblower procedures.

The Audit Committee is expected to meet formally at least four times a year and otherwise as required. Further meetings may be called as required. The internal and external auditors have the right to attend meetings. The relevant Executive Directors, the Company's legal advisors and other persons may, by invitation from the Audit Committee, attend meetings. At least once per year, the Audit Committee may, if it so requires, meet privately with the external auditor.

2018 COMMITTEE ACTIVITIES

The Audit Committee met on seven occasions since the beginning of 2018. Amongst other items the committee reviewed the financial performance and Consolidated Financial Statements of the Company, reviewed an assessment of the control environment via internal audit reports, and progress on implementing both internal and external audit recommendations, monitored and reviewed the internal audit function's effectiveness in the overall context of the Group's internal controls and risk management systems.

EXTERNAL AUDITOR

A responsibility of the Audit Committee is to keep under review the scope and cost effectiveness of the external audit. This includes recommending to the Board the appointment of the external auditor and for reviewing the scope of the audit, approving the audit fee and, on an annual basis, satisfying itself that the auditor is independent. The external auditor is engaged to express an opinion on the Consolidated Financial Statements. The external auditor discusses with management the reporting of operational results and the financial condition of the Company, to the extent necessary to express their audit opinion.

Kesselman & Kesselman, a member firm of PricewaterhouseCoopers International Limited, is retained to perform audit and audit-related work on the Company and some of its subsidiaries. The Audit Committee monitors the nature and extent of non-audit work undertaken by the auditors. It is satisfied that there are adequate controls in place to ensure auditor independence and objectivity. The matter is kept under review and is a standing item on the agenda for the Audit Committee. Periodically, the Audit Committee monitors the cost of non-audit work undertaken by the auditors. The Audit Committee considers that it is in a position to take action if at any time it believes there is a risk of the auditors' independence being undermined through the award of this work. A further responsibility of the Audit Committee is to assess the performance of the external auditor and review their effectiveness. The Audit Committee concludes that the Audit process as a whole had been conducted robustly and that the team selected to undertake the audit had done so thoroughly and professionally. The Audit Committee reviewed the re-appointment of the external auditor and recommended to the Board that the external auditor be proposed for re-election at the Annual General Meeting.

INTERNAL AUDITOR

Pursuant to the Companies Law, the Board must appoint an internal auditor recommended by the Audit Committee. An internal auditor may not be:

- a person who holds more than five per cent. of the Company's outstanding shares or voting rights;
- a person who has the power to appoint a director or the Chief Executive Officer of the Company;
- an officer or Director of the Company; or

- a member of the Company's independent accounting firm, or anyone on its behalf.

The role of the internal auditor is to examine, among other things, the Company's compliance with applicable law and orderly business procedures. The Audit Committee is required to oversee the activities and to assess the performance of the internal auditor as well as to review the internal auditor's work plan. Deloitte Touche Tohmatsu Limited serves as the Company's internal auditor.

NON-AUDIT SERVICES

The Company maintains a Non-Audit Services Policy in order to ensure that the provision of non-audit services do not impair the external auditor's independence or objectivity. During 2018, Kesselman & Kesselman, a member firm of PricewaterhouseCoopers International Limited, provided non-audit services, such as tax assessments and advice, regulatory reporting requirements and remuneration benchmarking, which totalled \$0.6 million (including assurance related services of \$0.4 million).

OVERVIEW OF THE NON-AUDIT SERVICES POLICY

Under the policy, all services provided by the external auditor (other than the audit itself) are regarded as non-audit services. The policy draws a distinction between permitted services (which could be provided subject to conditions set by the Committee) and prohibited services (which may not be provided by the external auditor except in exceptional circumstances when the auditor has been provided approval by the FCA). The type of non-audit services deemed to be permitted include assurance work on non-financial data, tax services including tax advisory, and reporting best practice.

The Committee has provided pre-approval which allows management to appoint the external auditor to conduct permitted non-audit services if they fall below a set fee level. The Committee reviews the pre-approval limit on an annual basis and it is currently set at \$50,000. Any non-audit service provided by the external Auditor is reported to the Board. In the unlikely event that the provision of non-audit services would exceed \$50,000, the Committee would request Board approval.

WHISTLEBLOWING POLICY

The Company operates a Whistleblowing Policy which allows anonymous reporting to assist individuals who believe that they have discovered malpractice or impropriety within the Group. It provides a method of properly addressing bona fide concerns that individuals within the Group might have, while also offering whistleblowers protection from victimisation, harassment or disciplinary proceedings. The current Whistleblowing Policy supervisor is Daniel King.

FAIR, BALANCED AND UNDERSTANDABLE

The Audit Committee undertakes a duty to consider whether the 2018 Annual Report and Consolidated Financial Statements are fair, balanced and understandable, while final determination lies within the responsibilities of the Board. The Committee, on behalf of the whole Board, assesses from a shareholder perspective whether there is enough information necessary to evaluate the financial position, governance, business model and strategy of the Group.

The process

During the drafting process of the 2018 Annual Report and Consolidated Financial Statements, the Committee is given the outline and structure for feedback. The Committee also considers whether the content provided in the report has illustrated the whole picture for the year. The Committee then evaluates whether the report is consistent throughout, with a clear layout and linkage to the different front and back sections, and whether it is presented in a logical manner to the shareholders.

Conclusion

Following the review, it was the Committee's opinion that the 2018 Annual Report and Consolidated Financial Statements are representative of the year and present a fair, balanced and understandable overview for the shareholders to assess the financial position, governance, business model and strategy of the Group.



Penny Judd
Chairman

Dear Shareholder,

Regulatory compliance and risk management underpin the integrity of our business model and continued delivery of our strategy. The Regulatory & Risk Committee receives regular reports on both compliance and risk and challenges the performance in these areas. It also receives reports on specific areas where more detailed testing or investigation is felt appropriate. These are described more fully in the following report.

In addition, the Board, as it is required to do, undertook a thorough review of the risks to the business as a key element of the work of preparing the prospectus for the Company's admission to the Main Market and updated its internal risk matrix accordingly. We have also monitored new areas of regulatory compliance such as GDPR and developments in securities markets regulation.

The Committee and the Board have received reports on the implementation of the new ESMA restrictions and received comfort that the applicable restrictions have been effectively implemented and monitored.

Our priorities for the coming year will be to continue to monitor regulatory change and to seek to continue to enhance the risk assessment and monitoring within the business in the face of changing regulatory and market conditions.

A handwritten signature in black ink, appearing to read 'Penny Judd'.

Penny Judd
Chair of the Regulatory & Risk Committee

COMMITTEE COMPOSITION

The Company has established a Regulatory & Risk Committee chaired by Penny Judd. The other members are Charles Fairbairn, Asaf Elimelech and Elad Even-Chen. The Regulatory & Risk Committee receives updates from management on risk, compliance and regulatory issues and reviews the related internal systems.

Committee Attendance

Regulatory & Risk Committee	Scheduled meetings eligible to attend	Scheduled meetings attended
Penny Judd	4	4
Charels Fairbairn	4	4
Asaf Elimelech	4	4
Elad Even-Chen	4	4

COMMITTEE RESPONSIBILITIES

The Regulatory & Risk Committee has responsibility for providing oversight with respect to current and potential future risk exposures of the Company and for overseeing and monitoring the Company's compliance with applicable laws, regulations and orders as required. Its activity includes reviewing relationships with regulatory authorities such as the FCA, ASIC, CySEC, FSCA, FMA, ISA, MAS and other regulatory authorities, as appropriate, in jurisdictions where the Group has a significant presence; reviewing risk assessment programmes and internal controls and risk management.

The Regulatory & Risk Committee has responsibility for reviewing the Company's most significant risks to the achievement of strategic objectives, reviewing the Company's Risk Policy, ensuring that the Company's Board ethics are being adhered to and that the Company continues its commitment to issues concerning social responsibility. The Regulatory & Risk Committee meets not less than three times a year and otherwise as required.

2018 COMMITTEE ACTIVITIES

The Committee met on four occasions since the beginning of 2018 to review periodic risk, regulatory and compliance reports and oversee the implementation of new regulatory requirements (such as GDPR and the ESMA measures), to monitor and assess the Group's relationships with regulatory authorities throughout the various jurisdictions, to review licence applications submitted during the period and to review risk assessment programmes and internal risk management controls.

REPORT OF THE REMUNERATION COMMITTEE



Daniel King

Chairman of the Remuneration Committee

Dear Shareholder,

I am pleased to present an overview of the work of the Remuneration Committee during 2018.

The Board recognises that directors' remuneration is a key consideration for shareholders of the Company. Plus500 operates within an extremely competitive environment, where performance depends to a great degree on the individual contributions of the directors and employees, and the Company believes in rewarding vision and innovation.

With the Company's move to the Main Market, the Remuneration Committee recognises the importance of adopting a remuneration structure that is more in line with developments in UK best practice (while as an Israeli company Plus500 is not strictly required to comply with the requirements of the UK Companies Act).

In order to meet the different challenges facing the Company, the Committee has created a set of remuneration principles to provide a framework from which to develop a robust remuneration structure. Under this framework, the Committee has strived to develop a structure that will transition executive remuneration to be increasingly compliant with moving UK corporate governance standards and meet investors expectations, but which remains sensitive

to the business needs in retaining and motivating the management team who are currently resident in Israel.

In developing the new structure for 2019, the Committee has focussed on the following factors:

- the changes to the current structure are not intended to increase the overall remuneration opportunity for the Executive Directors in 2019 but to keep it within a comparable range to current 2018 levels in order to retain and motivate the management team;
- a need to re-balance the current remuneration structure by increasing base salaries to a more competitive level and adopting a more UK market conventional approach to the annual bonus through the introduction of a cap, set by reference to a multiple of salary, compared to the previous uncapped arrangement;
- the introduction of a deferral period in the bonus scheme, with an element of the bonus deferred into shares, to ensure long term alignment of the executives with shareholders and the ability for the management team to build up an appropriate shareholding;
- a strong desire to retain the medium term cash incentive through Share Appreciation Rights which is a significant contributor to current and future corporate success; and

- the introduction of a new longer term equity based component to the remuneration structure to further align the interests of management and that of shareholders and allow the management team to build up an appropriate level of shareholding (a minimum of two times base salary) in line with UK corporate governance best practice.

The above factors are reflected in the changes to the directors' remuneration which were approved by the Company's shareholders in the Extraordinary General Meeting ("EGM"), held in January 2019 in accordance with Israeli law, and which introduced a number of measures to transition executive remuneration towards the expectations of UK institutional investors and UK corporate governance standards.

In accordance with Israeli law, all changes to directors' remuneration require prior approval of the Company's shareholders. Accordingly, the remuneration packages for the Executive Directors for 2018, which are described below, were approved by the shareholders in the EGM held in January 2018 and therefore, there will be no advisory vote on the 2018 remuneration in the Company's AGM later this year. The remuneration packages for the Executive Directors for 2019 were approved by the shareholders in the EGM held in January 2019. The Committee and the Board noted that there have been a number of votes (48%) cast against the 2019 remuneration terms of the Executive Directors proposed at the January 2019 EGM. The Board and the Remuneration Committee take these votes seriously and will consider shareholder feedback before deciding which steps to take to ensure the Remuneration Policy is better understood and implemented as appropriate. The Board and the Remuneration Committee also reiterates the commitment to achieving and maintaining the highest governance standards.

The Remuneration Committee firmly believes that this is a significant step forward. I do hope that shareholders can remain confident that the Committee will continue to evaluate the success of the remuneration arrangements to ensure they appropriately reward strong performance and enable recruitment and retention of key individuals to drive further success at Plus500.



Daniel King
Chairman of the Remuneration Committee

COMMITTEE COMPOSITION

The UK Corporate Governance Code recommends that all members of the Remuneration Committee be Non-Executive Directors, independent in character and judgment and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgment. No director or manager may be involved in any discussions as to their own remuneration. The Remuneration Committee comprises of three independent Non-Executive Directors: Daniel King, Charles Fairbairn and Steven Baldwin, and is chaired by Daniel King.

Committee Attendance

Remuneration Committee	Scheduled meetings eligible to attend	Scheduled meetings attended
Daniel King	3	3
Charles Fairbairn	3	3
Steven Baldwin	3	3

COMMITTEE RESPONSIBILITIES

The Remuneration Committee meets not less than twice a year and at such other times as required. The Remuneration Committee has responsibility for determining, within the agreed terms of reference, the Group's policy on the remuneration packages of the Company's Chief Executive Officer, Chief Financial Officer, Managing Director, the Chairman and the other Non-Executive Directors, the Company Secretary and other senior executives.

The other key activities of the Committee pursuant to the written terms of reference of the Remuneration Committee (which are available on the Company's website) are as follows:

- to review the on-going appropriateness and relevance of the Company's Remuneration Policy;
- approving and recommending to the Board and the shareholders, the total individual remuneration package of the Chairman, each Executive and Non-Executive Director, the Chief Executive Officer and Managing Director (including bonuses, incentive payments and share options or other share awards);

- in determining remuneration policies for the Company's senior management and/or individual remuneration packages of each executive director, the Chairman and other designated senior executives, to give regard to the relevant legal and regulatory requirements, the provisions of the Companies Law, the provisions and recommendations of the Code and associated guidance, and institutional investors expectations;
- to approve and determine the targets for any performance-related pay schemes; and
- to review the design of all share incentive plans for approval by the Board and (if required or deemed appropriate) the shareholders.

REMUNERATION POLICY

In accordance with the Companies Law, the Remuneration Committee is required to review and approve compensation guidelines for directors and executives ("Compensation Guidelines"), and recommend that the Board and shareholders adopt such guidelines. The Compensation Guidelines must be approved or ratified at least once every three years. The Company last amended its Compensation Guidelines for directors and executives in January 2018. The Company's Compensation Guidelines include, inter alia, claw back provisions with respect to executive remuneration.

In 2018 the Remuneration Committee, together with an external dedicated consultant, reviewed the Company's remuneration practices in relation to its move to the Main Market. It was deemed necessary to change the current Remuneration Policy and adopt a structure more in line with developments in best practice and regulatory and investor remuneration guidelines, to develop a robust remuneration structure whilst taking into account the Company's values and the long-term interests of shareholders, investors and other stakeholders.

2018 COMMITTEE ACTIVITIES

The Committee met on three occasions since the beginning of 2018. During these meetings the Committee determined and agreed with the Board the Company's remuneration philosophy and the principles of its remuneration policy, ensuring that these are in line with the business strategy, objectives, values and long-term interests of the Company and comply with all regulatory requirements. This included:

- A review of the Non-Executive Directors' fees.
- A review of the performance of the Chief Executive Officer and the Executive Directors compared to the KPIs set and approval of annual bonus awards for 2018 based on achievement of KPI targets.
- Review of senior management fees.
- Other activities, e.g. Committee evaluation, as required by the Committee's terms of reference and review of the terms of reference of the Committee.

ADVISORS TO THE REMUNERATION COMMITTEE

PricewaterhouseCoopers LLP (PwC) were engaged by the Remuneration Committee as remuneration consultants (non-audit services). PwC provided remuneration assistance with the transition to a more UK corporate governance compliant structure after the move to the Main Market. Their advice linked Executive remuneration, Non-Executive remuneration and recent shareholder guidance, with similar companies and market developments. PwC LLP is a member of the Remuneration Consultants' Group, and as such chooses to operate pursuant to a code of conduct that requires remuneration advice to be given objectively and independently. The Committee is satisfied that the advice provided by PwC LLP in relation to remuneration matters is objective and independent.

The Company Secretary ensures that the Remuneration Committee fulfils its duties under its terms of reference and provides regular updates to the Remuneration Committee on relevant regulatory developments in the UK, information on Israeli market trends and compensation structures for the broader employees in the Group.

SHAREHOLDERS VOTING ON THE REMUNERATION

The Company's Remuneration Policy for Directors and Executives was reviewed and approved at the 2018 EGM held January 2018:

	Total numbers of votes	% Votes cast
For	60,245,551	78%
Against	17,282,314	22%
Total	77,527,865	100%
Withheld	400,351	-

DIRECTORS' REMUNERATION REPORT

ANNUAL REPORT ON REMUNERATION 2018

INTRODUCTION

This report sets out information about the remuneration of the directors, including the Chief Executive Officer and the Chief Financial Officer of the Company, for the year ended 31 December 2018.

AUDITED INFORMATION – DIRECTORS' REMUNERATION – 1 January 2018 to 31 December 2018

Single total figure of remuneration

The detailed emoluments received by the Executive and Non-executive Directors during the year ended 31 December 2018 are detailed below.

The information provided in the section and accompanying notes has been audited by Kesselman & Kesselman, a member firm of PricewaterhouseCoopers International Limited.

2018					
US\$000	Salary/ Fees	Benefits	Annual Bonus	Share Appreciation Rights	Total
Chairman					
Penny Judd ¹²	120	-	-	-	120
Executive Directors					
Gal Haber	347	-	-	-	347
Asaf Elimelech	327	-	4,740	963	6,030
Elad Even-Chen	327	-	4,740	963	6,030
Non-executive Directors					
Charles Fairbairn	121	-	-	-	121
Daniel King	73	-	-	-	73
Steven Baldwin ¹³	73	-	-	-	73
Total	1,388		9,480	1,926	12,794

¹² Penny Judd was appointed Chairman in June 2017

¹³ Steven Baldwin was appointed to the Board in June 2017

2017

Salary/ Fees	Benefits	Annual Bonus	Share Appreciation Rights	Total
97	-	-	-	97
347	-	-	-	347
337	-	1,658	777	2,772
341	-	1,658	505	2,504
85	-	-	-	85
70	-	-	-	70
41	-	-	-	41
1,318	-	3,316	1,282	5,916

UNAUDITED INFORMATION

IMPLEMENTATION OF REMUNERATION POLICY

Executive Directors' Remuneration

Each of the Executive Directors provides their services to the Company pursuant to a service contract.

Gal Haber – Managing Director

The services of Gal Haber are provided to the Company pursuant to a service contract entered into by the Company with Wavesoft Ltd. In addition, Gal Haber has entered into an appointment letter with the Company. In consideration for the services Gal Haber provides, Wavesoft is entitled to a fee of NIS1,250,000 per annum, reviewed annually. Commencing on 1 January 2019, the fee was updated to a fee of NIS1,440,000 per annum. Wavesoft is also entitled to participate in a bonus scheme on terms decided by the Remuneration Committee. No bonus was awarded for 2017 or 2018. Either party may terminate the agreement by giving 60 days' written notice.

Asaf Elimelech – Chief Executive Officer

During the year Asaf Elimelech served as Chief Executive Officer for the Group. The Company entered into a service contract with Asaf Elimelech Consultation and Regulatory Services Ltd. ("AE CRS") under which Asaf Elimelech provides Chief Executive Officer services to the Company.

In consideration for these services, AE CRS is entitled to a fee of NIS1,100,000 per annum, reviewed annually. Commencing on 1 January 2019, the fee was updated to a fee of NIS1,700,000 per annum. Either party may terminate the Service Agreement by giving 365 days' written notice.

As approved by the Company's shareholders in January 2018, Asaf Elimelech is entitled to an annual bonus for the year ending 31 December 2018 as determined by the Remuneration Committee based on the following criteria:

1. the size of increase in the Company's consolidated Net Profit in 2018 as compared to the Net Profit Threshold (which shall equal 75 per cent of the Company's consolidated Net Profit in 2017);
2. the scope of regulatory licence-related activity pursued by the Company and its subsidiaries; and

3. the discretion of the Remuneration Committee.

Elad Even-Chen – Chief Financial Officer

The services of Elad Even-Chen are provided to the Company pursuant to a service contract entered into by the Company with Elad Even-Chen Consulting Services Ltd. ("EEC CS").

In consideration for these services, EEC CS is entitled to a fee of NIS1,100,000 per annum, reviewed annually. Commencing on 1 January 2019, the fee was updated to a fee of NIS1,700,000 per annum. Either party may terminate the Service Agreement by giving 365 days' written notice.

As approved by the Company's shareholders in January 2018, Elad Even-Chen is entitled to an annual bonus for the year ending 31 December 2018 as determined by the Remuneration Committee based on the following criteria:

1. the size of increase in the Company's consolidated Net Profit in 2018 as compared to the Net Profit Threshold (which shall equal 75 per cent of the Company's consolidated Net Profit in 2017);
2. the scope of regulatory licence-related activity pursued by the Company and its subsidiaries; and
3. the discretion of the Remuneration Committee.

Non-Founders Executive Directors' Annual Bonus Calculation

		2018 ⁽ⁱ⁾		2019 ⁽ⁱⁱ⁾	
		Criteria	Outcome	Award (USD '000)	
					Shareholders Approved
Annual Bonus	Profitability Bonus	1.5% of the increase in the Company's consolidated Net Profit in 2018 as compared to 75% of 2017 Net Profit	1.5% multiple 2018 Net profit minus 75% of 2017 Net profit	3,545	Profitability bonus capped at 240% of annual service fee (NIS 4,080,000) - calculated as 0.7% of (2019 EBITDA-\$200m). 33.33% is subject to deferral
	Regulatory Bonus	The scope of regulatory licence-related activity pursued by the Company and its subsidiaries	New licences application and no notable breaches of regulatory licences in any subsidiary	195	Regulatory/Operational bonus capped at 160% of annual service fee (NIS 2,720,000) - new licences up to NIS 620,000; regulatory compliance up to NIS 1,200,000; personal and operational goals up to NIS 900,000. 33.33% is subject to deferral
	Discretionary Bonus	The discretion of the Remuneration Committee, based only on exceptional events	Company elevated to the UK Main Market in June 2018	1,000	The discretion of the Remuneration Committee, based only on exceptional events
Share Appreciation Rights ⁽ⁱⁱⁱ⁾		Grant of NIS 2,000,000 of SARs at a base reference price of 943.23 pence, which will vest after two years from the date of grant in December 2019	-	963 ^(iv)	Grant of NIS 2,500,000 of SARs at a base reference price of 1,349.80 pence, with payout capped at NIS 10,000,000, which will vest after two years from the date of grant in December 2020
LTIP		-	-	-	NIS 1,000,000 of Ordinary Shares at reference date of 1 January 2019 (adjusted for dividends). Vesting date is January 2022, subject to a further two year lockup
Total		5,703			

- (i) Further details are provided in the notes to the January 2018 EGM which are available at the Company's website
- (ii) Further details are provided in the notes to the January 2019 EGM which are available at the Company's website
- (iii) The entitlement for Share Appreciation Rights only matures following completion of two years of employment from the grant date
- (iv) The award granted is with respect to Share Appreciation Rights granted to the Non-Founder Executives in December 2016 and were fully vested in December 2018

Year-on-year percentage change in remuneration of CEO and all employees

	Percentage change (in US dollar amounts) 2017–2018		
	Base Salary/ Fees	Benefits	Annual bonus
Chief Executive Officer*	(3)%	-	118%
All employees**	(5)%	(5)%	43%

* The decrease in fees derived from financial currency translation

** The decrease in base salaries and benefits of the Group employees derived from the change in employees mix rather than the change in the level of actual base salary of existing employees.

PENSIONS

The Group operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered pension funds. Executive Directors do not receive pension contribution.

CHAIRMAN AND NON-EXECUTIVE DIRECTORS REMUNERATION

The aggregate 2018 remuneration of the Chairman of the Company and the Non-Executive Directors consists of annual fees of \$0.4 million. The Chairman and Non-executive Directors do not participate in any long-term incentive or annual bonus schemes, nor do they accrue any pension entitlement.

NON-EXECUTIVE DIRECTORS' LETTERS OF APPOINTMENT

On their initial appointment, each of the Non-Executive Directors signed a letter of appointment with the Company, for an initial period of three years. Letters of appointment of Penny Judd and Steven Baldwin, serving as Non-Executive Directors, have been drafted in accordance with provision B.7.1 of the Code, thus obliging them to retire at each Annual General Meeting and be subject to annual re-election by shareholders to serve for a further term of one year. The amendments have been drafted such that renewed appointment

will not necessitate a new letter of appointment. The appointments of Penny Judd and Steven Baldwin can be terminated on two months' notice by either the Company or the Non-Executive Director.

As required under, and subject to the Companies Law, the appointments of Charles Fairbairn and Daniel King as External Directors are for a period of three years from the date of appointment (which may be extended for two more three year terms). Charles Fairbairn and Daniel King were re-elected for a further three year term effective from the 2016 Annual General Meeting.

The Chairman of the Company does not receive any fees for acting as Chairman other than the fees as a Non-Executive Director.

Each Non-executive Director is expected to commit a minimum of 24 days per year in fulfilling their duties as a director of the Company.

Other than the External Directors, there are no existing or proposed service contracts or consultancy agreements between any of the directors and the Company which cannot be terminated by the Company within twelve months without payment of compensation. Copies of the directors' letters of appointment and service agreements are available for inspection at the Company's registered office.

In addition, there are more stringent regulations around the exact roles of Non-Executive Directors. The Audit and Remuneration Committee Chairmen must be External Directors who once appointed serve for three years but are then restricted from becoming the Chairman or holding any paid role at the Company for two years after they leave the Board.

PAYMENTS TO DEPARTING DIRECTORS

During the year, no director has departed from the Board and therefore there were no payments to directors who departed in 2018, nor has it made any payments to directors for loss of office.

Director	Role	2018 Fee	2019 Fee
Penny Judd	Chair	£90,000	£150,000
Charles Fairbairn	SID	£90,625*	£120,000
Daniel King	NED	£54,500	£65,000
Steven Baldwin	NED	£54,500	£65,000

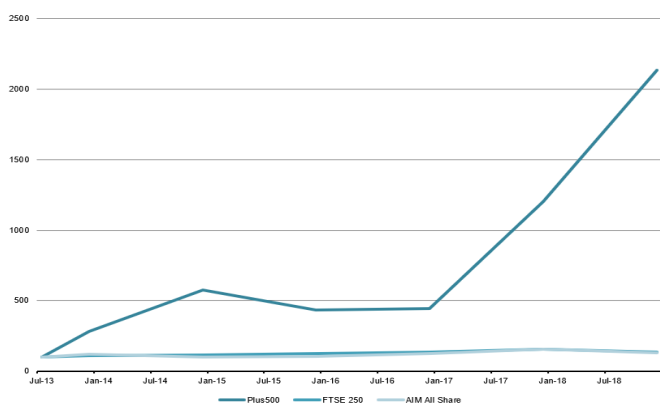
* Including fees of £15,625 for additional days during 2018

The remuneration of the Company's five most highly compensated executives in 2018 (including two of its Executive Directors) was as follows:

		2018 Fees (\$)
1	Asaf Elimelech	6,030,487
2	Elad Even-Chen	6,030,487
3	David Zruia	2,556,164
4	Nir Zatz	946,746
5	Mark Winton	923,443

SHARE PRICE PERFORMANCE

The following graph sets out the performance of the Company's share price since its listing until 31 December 2018, compared to the AIM Index and FTSE250. These are deemed to be the most appropriate indices for comparative purposes.



SHARES HELD BY DIRECTORS

The number of Ordinary Shares of the Company in which the directors were beneficially interested at 1 January 2018 and at 31 December 2018 was:

	1 January 2018	31 December 2018
Penny Judd*	21,062	25,691
Gal Haber	4,209,097	1,805,457
Asaf Elimelech	-	-
Elad Even-Chen	-	-
Charles Fairbairn	90,000	40,000
Daniel King	24,140	27,169
Steven Baldwin	-	-

Note: Save as disclosed above, none of the Directors has any interest in the share capital of the Company or of any of its subsidiaries nor persons connected to the Directors (within the meaning of s.252 of the Companies Act) have any such interest, whether beneficial or non-beneficial.

* The shares are registered in the name of Penny Judd's spouse, Julian Judd.

This Report has been approved by the Board of Directors of Plus500 Limited.

Signed on behalf of the Board.

Daniel King
Chairman of the Remuneration Committee
12 April 2019

DIRECTORS' REPORT

The Directors of Plus500 present their report for the year ended 31 December 2018.

The Directors believe that the requisite components of this report are set out elsewhere in this Annual Report and/ or on the Company's website www.plus500.com, The table below sets out where the necessary disclosure can be found.

Directors	Directors that have served during the year and summaries of the current director's key skills and experience are set out in the Governance Report on pages 61 to 64.
Results and dividends	Results for the year ended 31 December 2018 are set out in the financial review on pages 34 to 37 and the Consolidated Statement of Comprehensive Income on page 97. Information regarding the proposed final dividend can be found in the financial review on page 36. Dividend payments made during the year ended 31 December 2018 can be found in the notes to the Consolidated Financial Statements on page 117.
Articles of Association	The Company's full Articles of Association can be found on the Company's website at https://www.plus500.co.uk/Investors/Constitutional Documents . Any amendments made to the Articles of Association may be made by a special resolution of shareholders.
Share Capital	Details of the Company's share capital are set out in note 19 to the Consolidated Financial Statements on page 121. At the close of business on 11 April 2019, the Company had 113,366,768 Ordinary Shares in issue, and additional 1,521,609 Ordinary Shares are held in treasury by the Company.
Authority to purchase own shares	Details on the Company's current authority to purchase its own shares and that being sought at the forthcoming Annual General Meeting are set out in the Governance Report on page 61.
Directors' interests	Details of the directors' beneficial interests are set out in the Remuneration Report on page 76.
Directors' indemnities	The Company has given indemnities to each of the directors in respect of any liability arising against them in connection with the Company's (and any associated company's) activities in the conduct of their duties. These indemnities are subject to the conditions set out in their indemnification agreements and remain in place at the date of this report.
Directors' and Officers' Liability Insurance	Directors' and Officers' Liability Insurance cover is in place at the date of this report. Cover is reviewed annually and the last renewal was carried out in October 2018.
Major interests in shares	Notifiable major shares interests of which the Company has been made aware are set out on page 61 of the Governance Report.
Political contributions	The Company did not make any donations to political organisations during the year.
Diversity policy	In December 2018 the Company approved and published on its website its policy on diversity https://cdn.plus500.com/media/Investors/Docs/EqualityAndDiversityPolicy.pdf

Financial risk	Details of the Company's policies on financial risk management and the Company's exposure to price risk, credit risk, liquidity risk and cash flow risk are outlined in note 21 to the Consolidated Financial Statements.
Activities in research and development	Details about the Company's future developments can be found in the Strategic Review on pages 18 and 19.
Auditors	A resolution to reappoint Kesselman & Kesselman, a member firm of PricewaterhouseCoopers International Limited as auditors will be proposed at the Annual General Meeting.
Post balance sheet events	There have been no post balance sheet events.
Audit information	<p>Each of the directors at the date of the approval of this report confirms that:</p> <ul style="list-style-type: none"> so far as he/she is aware, there is no relevant audit information of which the Company's auditors are unaware; and he/she has taken all the reasonable steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of the information.

Listing Rule 9.8.4R disclosures

The table below sets out where disclosures required in compliance with Listing Rule 9.8.4R are located.

	Page		Page
Interest capitalised and tax relief	n/a	Parent company participation in a placing by a listed subsidiary	n/a
Publication of unaudited financial information	n/a	Contracts of significance	n/a
Details of long term incentive schemes	n/a	Provision of services by a controlling shareholder	n/a
Waiver of emoluments by a director	n/a	Agreements with controlling shareholders	n/a
Waiver of future emoluments by a director	n/a	Shareholder waivers of dividends	n/a
Non pre-emptive issues of equity for cash	n/a	Shareholder waivers of future dividends	n/a
Non pre-emptive issues of equity for cash by major subsidiary undertakings	n/a		

The Directors' Report has been approved by the Board of Directors of Plus500 Limited.

Signed on behalf of the Board



Elad Even-Chen
Chief Financial Officer

12 April 2019

MANDATORY BIDS, SQUEEZE OUT AND SELL OUT RULES RELATING TO THE COMPANY'S ORDINARY SHARES

As the Company is incorporated in Israel, it is subject to Israeli law and the City Code on Takeovers and Mergers will not apply to the Company, except to the extent the Company incorporated in its Articles of Association provisions analogous to Rules 4, 5, 6 and 8 of the Takeover Code, as described below.

MERGERS

The Companies Law permits merger transactions, provided that each party to the transaction obtains the approval of its board of directors and shareholders (excluding certain merger transactions which do not require the approval of the shareholders, as set forth in the Companies Law).

Pursuant to the Company's Articles of Association, the shareholders of the Company are required to approve the merger by the affirmative vote of a majority of the outstanding Ordinary Shares of the Company. In addition, for purposes of the shareholder vote of each party, the merger will not be deemed approved if a majority of the shares not held by the other party, or by any person who holds 25 per cent. or more of the shares or the right to appoint 25 per cent. or more of the directors of the other party, has voted against the merger.

The Companies Law requires the parties to a proposed merger to file a merger proposal with the Israeli Registrar of Companies, specifying certain terms of the transaction. Each merging company's board of directors and shareholders must approve the merger. Shares in one of the merging companies held by the other merging company or certain of its affiliates are disenfranchised for purposes of voting on the merger. A merging company must inform its creditors of the proposed merger. Any creditor of a party to the merger may seek a court order blocking the merger, if there is a reasonable concern that the surviving company will not be able to satisfy all of the obligations of the parties to the merger. Moreover, a merger may not be completed

until at least 50 days have passed from the time that the merger proposal was filed with the Israeli Registrar of Companies and at least 30 days have passed from the approval of the shareholders of each of the merging companies.

In addition, the provisions of the Companies Law that deal with "arrangements" between a company and its shareholders may be used to effect squeeze-out transactions in which the target company becomes a wholly-owned subsidiary of the acquirer. These provisions generally require that the merger be approved by a majority of the participating shareholders holding at least 75 per cent. of the shares voted on the matter, as well as 75 per cent. of each class of creditors. In addition to shareholder approval, court approval of the transaction is required.

Under the Companies Law, in the event the Company enters into a merger or an "arrangement" under the Companies Law (as described above), the provisions of the Companies Law and the Articles of Association provisions analogous to Rules 4,5,6 and 8 of the Takeover Code (as described below) do not apply.

COMPANIES LAW - SPECIAL TENDER OFFER

The Companies Law provides that an acquisition of shares of a public Israeli company must be made by means of a special tender offer if, as a result of the acquisition, the purchaser could become a holder of 25 per cent. or more of the voting rights in the Company. This rule does not apply if there is already another holder of at least 25 per cent. of the voting rights in the Company.

Similarly, the Companies Law provides that an acquisition of shares in a public company must be made by means of a tender offer if, as a result of the acquisition, the purchaser could become a holder of more than 45 per cent. of the voting rights in the company, if there is no other shareholder of the

company who holds more than 45 per cent. of the voting rights in the company.

A special tender offer must be extended to all shareholders of a company but the offeror is not required to purchase shares representing more than 5 per cent. of the voting power attached to the company's outstanding shares, regardless of how many shares are tendered by shareholders. A special tender offer may be consummated only if (i) at least 5 per cent. of the voting power attached to the company's outstanding shares will be acquired by the offeror and the number of shares tendered in the offer exceeds the number of shares whose holders objected to the offer.

If a special tender offer is accepted, then the purchaser or any person or entity controlling it or under common control with the purchaser or such controlling person or entity may not make a subsequent tender offer for the purchase of shares of the target company and may not enter into a merger with the target company for a period of one year from the date of the offer, unless the purchaser or such person or entity undertook to effect such an offer or merger in the initial special tender offer. Shares that are acquired in violation of this requirement to make a tender offer will be deemed Dormant Shares (as defined in the Companies Law) and will have no rights whatsoever for so long as they are held by the acquirer.

ISRAEL COMPANIES LAW - FULL TENDER OFFER

Under the Companies Law, a person may not purchase shares of a public company if, following the purchase, the purchaser would hold more than 90 per cent. of the company's shares or of any class of shares, unless the purchaser makes a tender offer to purchase all of the target company's shares or all the shares of the particular class, as applicable. If, as a result of the tender offer, either:

- the purchaser acquires more than 95 per cent. of the company's shares or a particular class of shares and a majority of the shareholders that did not have a Personal Interest accepted the offer; or the appointing of experienced and suitably qualified staff to take responsibility for key business functions to ensure maintenance of high standards of performance.

- the purchaser acquires more than 98 per cent. of the company's shares or a particular class of shares; then, the Companies Law provides that the purchaser automatically acquires ownership of the remaining shares. However, if the purchaser is unable to purchase more than 95 per cent. or 98 per cent., as applicable, of the company's shares or class of shares, the purchaser may not own more than 90 per cent. of the shares or class of shares of the target company.

ARTICLES OF ASSOCIATION – TAKEOVER PROVISIONS

In addition to the tender offer rules applied by the Companies Law (as described below), offers are also subject to the takeover provisions incorporated in the Company's Articles of Association, which provisions are generally analogous to Rules 4, 5, 6 and 8 of the Takeover Code.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for preparing the annual report and the Consolidated Financial Statements in accordance with applicable law and regulations. The Companies Law requires the directors to prepare Consolidated Financial Statements for each financial year. Under that law the directors have elected to prepare the Consolidated Financial Statements in accordance with International Financial Reporting Standards as issued by the IASB ("IFRS"). The directors must not approve the Consolidated Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the profit or loss of the Group for that period. The directors considered the information provided in the Annual Report and how it assists the Company's shareholders in understanding the Group's position, performance business model and strategy.

In preparing these Consolidated Financial Statements, the directors are required to:

- Present fairly the financial position, financial performance and cash flows of the Group
- Present information, including accounting policies, in a manner that provide relevant, reliable, consistent and understandable information
- Make judgments and accounting estimates that are reasonable
- State whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the Consolidated Financial Statements;
- Provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of transactions, other events and conditions on the Group's financial position and financial performance
- Prepare the Consolidated Financial Statements on the going concern basis unless it is inappropriate to presume the Group will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the

Consolidated Financial Statements comply with applicable law.

They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps in the prevention and detection of fraud and other irregularities.

Each of the directors confirms that, to the best of each person's knowledge and belief:

- The Group Consolidated Financial Statements, which have been prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit of the Group.
- The Directors' Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

The directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

The directors are also responsible for preparing the Directors' Report, Strategic Report, Corporate Governance Report and the Directors' Remuneration Report.

On behalf of the Board



Asaf Elimelech
Chief Executive Officer
12 April 2019



Plus500 Limited

FINANCIAL STATEMENTS

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To the shareholders of Plus500 Ltd.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the consolidated financial position of Plus500 Ltd. (the Company) and its subsidiaries (together 'the Group') as at 31 December 2018 and their consolidated results of operations and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) that is relevant to our audit of the consolidated financial statements. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER

Revenue recognition

The Group has developed and operates an online and mobile trading platform within Contracts of Differences – CFD.

The Group generates its trading revenue from dealing spreads charged on trades executed with clients, overnight charges levied on open customer positions and net gains or losses from its trading activity.

The computation of revenue is carried out automatically by using its own developed platform which is an internal IT system (the “Platform”).

The revenue is calculated based on several parameters. Part of the parameters that feed into that calculations are received from external quotation suppliers and others depend on internally developed program code within the Platform.

The revenue depends on a combination of the effective operation and accuracy of controls over, and access rights to, the Platform.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Our audit predominantly focused on the Group's control environment, including the IT environment. We tested key controls over the revenue process, from the acceptance of a new customer, through the trading activity to the revenue that is recorded in the Company's general ledger.

We tested the operating effectiveness of IT general controls, including: access to programs and supporting data, program changes and computer operations for the Platform and for the ERP system. Furthermore, we tested program development controls over the new ERP system implemented in 2018 (see also the “Implementation of a new ERP system” key audit matter below).

We also tested, through a combination of controls and substantive testing techniques, the following:

- Profit/loss calculations in respect of closed positions;
- Calculation of the fair value adjustment of year-end positions held by clients and the calculation of the “open positions” report produced by the platform;
- Appropriate use of feeds the Group receives from its data suppliers to confirm the integrity of the feeds used to calculate the open/ close position; and
- Controls associated with cash reconciliations and reconciliations with external counterparties throughout the year including client deposits/ withdrawals.

We agreed cash accounts of client deposits to external third party evidence at the year-end by receiving independent confirmations from banks and other third party providers. In addition we tested the interface between the data of client money as presented in the Platform to the general ledger to ensure completeness and accuracy.

Finally, to address the risk that fraudulent adjustments or transactions had been entered into the trading systems, we read client activity reports and read a sample of client complaints.

No material issues noted.

Implementation of a new ERP system

During 2018 a new ERP system was implemented. The new ERP system replaced the previous ERP system which contained the general ledgers of the Company and its subsidiaries. The new ERP system is an off-the-shelf cloud based system.

The Group used both the new ERP system and the previous one in parallel as part of testing the implementation of the new ERP system. With the Board of Directors' approval, and following the implementation process, only the new ERP system is in use at the year-end.

The Group implemented its own internal configuration with the Platform for the revenue data stream.

Implementation of the new ERP system was a complex process which required management attention in order to ensure the accuracy and completeness of data migration as well as implementing effective IT general controls on time.

We tested the operating effectiveness of controls related to the new ERP system and to the process of its implementation, including:

- IT general controls in relation to the new ERP system with a focus on access to programs and supporting data, program changes and computer operations;
- controls around the program development process and migration of data, including proper testing procedures and approvals by the Group's Board of Directors and Group's steering committee prior to actual system implementation;
- completeness and accuracy of the information transferred from the Platform to the new ERP system through the new interface between both systems. The interface between the Platform and the new ERP system was tested prior to the implementation of the new ERP system to ensure completeness and accuracy before go-live; and
- completeness and accuracy of balances migrated to the new ERP system at the implementation date, for the Company and all of its subsidiaries.

No material issues noted.

GOING CONCERN

With respect to the statement on going concern included in the Annual Report and Accounts, we are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit. We have nothing to report having performed our review.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all of the information in the Annual Report and Accounts (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Listing Rules of the United Kingdom Financial Conduct Authority (FCA) require us also to report on certain matters as described below.

THE DIRECTORS' ASSESSMENT OF THE PROSPECTS OF THE GROUP

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code issued in April 2016 (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the group and the environment obtained in the course of the audit.

UK CORPORATE GOVERNANCE CODE

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules of the FCA, for review by the auditors.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's

ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Maya Ben Shmuel.

Tel Aviv, Israel
Kesselman & Kesselman
Certified Public Accountants (Isr.)
A member firm of PricewaterhouseCoopers
International Limited



Maya Ben Shmuel
Partner
Tel Aviv, Israel
12 April 2019

Kesselman & Kesselman, Trade Tower, 25 Hamered Street, Tel-Aviv 6812508, Israel, P.O Box 50005 Tel-Aviv 6150001 Telephone: +972 -3- 7954555, Fax:+972 -3- 7954556, www.pwc.com/il

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

U.S. dollars in millions	Note	Year ended 31 December	
		2018	2017
TRADING INCOME	3	720.4	437.2
Selling and marketing expenses	4	175.9	156.0
Administrative and general expenses	5	39.2	22.7
OPERATING PROFIT		505.3	258.5
Financial income		6.1	3.2
Financial expenses		8.4	8.3
FINANCIAL EXPENSE - NET		(2.3)	(5.1)
PROFIT BEFORE INCOME TAX		503.0	253.4
INCOME TAX EXPENSE	8	124.0	53.7
PROFIT AND COMPREHENSIVE INCOME FOR THE YEAR		379.0	199.7
U.S. dollars			
EARNINGS PER SHARE (basic and diluted)	9	3.33	1.75

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

U.S. dollars in millions	Note	As of 31 December	
		2018	2017
ASSETS			
Non-current assets			
Property, plant and equipment	12	3.1	3.3
Intangible assets		0.2	0.1
Deferred income taxes	8	0.9	0.5
Long term restricted deposit		0.6	0.3
Total non-current assets		4.8	4.2
Current assets			
Income tax receivable	8	0.8	17.2
Other receivables	13	11.6	7.7
Restricted deposit		0.4	0.4
Short-term bank deposit		-	0.2
Cash and cash equivalents	14	315.3	241.9
Total current assets		328.1	267.4
TOTAL ASSETS		332.9	271.6
LIABILITIES			
Non-current liabilities			
Share-based compensation	7	0.3	-
Total non-current liabilities		0.3	-
Current liabilities			
Share-based compensation	7	7.3	4.2
Income tax payable	8	9.9	2.3
Other payables	15	20.1	12.1
Service suppliers	16	14.3	22.6
Trade payables – due to clients	17	0.3	4.5
Total current liabilities		51.9	45.7
TOTAL LIABILITIES		52.2	45.7

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(CONTINUED)

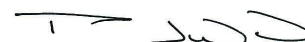
U.S. dollars in millions	Note	As of 31 December	
		2018	2017
EQUITY			
Ordinary shares	19	0.3	0.3
Share premium		22.2	22.2
Cost of Company's shares held by the Company	10	(9.8)	(7.5)
Retained earnings		268.0	210.9
Total equity		280.7	225.9
TOTAL EQUITY AND LIABILITIES		332.9	271.6



Asaf Elimelech
Chief Executive Officer



Elad Even-Chen
Group Chief Financial Officer



Penny Judd
Non-Executive Director and
Chairman

Date of approval of the consolidated financial statements by the Company's Board of Directors:
12 April 2019.

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

Registered Company number (Israel): 514142140

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

U.S. dollars in millions

	Ordinary shares	Share premium	Cost of Company's shares held by the Company	Retained Earnings	Total
BALANCE AT 1 JANUARY 2017	0.3	22.2	-	113.5	136.0
CHANGES DURING THE YEAR ENDED 31 DECEMBER 2017					
Profit and comprehensive income for the year	-	-	-	199.7	199.7
TRANSACTION WITH SHAREHOLDERS:					
Dividend	-	-	-	(102.3)	(102.3)
Acquisition of own shares	-	-	(7.5)	-	(7.5)
BALANCE AT 31 DECEMBER 2017	0.3	22.2	(7.5)	210.9	225.9
CHANGES DURING THE YEAR ENDED 31 DECEMBER 2018					
Profit and comprehensive income for the year	-	-	-	379.0	379.0
TRANSACTION WITH SHAREHOLDERS:					
Dividend	-	-	-	(321.9)	(321.9)
Acquisition of own shares	-	-	(2.3)	-	(2.3)
BALANCE AT 31 DECEMBER 2018	0.3	22.2	(9.8)	268.0	280.7

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December

U.S. dollars in millions	2018	2017
OPERATING ACTIVITIES		
Cash generated from operations (see Note 22)	495.0	278.7
Income tax paid, net	(98.4)	(66.5)
Interest received (paid), net	3.8	(0.2)
Net cash flows provided by operating activities	400.4	212.0
INVESTING ACTIVITIES		
Repayment (Purchase) of deposits	0.2	(0.2)
Purchase of restricted deposits	(0.3)	(0.2)
Purchase of property, plant and equipment and intangible assets	(0.6)	(0.6)
Net cash flows used in investing activities	(0.7)	(1.0)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Dividend paid to equity holders of the Company	(321.9)	(102.3)
Acquisition of own shares	(2.3)	(7.5)
Net cash flows used in financing activities	(324.2)	(109.8)
INCREASE IN CASH AND CASH EQUIVALENTS	75.5	101.2
BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	241.9	136.5
Gains (Losses) from exchange differences on cash and cash equivalents	(2.1)	4.2
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF THE YEAR	315.3	241.9

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL INFORMATION

Information on activities of Plus500 Ltd and its subsidiaries (hereafter- the Group)

Plus500 Ltd. (hereafter – the Company) and its subsidiaries (hereafter – the Group) has developed and operates an online and mobile trading platform within the CFD sector enabling its international customer base of individual customers to trade CFDs on over 2,200 underlying financial instruments internationally. The Group currently offers CFDs referenced to equities, indices, commodities, options, ETFs, cryptocurrencies and foreign exchange.

The Group's offering is available internationally with a significant market presence in the UK, Australia, the EEA ("European Economic Area") and the Middle East and has customers located in more than 50 countries. The Group operates through operating subsidiaries regulated by the FCA (Financial Conduct Authority) in the UK, ASIC (Australian Securities and Investments Commission) in Australia, the CySEC (Cyprus Securities and Exchange Commission) in Cyprus, the ISA (Israeli Securities Authority) in Israel, the FMA (Financial Market Authority) in New Zealand, the FSCA (Financial Sector Conduct Authority) in South Africa and the MAS and Enterprise (Monetary Authority of Singapore) in Singapore.

The Company also have a subsidiary in Bulgaria which provides operational services to the Group.

On 24 July 2013, the Company's shares were admitted to trading on AIM market of the London Stock Exchange in the Company's initial public offering ("IPO"). On 26 June 2018, the Company's shares were admitted to the premium listing segment of the Official List of the UK Listing Authorities (the "official list") and to trading on the London Stock Exchange PLC's Main Market for listed securities and trading of the Company's shares on the AIM market of London Stock Exchange PLC were cancelled.

The Group is engaged in one operating segment - CFD trading.

The address of the Company's principal offices is Building 25, Matam, Haifa 3190500, Israel.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of accounting and accounting policies

The Group's financial information as of 31 December 2018 and 2017 and for each of the two years in the period ended on 31 December 2018 are in compliance with International Financial Reporting Standards that consist of standards and interpretations issued by the International Accounting Standard Board (hereafter – IFRS).

The significant accounting policies described below have been applied consistently in relation to all the reporting periods, unless otherwise stated.

The financial information has been prepared under the historical cost convention, subject to adjustments in respect of revaluation of financial assets at fair value through profit or loss presented at fair value.

b. Going concern

The Group has considerable financial resources, a broad range of products and a geographically diversified business. As a consequence, the Directors believe that the Group is well placed to manage its business risks in the context of the current economic outlook. Accordingly, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. They therefore continue to adopt the going concern basis in preparing these consolidated financial statements.

c. Principles of consolidation

The Company controls the subsidiaries since it is exposed to, or has rights to, variable returns from its involvement with the entities and has the ability to affect those returns through its power over them.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. The consolidated financial statements include the accounts of the Company and its subsidiaries.
2. Intercompany balances and transactions between the Group's entities have been eliminated.
3. Accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

d. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

As stated in note 1 above, the Group operates in one operating segment: CFD trading.

e. Foreign currency translation

1. *Functional and Presentation Currency*
Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which that entity operates (the "functional currency"). The consolidated financial statements are presented in U.S. dollars ("USD"), which is the Group's functional and presentation currency.
2. *Transactions and balances*
Foreign currency transactions in currencies different from the functional currency (hereafter – "foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Gains and losses arising from changes in exchange rates are presented in the consolidated statement of comprehensive income among "financial income (expenses)".

f. Trading income

Trading income represents gains (including commission) and losses arising on client trading activity, primarily in contracts for difference on shares, indices, commodities, cryptocurrencies and foreign exchange. Open client positions are carried at fair value and gains and losses arising on this valuation are recognised as trading income, as well as gains and losses realised on positions that have closed.

g. Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

h. Share-based compensation

The Group operates a cash-settled share-based compensation plan, under which it receives services from employees as consideration for Share Appreciation Rights. The fair value of the employee services received in exchange for the grant of the rights are recognised as an expense in the consolidated statements of comprehensive income. At the end of each reporting period, the Group evaluates the Share Appreciation Rights based on their fair value and the change in the fair value is recognised in the consolidated statements of comprehensive income.

i. Current income tax

Tax is recognised in the consolidated statement of comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted at the statement of financial position date in countries where the Company and the subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The Group recognises deferred taxes on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

k. Property, plant and equipment

The cost of a property, plant and equipment item is recognised as an asset only if: (a) it is probable that the future economic benefits associated with the item will flow to the Group and (b) the cost of the item can be measured reliably.

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items and only when the two criteria mentioned above for recognition as assets are met.

Depreciation is calculated using the straight-line method to allocate the cost of property, plant and equipment less their residual values over their estimated useful lives, as follows:

	Percentage of annual depreciation
Computers and office equipment	6-33
Leasehold improvements	10

Leasehold improvements are amortised by the straight-line method over the terms of the lease, which is shorter than the asset's useful life.

The asset's residual values, the depreciation method and useful lives are reviewed, and adjusted if appropriate, at least once a year.

An assets' carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

l. Financial instruments

Starting 1 January 2018, IFRS 9 – "Financial Instruments" is effective.

1. Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- these to be measured subsequently at fair value through profit and loss, and
- these to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in the statement of comprehensive income.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the assets. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

3. Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Details on how the fair value of financial instruments is determined are disclosed in note 21.

4. Accounting policies applied until 31 December 2017

The Group has applied IFRS 9 retrospectively, and has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the group's previous accounting policy, as follows:

Classification

Until 31 December 2017, the group classified its financial assets in the following categories:

- financial assets at fair value through profit and loss,
- loans and receivables

The classification depended on the purpose for which the financial assets were acquired.

Management determined the classification of its financial assets at initial recognition.

(a). Financial instruments at fair value through profit and loss

This category includes financial assets and financial liabilities held for trading. A financial instrument is classified in this category if acquired principally for the purpose of selling in the short-term, or if designated by management in this category. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current. The Group's financial instruments at fair value through profit or loss comprise 'Financial derivative open positions' offset from, or presented with, 'Customer deposits, net' within 'Trade payables - due to clients' (see note 2j) in the consolidated statements of financial position.

(b). Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets. The Group's loans and receivables comprise 'Cash and cash equivalents', 'Short-term bank deposit', 'Restricted deposits', 'Accounts receivable' and 'Long-term restricted deposit' in the consolidated statements of financial position.

Recognition and derecognition

Investments are initially recognised at fair value plus transaction costs for all financial assets not measured at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. A financial instrument is derecognised

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

when the contract that gives rise to it is settled, sold, cancelled or expires.

Gains or losses arising from changes in the fair value of the 'financial instruments at fair value through profit or loss' category are presented in the consolidated statements of comprehensive income within 'Trading income' in the period in which they arise.

Measurement

Financial assets measured at fair value through profit or loss, are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets at fair value through profit or loss are subsequently carried at fair value. Receivables are measured in subsequent periods at amortised cost using the effective interest method.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

m. Cash and cash equivalents

Cash and cash equivalents include cash in hand, short-term bank deposits and other highly liquid short-term investments, the original maturity of which does not exceed three months.

All of the subsidiaries, except the subsidiary in Bulgaria, hold money on behalf of clients in accordance with the client money rules required by the relevant regulatory framework. Such monies are classified as 'segregated client funds' in accordance with the regulatory

requirements. Segregated client funds comprise retail client funds held in segregated client money accounts.

Segregated client money accounts hold statutory trust status restricting the Group's ability to control the monies and accordingly such amounts are not reflected as Company's assets in the consolidated statements of financial position.

n. Dividends

Dividend distribution is recognised as a liability in the Group's statement of financial position on the date on which the dividends are approved by the Group's Board of Directors.

o. Employee benefits and Pension Obligations

The Group operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered pension funds.

The Group has defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense commensurate with receipt from employees of the service in respect of which they are entitled for the contributions.

p. Other payables and service suppliers

Other payables and service suppliers are obligations to pay for services that have been acquired in the ordinary course of business from suppliers. Other payables and service suppliers are classified as current liabilities if

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(CONTINUED)

payment is due within one year or less. If not, they are presented as non-current liabilities.

Other payables and service suppliers are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

q. Trade payables – due to clients

As part of its business, the Group receives from its customer's deposits to secure their trading positions, held in segregated client money accounts.

Assets or liabilities resulting from profits or losses on open positions are carried at fair value. Amounts due from or to clients are netted against, or presented with, the deposit with the same counterparty where a legally enforceable netting agreement is in place and where it is anticipated that assets and liabilities will be netted on settlement.

Trade payables - due to clients represent balances with clients where the combination of customer's deposits and the valuation of financial derivative open positions result in an amount payable by the Group.

Trade payables - due to clients are classified as current liabilities as the demand is due within one year or less.

r. New International Financial Reporting Standards, Amendments to Standards and New interpretations:

New and amended standards adopted by the Group for the first time for the financial year beginning on or after 1 January 2018:

IFRS 15- "Revenue from Contracts with Customers" (hereafter- IFRS 15)

Upon first-time adoption, IFRS 15 will replace existing IFRS guidance on revenue recognition.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 15 introduces a single model for revenue

recognition, in which an entity recognises revenue in accordance with that core principle by applying the following five steps:

1. Identify the contract(s) with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the separate performance obligations in the contract.
5. Recognise revenue as each performance obligation is satisfied.

IFRS 15 provides guidance about various issues related to the application of that model, including: recognition of revenue from variable consideration set in the contract, adjustment of transaction for the effects of the time value of money and costs to obtain or fulfil a contract. The standard extends the disclosure requirements regarding revenue and requires, among other things, that entities disclose qualitative and quantitative information about significant judgments made by management in determining the amount and timing of the revenue.

The Group adopted the standard using the modified retrospective method of adoption as of January 1, 2018. Any cumulative impact of the adoption was recognised in retained earnings as of January 1, 2018 and comparatives were not restated. The implementation of IFRS 15 had no material effect on the Group's consolidated financial statements.

Standards not yet adopted:

IFRS 16 – "Leases" (hereafter – IFRS 16)

In January 2016, the IASB issued IFRS 16 - Leases which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract and replaces the previous leases standard, IAS 17 - Leases. IFRS 16 eliminates the classification of leases for the lessee as either operating leases or finance leases as required by IAS 17 and instead introduces a single lessee accounting model whereby a lessee is required to recognise assets and liabilities for all leases with a term that is greater than 12 months, unless the underlying asset is of low value, and to recognise depreciation of leases assets

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(CONTINUED)

separately from interest on lease liabilities in the income statement.

The Company has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Company's operating leases.

The Company will apply the standard from its mandatory adoption date of January 1, 2019. The Company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The adoption of IFRS 16 will not have a material effect on the Group's consolidated financial statements.

IFRIC 23 – Uncertainty over income tax treatments:

IFRIC 23 clarifies how the recognition and measurement requirements of IAS 12 "Income Taxes" are applied where there is uncertainty over income tax treatments.

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. The uncertainty may exist until the relevant taxation authority or a court takes a decision in the future. Consequently, a dispute or examination of a particular tax treatment by the taxation authority may affect an entity's accounting for a current or deferred tax asset or liability. IFRIC 23 provides guidance on accounting treatment for the following issues related to income tax-related uncertainties:

- how to determine the measurement unit for considering the accounting treatment, i.e. whether an entity considers uncertain tax treatments

separately;

- the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- how an entity considers changes in facts and circumstances.

IFRIC 23 is effective for annual periods beginning on or after 1 January 2019.

Earlier application is permitted. The Group is reviewing the expected impact of IFRIC 23 on its consolidated financial statements. The adoption of IFRIC 23 will not have a material effect on the Group's consolidated financial statements.

Amendment to IAS 12 "Taxes on Income" (hereinafter "the Amendment to IAS 12")

The Amendment to IAS 12, which was issued as part of the Annual Improvements to IFRS Standards 2015–2017 cycle, clarifies that the income tax consequences of dividends are recognised when a liability to pay a dividend is recognised. The income tax consequences of dividends are recognised in profit or loss for the period, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

Prior to the Amendment to IAS 12, its provisions were relevant to situations where the tax rates on the distributed profit were different from the tax rate on undistributed profits. The Amendment clarifies that those provisions are relevant to all tax consequences of dividends.

The Amendment to IAS 12 is effective for annual reporting periods beginning on or after 1 January 2019 to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Earlier application is permitted. The first-time adoption of the amendment to IAS 12 will not have a material impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

NOTE 3 - TRADING INCOME

The Company is domiciled in Israel. Trading income and non-current assets from Israeli customers are not material. The Trading income attributed to geographical areas according to the location of the customer is as follows:

U.S. dollars in millions	Year ended 31 December	
	2018	2017
European Economic Area (EEA) *	384.7	247.8
United Kingdom	100.5	68.6
Australia	84.8	23.7
Rest of the World	150.4	97.1
	720.4	437.2

* Other than the United Kingdom which presented separately in the table above.

NOTE 4 - SELLING AND MARKETING EXPENSES

U.S. dollars in millions	Year ended 31 December	
	2018	2017
Payroll and related expenses	15.0	10.9
Variable Bonuses	2.9	2.0
Share-based compensation	4.3	2.8
Commission to agents	15.6	27.0
Advertising	109.8	90.0
Commissions to processing companies	20.1	16.9
Server and data feeds commissions	6.9	5.8
Third party customer support	0.5	0.1
Sundry	0.8	0.5
	175.9	156.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

NOTE 5 - ADMINISTRATIVE AND GENERAL EXPENSES

U.S. dollars in millions	Year ended 31 December	
	2018	2017
Payroll and related expenses	7.1	7.1
Variable Bonuses	10.1	2.9
Share-based compensation	4.6	2.7
Professional fees and regulatory fees	*6.2	3.0
Office expenses	5.0	4.1
Travelling expenses	0.8	0.7
Public company expenses	*3.1	0.8
Non-refundable VAT	1.6	0.7
Sundry	0.7	0.7
	39.2	22.7

*These amounts in 2018 include an aggregate amount of \$ 4.0 million which is related to the admission to the premium listing segment of the official list of the UK Listing Authorities (see note 1).

NOTE 6 - AUDITORS' REMUNERATION

U.S. dollars in millions	Year ended 31 December	
	2018	2017
Audit Plus500 Ltd's consolidated financial statements	0.2	0.2
Audit of Plus500 Ltd's subsidiaries	0.2	0.2
Total audit fees	0.4	0.4
Other assurance related services	*0.4	0.1
Tax compliance services	0.2	0.1
Total non-audit fees	0.6	0.2
Total fees	1.0	0.6

*These amounts include expenses related to the admission to the premium listing segment of the official list of the UK Listing Authorities (see note 1).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

NOTE 7 - SHARE-BASED COMPENSATION

a. Background

The Group grants "Share Appreciation Rights" to selected employees upon approval of the Board of Directors and management (hereafter - the grant).

The rights are settled in cash two years after the date of grant for these who remains employed by the Group.

The rights represent the total amount of grant divided by the average closing price of the ordinary shares of the Company on the Main Market over the course of the 60 trading days immediately preceding the dates of grant (hereafter - the share price on grant date).

As of the end of each period, the fair value of the rights is calculated by the number of rights, as calculated on grant date, multiplied by the average closing price of the ordinary shares of the Company on the Main Market over the course of the 60 trading days immediately preceding the end of each period (or the payout date) divided by the share price on grant date.

b. The following table specifies the dates of grants and the grant rights as of each date

Grant date	Settlement date	Share price (GBP)*	Number of rights granted	Number of employees
1 January 2015	1 January 2017	522.94	894	20
3 January 2016	3 January 2018	388.81	3,122	26
17 April 2016	17 April 2018	563.25	41	1
30 December 2016	30 December 2018	541.21	3,722	45
31 December 2017	31 December 2019	943.23	3,321	72
19 March 2018	19 March 2020	1,075.70	286	1
1 July 2018	1 July 2020	1,528.93	58	5
30 December 2018	30 December 2020	1,349.80	3,490	107

* Share price in pence on grant date.

c. Share based compensation liability

U.S. dollars in millions	As at 31 December	
	2018	2017
Current liability	7.3	4.2
Non-current liability	0.3	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

NOTE 7 - SHARE-BASED COMPENSATION (continued)

d. Share based compensation expenses

U.S. dollars in millions	Year ended 31 December	
	2018	2017
Selling and marketing expenses	4.3	2.8
Administrative and general expenses	4.6	2.7
	8.9	5.5

e. Share based – number of rights outstanding

Number of rights	2018	2017
Opening balance as at January 1	9,702	7,752
Rights granted	3,834	3,321
Rights exercised	(6,319)	(867)
Rights forfeited	(146)	(504)
Closing balance as at December 31	7,071	9,702

During 2018 and 2017, 6,319 and 867, respectively rights were exercised in total amount of \$12.9 million and \$0.9 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

NOTE 8 - INCOME TAX EXPENSE

a. Corporate taxation in Israel

In December 2016, the Economic Efficiency Law (Legislative Amendments for Implementing the Economic Policy for the 2017 and 2018 Budget Year), 2016 was published, introducing a gradual reduction in corporate tax rate from 25% to 23%. However, the law also included a temporary provision setting the corporate tax rate in 2017 at 24%. As a result, the corporate tax rate was 24% in 2017 and is 23% in 2018 and thereafter.

b. Corporate taxation in subsidiaries

Subsidiary	Principal tax rate		Tax regulation
	2018	2017	
UK	19%	19%	Tax laws in the United Kingdom
CY	12.5%	12.5%	Tax laws in Cyprus
AU	30%	30%	Tax laws in Australia

Other subsidiaries in the Group do not have significant taxable income and the overall effect of the income of those subsidiaries on the Group's tax expenses is immaterial.

c. Deferred income taxes

The Deferred income taxes relates mainly to payroll expenses of the share-based compensation plan (see note 7). The Deferred tax assets were computed in 2018 and 2017 at tax rate of 23% and 23%, respectively and a portion for \$ 0.8 million and \$ 0.1 million will be settled in 2019 and 2020, respectively.

d. Taxes on income included in the consolidated income statements for the reported periods

U.S. dollars in millions	Year ended 31 December	
	2018	2017
Current taxes:		
Current taxes in respect of current year's profits	124.4	53.8
	124.4	53.8
Deferred income taxes:		
Recognition of deferred taxes asset (See c above)	(0.4)	(0.1)
Taxes on income expenses	124.0	53.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

NOTE 8 - INCOME TAX EXPENSE (continued)

e. Reconciliation of the theoretical tax expense

Following is a reconciliation of the theoretical tax expense, assuming all income is taxed at the regular tax rates applicable to companies in Israel (note 8a above) and the actual tax expense:

U.S. dollars in millions	Year ended 31 December	
	2018	2017
Income before taxes on income, as reported in the consolidated income statements	503.0	253.4
Theoretical tax expense in respect of this year's income - at 23% (2017: 24%)	115.7	60.8
Decrease in taxes resulting from different tax rates applicable to foreign subsidiaries	(1.2)	(3.1)
Increase (decrease) in taxes in respect of currency differences and expenses not deductible for tax purposes	4.3	(4.0)
Tax expenses in relation to previous years	5.2	-
Taxes on income for the reported period	124.0	53.7

f. Effect of adoption of IFRS in Israel, on tax liability

As mentioned in note 2a, the Group prepares its financial statements in accordance with IFRS. IFRS standards differ from accounting principles generally accepted in Israel and accordingly, the preparation of financial statements in accordance with IFRS may reflect a financial position, results of operations and cash flows that are materially different from those presented in financial statements presented in accordance with accounting principles generally accepted in Israel. The Company is filing to the Israeli tax authorities, its Israeli tax returns, in accordance to Israeli GAAP.

During 2014, the Government of Israel published a law memorandum in connection with the amendment to the Income Tax Ordinance (hereafter – the law memorandum) resulting from application of IFRS in the financial statements. Generally, the law memorandum adopts IFRS. However, it suggests several amendments to the Income Tax Ordinance that will serve to clarify and determine the manner of computing taxable income for tax purposes in cases where the manner of computation is unclear and IFRS is incompatible with the principles of the tax method applied in Israel. At the same time, the law memorandum generally adopts IFRS. The legislation process involving the law memorandum has not been completed, and is not likely to be completed in the near future.

As the legislation process relating to the law memorandum has not been completed, management believes that the temporary provision for 2007 to 2013 may be extended to cover 2014-2018 as well. Due to the application of temporary provision on the 2007-2013 tax years, as above, and the possibility for extension to 2014-2018, management expects at this stage that the new legislation will not apply to tax years preceding 2018.

Considering that the temporary provision applies to the 2007-2013 tax years and Company's assessment on the likelihood for extension to cover 2014-2018, as above, the Company computed its taxable income for 2009-2018 based on the Israeli accounting standards that existed prior to adopting IFRS in Israel.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

NOTE 8 - INCOME TAX EXPENSE (continued)

g. Final tax assessments

The Company was recently audited by the Israeli Tax Authorities ("ITA") for corporate income tax purposes for the years 2014 to 2016 (including).

All of the subsidiaries have only been subject to self-assessments since their incorporation.

NOTE 9 - EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. (See note 9)

	31 December	
	2018	2017
Profit attributable to equity holders of the Company (In U.S dollars)	379,026,541	199,675,000
Weighted average number of ordinary shares in issue*	113,895,770	114,420,058

* After weighting the effect of the buyback programme. See note 10

NOTE 10 - ACQUISITION OF THE COMPANY'S SHARES BY THE COMPANY

In June 2017, the Board approved a programme to buy back up to US\$10 million of the Company's ordinary shares. The buyback programme ran from 2 June 2017 to 31 August 2017 and was funded from the Company's net cash balances. In August 2017, the Board approved a second programme to buy back up to US\$27.21 million of ordinary shares. The second buyback programme expired on 1 February 2018 and was also funded from the Company's net cash balances. The Company bought back 980,146 ordinary shares (or 0.9%) in the capital of the Company for an aggregate purchase price of \$7.5 million pursuant to these buyback programmes. Shares were bought back at an average price of £5.98.

In October 2018, the Board approved a programme to buy back an initial amount of US\$10 million of the Company's ordinary shares. The buyback programme ran from 23 October 2018 and was funded from the Company's net cash balances. During 2018 the Company bought back 130,963 ordinary shares (or 0.1%) in the capital of the Company for an aggregate purchase price of \$2.3 million pursuant to these buyback programmes. Shares were bought back at an average price of £13.58.

During the period starting 1 January 2019 up to the signing date of the consolidated financial statements (see note 23), The Company bought back additional 410,500 ordinary shares (or 0.4%) in the capital of the Company for an aggregate purchase price of \$5.5 million pursuant to these buyback programmes. Shares were bought back at an average price of £11.03.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

NOTE 11 - DIVIDEND

The amounts of dividends for the years 2018 and 2017 declared and distributed by the Company's Board of Directors are as follows:

Date of declaration	Amount of dividend US \$ in millions	Amount of dividend per share US \$	Date of payment to shareholders
5 February 2017	75.0	0.6528	3 July 2017
4 August 2017	27.2	0.2388	23 November 2017
14 February 2018	164.9	1.4479	23 July 2018
10 August 2018	157.0	1.3786	22 November 2018

On 12 February 2019 the Company declared a final dividend in an amount of \$70.4 million. See note 23.

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

Composition of assets, grouped by major classifications and changes therein in 2018 is as follows:

U.S. dollars in millions	Computers and office equipment	Leasehold improvements	Total
Cost			
Balance at beginning of year	1.3	3.7	5.0
Additions	0.3	0.1	0.4
Balance at end of year	1.6	3.8	5.4
Accumulated depreciation			
Balance at beginning of year	0.8	0.9	1.7
Additions	0.5	0.1	0.6
Balance at end of year	1.3	1.0	2.3
Depreciated balance as of 31 December 2018	0.3	2.8	3.1
Depreciated balance as of 31 December 2017	0.5	2.8	3.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

NOTE 13 - OTHER RECEIVABLES

U.S. dollars in millions	As of 31 December	
	2018	2017
Prepaid expenses	8.7	6.4
Other	2.9	1.3
	11.6	7.7

As of 31 December 2018 and 2017, the total amount of prepaid expenses includes mainly expenses related to Company's sponsorship agreement with Atletico Madrid Football Club (see note 18b).

All the financial assets included among current assets are for relatively short-periods; therefore, their fair values approximate or are identical to their carrying amounts.

NOTE 14 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents by currency of denomination:

U.S. dollars in millions	As of 31 December	
	2018	2017
USD	288.5	208.7
EURO	76.0	91.8
GBP	12.5	33.6
AUD	19.3	38.2
NIS	7.8	9.4
Other	18.1	17.7
Gross cash and cash equivalents	422.2	399.4
Less: segregated client funds	(106.9)	(157.5)
Own cash and cash equivalents	315.3	241.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

NOTE 15 - OTHER PAYABLES

U.S. dollars in millions	As of 31 December	
	2018	2017
Payroll and related expenses	17.0	7.9
Accrued expenses	2.8	4.0
Other	0.3	0.2
	20.1	12.1

The financial liabilities included among other payable, and accruals are for relatively short periods; therefore, their fair values approximate or are identical to their carrying amounts.

NOTE 16 - SERVICE SUPPLIERS

Service suppliers are comprised mainly of amounts due to advertising service suppliers, their fair values approximate or are identical to their carrying amounts.

NOTE 17 - TRADE PAYABLES - DUE TO CLIENTS

U.S. dollars in millions	As of 31 December	
	2018	2017
Customers deposits, net*	107.2	162.0
Segregated client funds	(106.9)	(157.5)
	0.3	4.5
* Customers deposits, net are comprised of the following:		
Customers deposits	145.2	188.4
Less- financial derivative open positions:		
Gross amount of assets	(46.8)	(45.7)
Gross amount of liabilities	8.8	19.3
	107.2	162.0

* As of 31 December 2018, and 2017, the total amount of 'Trade payables - due to clients' includes bonuses to the clients.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

NOTE 18 - COMMITMENTS

- a. The Company and its subsidiaries lease office space and real estate under several non-cancellable operating lease agreements. The validity of the agreements will expire in the years from 2019 to 2021 with an option to extend them by another 3 to 5 years. Future minimum lease payments for existing long-term, non-cancelable operating leases as of 31 December 2018 are as follows:

U.S. dollars in millions

2019	1.7
2020	1.1
2021	0.7
2022	0.4
2023 and further	0.2
Total	4.1

- b. The Company and Club Atlético de Madrid, S.A.D. (hereafter - Atlético Madrid) entered into a sponsorship agreement on 3 October 2017 under which the Company is entitled to advertise and promote itself as the main sponsor of Atlético Madrid for the 2018/19, 2019/20 and 2020/21 seasons.
- c. The Company and Brumbies Rugby, the Australian professional rugby union team (hereafter - the Brumbies) entered into a sponsorship agreement on 1 October 2017 under which the Company is entitled to advertise and promote itself as the official sponsor of the Brumbies for three seasons between 1 January 2018 to 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

NOTE 19 - SHARE CAPITAL

Composed of ordinary shares of NIS 0.01 par value, as follows:

	Number of shares 31 December	
	2018	2017
Authorised	300,000,000	300,000,000
Issued and fully paid	114,888,377	114,888,377
Less treasury shares *	(1,111,109)	(980,146)
Outstanding shares	113,777,268	113,908,231

* Number of shares that was bought by the Company as part of the buyback Programme.

NOTE 20 - RELATED PARTIES AND KEY MANAGEMENT

a. Definition

The Directors and other members of management classify as "persons discharging management responsibility" in accordance with IAS24 and the Market Abuse Regulation are considered to be the Key management personnel of the Company.

The Directors' Remuneration Report discuss all benefits and share-based payments earn during the year and the preceding year by the directors.

Include five founding shareholders: one of those shareholders is a Director.

These shareholders provide services to the Company directly or through companies, they control.

b. Company's liability in respect of related parties and key management services (part of Other Payable)

U.S. dollars in millions	As at 31 December	
	2018	2017
Related parties and Key Management liability	14.0	6.0

NOTE 20 - RELATED PARTIES AND KEY MANAGEMENT (continued)

c. Expenses to related parties and key management

U.S. dollars in millions	Year ended 31 December	
	2018	2017
Service fees (Selling and marketing expenses)	5.8	3.2
Service fees (Administrative and general expenses)	15.2	7.7
Directors fees (Administrative and general expenses)	0.8	0.7

The average number of key management personal during the year was 20 (FY17: 19).

On 1 January 2019 the Board of directors approved a long-term incentive plan for two Non-Founders Executive Directors'. The terms of the plan are NIS 1,000,000 of ordinary shares at reference date of 1 January 2019 (adjusted for dividends). Vesting date is January 2022, subject to a further two year lockup.

NOTE 21 - FINANCIAL RISK MANAGEMENT

The Group specialises in the field of Contracts for Differences ("CFD") for retail clients only, primarily on commodities, indices, stocks, options, ETFs, cryptocurrencies and foreign exchange.

The Group activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

a. Market risk

The management of the Group deems this risk as the highest risk the Group incurs.

Market risk is the risk that changes in market prices will affect the Group's income or the value of its holdings of financial instruments. This risk can be divided into market price risk and foreign currency risk, as described below.

The Group's market risk is managed on a Group-wide basis and exposure to market risk at any point in time depends primarily on short term markets conditions and the levels of client activity. The Group utilises market position limits for operational efficiency and does not take proprietary positions based on an expectation of market movements. As a result, not all net client exposures are hedged and the Group may have a substantial net position in any of the financial market in which it offers products.

The Group's market risk policy incorporates a methodology for setting market position limits, consistent with the Group risk appetite, for each financial instrument in which the Group clients can trade, as well as certain markets which the CEO considers to be correlated.

These limits are determined based on the Group clients' trading levels, volatilities and the market liquidity of the underlying financial product or asset class and represent the maximum long and short client exposure that the Group will hold without hedging the net client exposure.

The Group's real-time market position monitoring system is intended to allow it to continually monitor its market exposure against these limits. If exposures exceed these limits, the Group either hedges, or new client positions are rejected under the Group's policy.

NOTE 21 - FINANCIAL RISK MANAGEMENT

It is the approach of the Group to observe during the year the 'natural' hedge arising from the Group's global clients in order to reduce the Group's net market exposure.

The Group's exposure to market risk at any point in time depends primarily on short-term market conditions and client activities during the trading day. The exposure at each statement of financial position date may therefore not be representative of the market risk exposure faced by the Group over the year. The Group's exposure to market risk is determined by the exposure limits described above which change from time to time.

1. Market price risk

This is the risk that the fair value of a financial instrument fluctuates as a result of changes in market prices other than due to the effect of transactional foreign currency exposures or interest rate risks.

The Group has market price risk as a result of its trading activities CFDs on foreign exchange, stocks, indices, commodities, cryptocurrencies and ETFs, part of which is naturally hedged as part of the overall market risk management. The exposure is monitored on a Group-wide basis.

Exposure limits are set by the risk manager for each product, and also for groups of products where it is considered that their price movements are likely to be positively correlated.

Daily profit on closed positions:

U.S. dollars in millions	2018	2017
Highest profit	19.4	10.5
Highest loss	(2.0)	(4.1)
Average	1.9	1.2

During the years 2018 and 2017, as to the closed positions, there were 336 and 313 profitable trading days, respectively.

2. Foreign currency risk

Transactional foreign currency exposures represent financial assets or liabilities denominated in currencies other than the functional currency of the Group. Transaction exposures arise in the normal course of business.

Foreign currency risk is managed on a Group-wide basis, while the Group exposure to foreign currency risk is not considered by the Board of Directors to be significant. The Group monitors transactional foreign currency risks including currency statement of financial position exposures, equity, commodity, interest and other positions denominated in foreign currencies and trades on foreign currencies.

At 31 December 2018, if the U.S. dollar had strengthened by 1% against Euro with all other variables unchanged the exposure in respect of balance denominated in Euro on income after taxes is \$ 0.4 million (2017: \$0.3 million); if the U.S dollar had strengthened by 1% against Australian Dollar with all other variables unchanged the exposure in respect of balance denominated in Australian Dollar on income after taxes is \$ 0.3 million (2017: \$0.3 million) ; if the U.S dollar had strengthened by 1% against GBP with all other variables unchanged the exposure in respect of balance denominated in GBP on income after taxes is \$ 0.5 million (2017: \$ 0.1 million):

The exposure in respect to balances denominated in other currencies is immaterial.

b. Credit risk

The Group operates a real-time mark-to-market trading platform with customers' profits and losses being credited and debited automatically to their accounts.

Under the Group's policy, costumers cannot owe the Group's funds when losing more than they have in their accounts.

NOTE 21 - FINANCIAL RISK MANAGEMENT (continued)

Client credit risk - Client credit risk principally arises when a customer's total funds deposited (margin and free equity) are insufficient to cover any trading losses incurred. In particular, customer credit risk can arise where there are significant, sudden movements in the market (i.e. due to high general market volatility or specific volatility relating to an individual financial instrument in which a customer has an open position).

The Group's offering is margin-traded. If the market moves adversely by more than the customer's maintenance margin, the Group is exposed to customer credit risk.

The principal types of customer credit risk exposures are managed by monitoring all customer positions on a real time basis. If customers funds are below the required margin level, customers positions are liquidated (margin call).

Institutional credit risk - The risk that financial counterparties will not meet their obligation, risking both client and the Group's assets:

The carrying amount of the Group's financial assets best represents their maximum exposure to credit risk.

The Group has no material financial assets that are past due or impaired as at the reporting dates.

As of 31 December 2018 and 2017 counterparties holding of the Group's cash and cash equivalents, credit cards, client funds and deposits have credit ratings as follows:

Credit Rating*	2018	2017
AA+ to AA-	15%	42%
A+ to A-	76%	47%
Remaining counterparties	9%	11%

* The financial institutions were rated by the same third party.

The amounts held by the remaining counterparties are held in a few banks worldwide. The balance in each of those banks does not exceed 4% of total cash and cash equivalents, credit cards, client funds and deposits.

The Group's largest credit exposure to any single bank as of 31 December 2018 was \$ 118 million or 28% of the exposure to all banks (2017: \$ 98.4 million or 25%).

c. Concentration risk

Concentration risk is defined as all risk exposures with a loss potential which is large enough to threaten the solvency or the financial position of the Group. In respect of financial risk, such exposures may be caused by credit risk, market risk, liquidity risk or a combination or interaction of those risks (see note 3).

NOTE 21 - FINANCIAL RISK MANAGEMENT (continued)

d. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or other financial assets.

Liquidity risk is managed centrally and on a Group-wide basis. The Group's approach to managing liquidity is to ensure it will have sufficient liquidity to meet its financial liabilities when due, under both normal circumstances and stressed conditions.

The Group's approach is to ensure that there will be no material liquidity mismatches with regard to liquidity maturity profiles due to the very short-term nature of its financial assets and liabilities. Liquidity risk can, however, arise as a result of the Group's adopting what it considers to be best industry practice in placing some retail client funds in segregated client money accounts. A result of this policy is that short-term liquidity 'gaps' can potentially arise in periods of very high client activity or significant increases in global financial market levels.

The contractual maturity of the financial liabilities is up to two months.

e. Capital Management

1. Plus500UK

The UK Subsidiary is regulated by the FCA. The UK Subsidiary manages its capital resources on the basis of regulatory capital requirements (hereafter Pillar 1) and its own assessment of capital required to support all material risks throughout the business (hereafter - Pillar 2). The UK Subsidiary manages its regulatory capital through an Internal Capital Adequacy Assessment Process (known as the ICAAP) in accordance with guidelines and rules implemented by the FCA. Both Pillar 1 and Pillar 2 assessments are compared with total available regulatory capital on a daily basis and monitored by the management of the Group.

As of 31 December 2018 and 2017, the UK Subsidiary had £ 33.3 million and £ 24.3 million, respectively, of regulatory capital resources, which is in excess of both its regulatory capital requirement (Pillar 1) and the internally measured capital requirement (Pillar 2).

2. Plus500CY

The CY Subsidiary is regulated by CySEC. The CY Subsidiary manages its capital resources on the basis of regulatory capital requirements (hereafter - Pillar 1) and its own assessment of capital required to support all material risks throughout the business (hereafter - Pillar 2). The CY Subsidiary manages its regulatory capital through an Internal Capital Adequacy Assessment Process (known as the ICAAP) in accordance with guidelines and rules implemented by the CySEC.

The CY Subsidiary monitors on a frequent basis its Pillar 1 capital requirements and ensures that its capital position remains always above the minimum regulatory thresholds. As of 31 December 2018 and 2017, the regulatory capital of the CY Subsidiary was € 56.5 million and € 52.8 million, respectively, which is in excess of both its regulatory capital requirement (Pillar 1) and the internally measured capital requirement (Pillar 2).

As of 31 December 2018 and 2017, Pillar 1 Capital Adequacy ratio was 40.4% and 17.2% respectively. Moreover, the Group is evaluating its overall risk profile and capital position through its internal capital adequacy assessment process, which is performed at least on an annual basis.

3. Plus500AU

The AU Subsidiary is regulated by ASIC. The AU Subsidiary manages its capital resources on the basis of regulatory capital requirements and its own assessment of capital required to support all material risks. The AU Subsidiary manages its capital through its Net Tangible Assets

NOTE 21 - FINANCIAL RISK MANAGEMENT (continued)

(NTA) assessment in accordance with rules and guidelines implemented by ASIC.

As at 31 December 2018 and 2017, the AU Subsidiary held Net Tangible Assets of AUD16.3 million and AUD13.8 million, respectively, of regulatory capital, which is in excess of its NTA requirements.

4. Plus500SG

The SG Subsidiary is regulated by MAS.

The SG Subsidiary manages its capital resources on the basis of regulatory capital requirements and its own assessment of capital required to support all material risks. The SG Subsidiary manages its capital in accordance with rules and guidelines implemented by MAS.

As at 31 December 2018 and 2017, the SG Subsidiary held regulated capital of SGD 7.1 million and SGD 1.6 million, respectively, of regulatory capital, which is in excess of its MAS requirements.

5. Plus500IL

The IL Subsidiary is regulated by the ISA.

The IL Subsidiary manages its capital resources on the basis of regulatory capital requirements and its own assessment of capital required to support all material risks. The IL Subsidiary manages its capital in accordance with rules and guidelines implemented by ISA.

As at 31 December 2018 and 2017, the IL Subsidiary held regulated capital of \$3.5 million and \$3.8 million, respectively, of regulatory capital, which is in excess of its ISA requirements.

f. Other business risks

The Group's business is subject to various laws and regulations in different countries according to its activity and other countries from where the Company operates. Any regulatory action, tax or legal challenge against the Group for non-compliance with any regulatory or legal

requirement could result in significant fines, penalties, or other enforcement actions, increased costs of doing business through adverse judgment or settlement, reputational harm, the diversion of significant amounts of management time and operational resources, and could require changes in compliance requirements or limits on the Group's ability to expand its product offerings, or otherwise harm or have a material adverse effect on the Group's business.

g. Fair value estimation

Financial derivative open positions (offset from, or presented with, deposits from clients within 'Trade payable - due to clients') (see also note 17) are measured at fair value through profit or loss using valuation techniques. The said valuation techniques are based on inputs other than quoted prices in active market that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. Since all significant inputs required for the fair value estimations of the said instruments are observable, the said instruments are included in level 2.

Specific valuation techniques used to value financial instruments are based on quoted market prices at the statement of financial position date and an additional predetermined amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

NOTE 22 - CASH GENERATED FROM OPERATIONS

U.S. dollars in millions	Year ended 31 December	
	2018	2017
Cash generated from operations activities		
Net income for the period	379.0	199.7
Adjustments required to reflect the cash flows from operating activities:		
Depreciation and amortisation	0.7	0.7
Liability for share-based compensation	8.9	5.5
Settlement of share-based compensation	(5.5)	(0.9)
Taxes on income	124.0	53.7
Interest expenses (income)	(4.2)	0.2
Foreign exchange losses (gains) on operating activities	0.5	(4.1)
	124.4	55.1
Operating changes in working capital:		
Decrease (increase) in other receivables	(3.9)	2.0
Increase (decrease) in trade payables due to clients	(4.2)	2.8
Increase in other payables	8.0	16.8
Increase (decrease) in Service suppliers	(8.3)	2.3
	(8.4)	23.9
Cash flows from operating activities	495.0	278.7

NOTE 23 - SUBSEQUENT EVENTS

On 12 February 2019 the Company declared a final dividend in an amount of \$70.4 million (\$0.6191 per share). The dividend is due to be paid to the shareholders on 9 July 2019.

During the year 2019 up to the signing date of the consolidated financial statements for the year ended 31 December 2018, the Company has continued to purchase its own shares under the buyback programme. See note 10.



Plus500 Limited

FURTHER INFORMATION

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