Plus500

World's Trading Machine

PLUS500 PRELIMINARY RESULTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2016

7 February 2017

Plus500 Limited
("Plus500" or "the Company")

Record Preliminary Unaudited Results for the year ended 31 December 2016

Plus500, a leading international online trading platform provider for retail customers to trade Contract for Differences ("CFDs"), is pleased to announce preliminary unaudited results for the year ended 31 December 2016.

Financial Highlights:

	2016	2015	Change
Revenues	$327.9m	$275.6m	19%
EBITDA[1]	$151.0m	$132.9m	14%
EBITDA margin	46.0%	48.2%	-5%
Net profit	$117.2m	$96.6m	21%
Earnings per share	$1.02	$0.84	21%
ARPU[2]	$2,103	$2,019	4%
Cash generated from Operations	$153.3m	$128.1m	20%
Year end net cash	$136.5m	$156.5m	-13%
Dividends per share (cents)			
• Interim	$0.2324	$0.2121	
• Final	$0.3799	$0.2922	
• Special	$0.2729	$0.3362	
• Total	$0.8852	$0.8405	5%
Dividend payout ($m)			
• Interim	$26.7m	$24.4m	
• Final & Special	$75.0m	$72.2m	
• Total	$101.7m	$96.6m	5%

- Record year with strong revenue growth due to increase in New Customers[3] and Active Customers[4]
- Net profit ahead of expectations:
  - EBITDA in line with market expectations following a strong recovery in margins in H2
  - Q4 EBITDA margin of 64% reflects the benefit of strong customer acquisition earlier in the year and more targeted advertising expenditure in Q4, yielding stable FY margins
- Another year of significant dividend payments including a special dividend:
  - Total dividend of $101.7 million, consists of interim dividend of $26.7 million, final dividend of $43.6 million and a special dividend of $31.4 million, representing a total pay-out of 87% of net profit for the year

Operating highlights:

- Another record year of strong customer growth in excess of expectations and the industry average, reflecting effective marketing and robust business model:
  - Active Customers increased 14% to 155,956 (FY 2015: 136,540)
  - New Customers increased 23% to 104,432 (FY 2015: 84,858)

[1] EBITDA - Earnings before interest and taxes and depreciation and amortization
[2] ARPU - Average revenue per active user
[3] Customers depositing for the first time ever during the period
[4] Customers who made at least one real money trade during the period

- Continue to build international presence and diversify revenues through new licences in New Zealand and Israel
- Maintained leadership positions:
  - Second largest CFD provider in the UK[5]
  - Leadership in technology and product innovation:
    - a true omni-channel trading experience allowing access to information and trading across PC, web, tablet, mobile or wearable platforms in a device-agnostic manner
    - a majority of revenues and signups come from mobile devices reflecting speed of innovation compared to competitors (over 70% of 2016 revenues and signups originated from mobile devices)

Current trading and outlook:

- Entering 2017 there has been a continued increase in New Customers
- Continue to achieve good results from online marketing initiatives and sponsorships
- Expect to broaden footprint and continue to diversify revenues including adding further new licences
- Still assessing likely impact of regulatory changes but highly flexible business model expected to partially mitigate any impact

Asaf Elimelech, Chief Executive of Plus500, commented:

"We are pleased to announce record annual results. Our continued focus on serving our customers' trading needs through product innovation and technology leadership, combined with our marketing activity, has led to strong new customer sign ups, reducing churn in H2 2016 and increased customer activity.

Plus500 retains operating licences and is regulated in the United Kingdom, Australia, Cyprus, New Zealand and Israel providing a strong foundation in an ever evolving regulatory environment. Our safe and secure trading account already incorporates a number of the trading controls that regulators are seeking to introduce: we were among the first to offer a trading platform where customers cannot lose more than they invest, and in 2016, as in 2015, there were no net revenues from market P&L. The latter reflects the efficiency of our internal risk management systems and meets the expectations of the regulators that aim to prevent industry participants from being dependent on client losses.

We will make the necessary changes to comply with the regulatory changes that were announced during 2016 and any future requirements, as certain regulators continue to go through a consultation and implementation process, Proposals to reduce leverage are expected to have the greatest financial effect. In this regard the UK regulatory proposals have the most material impact and we note that approximately 20% of our revenues currently go through the UK regulated subsidiary. At the same time, we have a highly flexible business model and a lean cost structure to help mitigate the impact of regulatory changes on our financial performance. Overall, we anticipate that the industry will consolidate around a smaller number of larger participants, of which we believe Plus500 will be amongst the leaders.

We were delighted to announce recently the extension of our existing partnership with Atlético Madrid in football and our new sponsorship agreement with the Plus500 Brumbies, the Australian Super Rugby team; together these sponsorships extend our strategy of increasing our brand recognition and expanding our customer base globally.

As a result, we enter 2017 confident we can continue to develop our business and expand into new markets whilst successfully incorporating regulatory changes with the minimum of disruption. Our strong balance sheet, cash generative business model, geographic diversification and competitive market position are expected to enable us to provide good shareholder returns despite continuing short term regulatory uncertainty."

[5] Investment Trends report, July 2016

Enquiries

Plus500	
Elad Even-Chen, Chief Financial Officer	+972 4 8189503
	ir@Plus500.com
Liberum (NOMAD and broker)	
Clayton Bush, Neil Elliot, Josh Hughes	+44 20 3100 2222
Berenberg (Joint Broker)	
Chris Bowman, Amritha Murali, Marie Stolberg	+44 20 3207 7800
MHP Communications	
Reg Hoare, Tim Rowntree, Kelsey Traynor	+44 20 3128 8100
	Plus500@mhpc.com

About Plus500

Plus500 operates an online trading platform for retail customers to trade CFDs internationally over more than 2,100 different underlying global financial instruments comprising equities, indices, commodities, options, ETFs and foreign exchange. Retail customers of Plus500 can trade CFDs in more than 50 countries and in 31 languages. The trading platform is also accessible from multiple operating systems (Windows, smartphones (iOS, Android and Windows Phone), tablets (iOS, Android and Surface), Apple Watch and web browsers).

Plus500 retains operating licences and is regulated in the United Kingdom, Australia, Cyprus, New Zealand and Israel. Customer care is integral to Plus500: customers cannot lose more than they deposit and there are no commissions on trades. Plus500 offers its customers sophisticated risk management tools to manage their trading positions and a free demo account is available on an unlimited basis for platform users.

www.plus500.com

Introduction

The Company is delighted to announce a strong set of 2016 KPIs which reflect the strength of Plus500's brand and business model. We have reported another record year in terms of the two most important measures, revenue and EBITDA, which were driven by strong growth in New and Active Customers - we are the leader in customer growth compared with the industry rate. In addition, a very efficient Q4 2016 was reflected in AUAC[6] decreasing 53% in the quarter and a very strong EBITDA margin.

The Board remains committed to ensuring the highest standards of regulatory compliance and adopting changes required by regulators. During the year, the Company has undertaken significant work on enhancing and adjusting its regulatory compliance in line with new requirements that were published by regulators in various markets in which the Company operates. In terms of potential financial impact, the most significant announcement was by the United Kingdom Financial Conduct Authority (FCA) in December. This is subject to consultation and any resulting changes introduced will impact industry participants later in 2017.

The Board is confident that Plus500 will become a stronger business with an enhanced competitive position as a result of the changes being implemented, and the continued investment in and innovation of its trading platform.

Overview

Plus500 is pleased to report another year of strong revenue and profit growth in 2016 and high levels of customer growth and activity as set out in the table below.

The Company successfully maintained its position as the second largest CFD provider in the UK[7] for the third year in a row.

	3 months to 31 Dec*		% Growth	Full Year	Full Year	% Growth
	2015	2016		2015	2016*	
Revenue	$67.7m	$91.6m	35%	$275.6m	$327.9m	19%
Number of New Customers[8]	15,594	22,420	44%	84,858	104,432	23%
Number of Active Customers[9]	49,006	71,721	46%	136,540	155,956	14%
ARPU	$1,382	$1,277	-8%	$2,019	$2,103	4%
AUAC	$1,591	$742	-53%	$1,227	$1,195	-3%

Following the additional marketing and onboarding costs incurred in the first half acquiring new customers, during the second half the Company refined its online marketing activity with notable success and was able to acquire a significant number of new customers at a reduced cost compared to last year enabling a recovery in margins.

* Unaudited

[6] AUAC - Average new user acquisition cost
[7] Investment Trends report, July 2016
[8] A customer who has deposited real money into their own account for the first time
[9] A customer who makes at least one trade using real money on the trading platform during the relevant period

Operational Review

The Company's primary market is offering retail clients the ability to trade CFDs in global equities, indices, commodities, options, ETFs and FX. The Company has increased its revenue through a combination of an efficient online-focused customer acquisition strategy and its easy-to-use trading platform. Customer care is integral to Plus500: customers cannot lose more than they deposit and there are no commissions on trades, whilst the expansion of the 24/7 live chat feature has reduced response times, which contributed to an increased satisfaction rate among customers. This is reducing churn and increasing the longevity of customers, and ultimately their lifetime value.

In Q3 2016 due to the increased market volatility as a result of the political situation in Europe and the USA, the Company experienced particularly strong growth in trading in commodities as well as equities. In 2016 as whole, there was a marked increase in volatility in financial markets driven by successive macro events, which in turn drove news flow and customer activity. The highest profile events were the dramatic decision by the United Kingdom to leave the European Union in June 2016 and the election of Donald Trump as US President in November 2016; both resulted in a profitable outcome for Plus500, which also demonstrated the robustness of the Company's risk and credit controls (that do not enable its customers to lose more than they deposit). These events also stimulated a significant increase in the number of New Customers.

In addition, the success of the Company's proprietary marketing platform in improving brand awareness across multiple advertising channels enabled Plus500 to attract a greater number of high value customers. Offline, the sponsorship agreement with Spanish football club, Atlético Madrid, is accelerating and delivering brand building benefits to the business. Plus500 has extended this sponsorship agreement as the main sponsor for the 2017/18 season. In addition, Plus500 has signed a sponsorship agreement for the 2017 season with the Plus500 Brumbies, one of the leading Australian rugby union teams, who compete in the high profile international Super Rugby competition; these two sponsorships extend the Company's strategy of increasing Plus500's brand recognition and expanding the Company's customer base globally.

Risk Management Framework

Plus500's target audience is exclusively retail customers and the platform is not available to institutional traders. Plus500 offers its customers sophisticated risk management tools to manage their trading positions, where its customers cannot lose more than they deposit. As a result, Plus500 is less vulnerable to dependency on large customers as no single customer contributes more than 0.4% of total revenue.

Additionally, the Company's risk management framework ensures that risk exposures are strictly limited resulting in consistent revenue generation with low volatility as well. The Company employs a mix of limits and internal hedging tools to ensure this across its base of a very large number of small customers; monitoring exposure limits (by client, instrument and total exposure), with the ability to cap trades and hedge once limits are reached. Credit risk is eliminated by a close-out policy to minimise unfunded customer losses. In addition, Plus500 does not offer CFDs in less liquid instruments, such as small cap stocks, which also limits its risk exposures.

As a result, Plus500's market risk framework is highly effective in ARPU and life time value maximisation with minimal losses. The worst and best daily revenues in 2016 were a loss of $2.6 million and profit of $7.9 million respectively. The average daily revenue in 2016 was $0.86 million.

In 2016, as in 2015, overall there were no net revenues from market P&L, i.e. Plus500 earned the vast majority of its revenues from trading spreads rather than from client trading losses. This reflects the efficiency of the risk management systems and meets the expectations of the regulators which aim to prevent industry participants from being dependent on client losses.

Regulation

The Board views the Company's regulated status as one of its most important assets. It is also strongly in favour of better protection of retail customers and has accordingly always offered one of the most user friendly retail platforms in the industry. Plus500 believes that regulators are particularly targeting the long tail of smaller industry operators, cross-border service providers, unauthorised operators and investment scams and that their actions will raise barriers to entry into the industry, resulting in a smaller number of larger operators of which Plus500 intends to be amongst the leaders both in size and in quality of service to customers.

During the year, Plus500 continued to put a strong emphasis on enhancing its regulatory compliance following the significant investment in this area in 2015 and 2016. This has been accelerated by the need to make the necessary adjustments that have arisen from the changes which were announced in the latter part of the year by a number of regulators who issued different notices with respect to limitations that will be applied to the CFD market under their supervision as part of the preparation of the implementation of MiFID II in January 2018.

These included the UK Financial Conduct Authority ("FCA"), the Cyprus Securities and Exchange Commission ("CySEC") and the German Federal Financial Supervisory Authority ("BaFin"), all of whom issued different notices with respect to limitations that will be applied to the CFD market under their supervision.

The Company is already in compliance with many of the key requirements; for example, BaFin's announcement with respect to balance protection has been integrated into Plus500 trading accounts from its foundation, as its customers cannot lose more than they deposit; therefore this ruling has no impact on the Company's operations. The Company is in compliance in all markets in that it has never offered binaries, unlike some of its competitors, and nor does it employ high pressure techniques to encourage trading activity, such as call centre based brokers. Other limitations favoured by regulators, which would require changes to the Company's operations, are in the process of examination (and implementation where required) by Plus500. The Company considers that reduced leverage would have the most material impact of any changes, whereas banning bonuses would have a more limited impact. However, the impact of these changes overall remains unclear as certain regulators continue to go through a consultation and implementation process.

During 2016, Plus500 was granted a derivatives issuer licence by the New Zealand regulator, the Financial Markets Authority, and with a licence to operate an online trading platform for retail customers to trade CFDs by the Israeli regulator, the Israel Securities Authority. The award of these new licences, alongside the existing UK, Cyprus and Australian ones, demonstrates the Company's international presence, robust trading platform and its continued focus on best practice regulatory compliance.

For the future, the Company's strategy is to continue to seek additional regulatory approvals in jurisdictions that represent attractive commercial opportunities and where it can take advantage of its already well recognised brand. This will enable it to continue to diversify its already geographically well spread revenues.

Research and Development

The Company continues to invest in R&D in order to maintain its competitive advantage. During 2016, the Company has improved its 24/7 live chat, its support has been expanded and the median reaction time to each customer dropped to less than one minute by chat and to a few minutes by email.

Additionally, Plus500 is ideally positioned to take advantage of the increased use of mobile and tablet devices for trading given the ease of use of its trading platform and the continued enhancements being introduced. The Company maintained its lead as being the highest rated app in its sector by customers on both Apple's AppStore and Google's Play Store.

The Company is now working on further developments which are expected to improve customer sign up and reduce churn.

All developments are expensed and all IP in the platform belongs to the Company.

Financial Review

2016 was a record year of revenues for Plus500. Revenues totalled $327.9 million (FY 2015: $275.6 million) an increase of 19%. The results benefited from the scalability of the Company's business model with the combination of revenue growth and further improvements in the operational cost structure delivering excellent performance.

EBITDA in 2016 was $151 million (FY 2015: $132.9 million), an increase of 14%, with EBITDA margins decreasing slightly from 48.2% in 2015 to 46% in 2016. Net profit for 2016 increased 21% to $117.2 million (FY 2015: $96.6 million). Earnings per share were $1.02 (FY 2015: $0.84).

SG&A expenses increased by 24% to $177.4 million (FY 2015: $143.1 million), in line with the 23% increase in the volume of new customers and reflecting online and offline marketing to attract higher value customers who are more expensive to acquire.

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 balance sheet date.

In 2016, the Company's financial income, net amounted to $1.5 million (FY 2015: financial expenses, net $4.6 million), the main majority arising from foreign exchange and translation differences. This represents an efficient financial performance in light of the significant foreign exchange volatility which occurred in 2016. 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.

Plus500's total assets in FY 2016 were $154.7 million, a decrease of 8% from $169 million in FY 2015; cash balances decreased as a result of the Company's exceptional dividend distribution (amounting to the payment of $123.3 million in 2016 compared to $65 million in 2015) to $136.5 million (FY 2015: $156.5 million); and equity was $136 million (FY 2015: $117.7 million), representing approximately 88% of the total shareholders' equity and liabilities on the balance sheet.

One of the strengths of Plus500's business model is its ability to convert net earnings into cash-flow. Deposits are collected in advance from customers and these deposits and the outcome of the customers' trading activity is immediately reflected in their regulated segregated accounts, which are not part of the cash balance of the Company. Earnings from these customer trades are recognised in cash on the Company's balance sheet as customers' trading activity occurs and amounts are transferred from or to the Company's accounts. In addition, the Company requires relatively low levels of capital expenditure. The combination of these features is that a high proportion of net income is rapidly converted into cash. In 2016 the Company generated $153.3 million of cash generated from operations (FY 2015: $128.1 million) resulting in cash and cash equivalent balances of $136.5 million at 31 December 2016 (FY 2015: $156.5 million).

In light of this strong cash generation, the Board will maintain the flexibility to pay special dividends when the Company generates surplus cash and the Board feel it appropriate to make such payments.

Customer deposits that are maintained in segregated accounts with tier one banks, and are subject to annual audit and certification in line with best practice; these amounted to $62.4 million and represents the increased level of comfort of the Company's customers (FY 2015: $39.8 million).

Dividends

Given the strong financial performance, the Board has considered the Group's dividend policy, and in particular the optimal balance between allocating surplus funds to the payment of ordinary and special dividends or share buybacks. The Board will consider to undertake buybacks in the future and has the power to implement them at short notice.

The Board has concluded that it is in shareholders' best interests to distribute 87% of 2016 net profits ($101.7 million) and therefore to propose a final dividend in respect of 2016 together with an additional distribution by way of a special dividend.

The Board is therefore pleased to declare a final dividend for the year ended 31 December 2016 of $0.3799 per share (final dividend 2015: $0.2922 per share), with an ex-dividend date of 2 March 2017, a record date of 3 March 2017 and a payment date of 3 July 2017. This makes a total dividend for the year of $0.6123 per share (total dividend for 2015: $0.5043 per share). This equates to a total dividend pay-out of $70.3 million or 60% of net profit for the year, in line with the Company's stated policy.

In addition to the above, the Board has declared a special dividend of $0.2729 per share (special dividend 2015: $0.3362 per share) amounting to a payout of $31.4 million (FY 2015: $38.6 million). The ex-dividend, record and payment dates of this special dividend will be as for the final dividend noted above.

The resulting total distribution to shareholders for the full year will therefore be $0.8852 per share (FY 2015: $0.8405 per share) amounting to a payout of $101.7 million (FY 2015: $96.6 million).

Total dividends to shareholders including those declared today in the three-year period since flotation will be $332.3 million, which exceeds the market capitalisation at flotation of $200 million.

Outlook

The Company has entered 2017 with strongly increasing client numbers and increasing higher value Active Customers who open multiple positions. Our continuing investment in online and offline marketing, including the sponsorships of Atlético Madrid Football Club and Plus500 Brumbies Rugby, are expected to ensure that we continue to add more new customers than the industry average.

Plus500 will continue to invest to maintain its technological lead and high mobile penetration through innovation and development to give its customers ease of access to its platforms whether via mobile, tablet, PC or wearable devices. The Company is currently licensed in five jurisdictions and it will continue to add new licenses across further geographies to increase its customer base by offering retail customers a safe and secure trading platform.

Plus500 is taking all necessary steps in order to comply with new regulatory requirements; although there is a risk of further developments in this respect, the FCA's review is the most significant in terms of potential impact. The Board believes that the Company's strong financial position, geographically well diversified revenues, advanced trading platform and its flexible, low cost business model, position it well to ride out this period of uncertainty and to emerge a stronger business with an enhanced market position.

[Left intentionally blank for hard copy printouts]

Plus500 Ltd.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of 31 December	
	2016	**2015**
	U.S. dollars in thousands	
Assets		
CURRENT ASSETS:		
Cash and cash equivalents	136,481	156,497
Short-term bank deposit	37	38
Restricted deposits	356	181
Accounts receivable	9,690	9,761
Income tax receivable	4,147	227
	150,711	166,704
NON-CURRENT ASSETS:		
Long term restricted deposit	102	24
Property, plant and equipment, net	3,429	1,977
Intangible assets, net	113	92
Deferred income taxes	353	173
	3,997	2,266
T o t a l assets	154,708	168,970
Liabilities and Shareholders' Equity		
CURRENT LIABILITIES:		
Trade payables – due to clients	1,588	1,519
Other accounts payable and accruals:		
Service supplies	5,827	13,391
Other	7,083	3,480
Income tax payable	1,912	7,972
Share-based compensation	2,298	372
Dividend	-	24,368
	18,708	51,102
NON-CURRENT LIABILITIES -		
Share-based compensation	-	214
EQUITY:		
Ordinary shares	317	317
Share premium	22,220	22,220
Retained earnings	113,463	95,117
T o t a l equity	136,000	117,654
T o t a l equity and liabilities	154,708	168,970

Plus500 Ltd.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2016	**2015**
	U.S. dollars in thousands	
TRADING INCOME	327,927	275,651
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:		
Selling and marketing	157,277	125,413
Administrative and general	20,132	17,647
Loss on disposal of property, plant and equipment	-	109
INCOME FROM OPERATIONS	150,518	132,482
Financial income	3,624	178
Financial expenses	2,160	4,776
FINANCING INCOME (EXPENSES) – net	1,464	(4,598)
INCOME BEFORE TAXES ON INCOME	151,982	127,884
TAXES ON INCOME	34,740	31,317
PROFIT AND COMPREHENSIVE INCOME FOR THE PERIOD	117,242	96,567
	In U.S. dollars	
EARNINGS PER SHARE (basic and diluted)	1.02	0.84

Plus500 Ltd.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Ordinary shares	Share premium	Retained earnings	Total
	U.S. dollars in thousands			
BALANCE AT 1 JANUARY 2015	317	22,220	87,923	110,460
Profit and comprehensive income for the year			96,567	96,567
TRANSACTION WITH SHAREHOLDERS -				
Dividend			(89,373)	(89,373)
BALANCE AT 31 DECEMBER 2015	317	22,220	95,117	117,654
Profit and comprehensive income for the year			117,242	117,242
TRANSACTION WITH SHAREHOLDERS -				
Dividend			(98,896)	(98,896)
BALANCE AT 31 DECEMBER 2016	317	22,220	113,463	136,000

Plus500 Ltd.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December	
	2016	**2015**
	U.S. dollars in thousands	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash generated from operations (see Appendix A)	153,294	128,078
Income tax paid – net	(44,548)	(42,658)
Interest received	161	55
Net cash provided by operating activities	108,907	85,475
CASH FLOWS FROM INVESTING ACTIVITIES:		
Deposits withdrawals	-	1,039
Purchase of deposits	-	(38)
Purchase of restricted deposits	(253)	(136)
Purchase of property, plant and equipment	(1,905)	(819)
Proceeds from sale of property, plant and equipment	-	26
Purchase of intangible assets	(47)	(54)
Net cash provided by (used in) investing activities	(2,205)	18
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividend paid to equity holders of the Company (see Appendix B)	(123,264)	(65,005)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(16,562)	20,488
Balance of cash and cash equivalents at beginning of year	156,497	139,164
Losses from exchange differences on cash and cash equivalents	(3,454)	(3,155)
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF THE YEAR	136,481	156,497

APPENDICES CONSOLIDATED STATEMENT OF CASH FLOWS

APPENDIX A:

	Year ended 31 December	
	2016	2015
	U.S. dollars in thousands	
Cash generated from operations -		
Net income for the period	117,242	96,567
Adjustments required to reflect the cash flows from operating activities:		
Depreciation and amortization	479	283
Loss on disposal of property, plant and equipment	-	109
Taxes on income	34,740	31,317
Interest and foreign exchange losses on operating activities	2,942	2,927
	38,161	34,636
Operating changes in working capital:		
Decrease (increase) in accounts receivable	71	(5,834)
Increase (decrease) in trade payables-due to clients	69	(4,366)
Increase (decrease) in other accounts payable:		
Service supplies	(7,564)	5,560
Other	3,603	1,098
Liability for share-based compensation	2,544	417
Settlement of share-based compensation	(832)	-
	(2,109)	(3,125)
Cash flows from operating activities	153,294	128,078

APPENDIX B: non-cash transactions

On 23 November 2015 the Company declared an interim dividend in an amount of $24,368 thousands ($0.2121 per share). The dividend was paid to the shareholders on 29 February 2016.

NOTE 1 - GENERAL INFORMATION

Information on activities of plus500 Ltd and its subsidiaries (hereafter- the Group):

Plus500 Ltd. (hereafter – the Company) was established in 2008 in Israel as a private limited company with the name Investsoft Ltd. On 18 June 2012 the Company changed its name to Plus500 Ltd. The Company has developed a trading platform for private clients, enabling trading on contracts for differences (hereafter - CFD) on shares, indices, commodities, ETFs, options and foreign exchange.

On 24 July 2013, the Company's shares were listed for trading on the London Stock Exchange in the Company's initial public offering ("IPO").

Plus500UK Limited (hereafter - "UK Subsidiary", "Plus500UK") is a subsidiary of the Company with its main offices located in London, UK. Plus500UK is regulated by the Financial Conduct Authority ("FCA") to offer CFDs.

Plus500AU Pty Ltd (hereafter - "AU Subsidiary", "Plus500AU") is a subsidiary of the Company with its main office located in Sydney, Australia. Plus500AU has an Australian Securities and Investments Commission ("ASIC") license, and a license by the New Zealand regulator, the Financial Markets Authority ("FMA").

Plus500CY Ltd (hereafter - "CY Subsidiary", "Plus500CY") is a subsidiary of the Company with its main offices located in Limassol, Cyprus. Plus500CY has a Cyprus Securities and Exchange Commission ("CySEC") license.

Plus500IL Ltd (hereafter - "IL Subsidiary", "Plus500IL") is a subsidiary of the Company with its main offices located in Tel Aviv, Israel. Plus500IL is regulated by the Israeli Securities Authority ("ISA") to offer CFDs to Israeli customers.

Plus500BG EOOD (the "BG Subsidiary", "Plus500BG") is a subsidiary of the Company located in Sofia, Bulgaria. Plus500BG provides only operational services and it is not regulated.

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

The address of the Company's principal offices is Building 25, Matam, Haifa 31905, Israel.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Basis of Preparation

The Group's financial information as of 31 December 2016 and 2015 and for each of the two years for the period ended on 31 December 2016 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. 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.

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.

c. 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.

d. 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**:**

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 statement of comprehensive income among "financial income (expenses)".

e. Property, plant and equipment

The cost of a property, plant and equipment item is recognized as an assets 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 amortized by the straight-line method over the terms of the lease (ten years) 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 asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

f. Intangible Assets - computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software licenses. These costs are amortized over their estimated useful lives (3-5 years) using the straight line method.

Costs associated with maintaining computer software programs are recognized as an expense as incurred.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

g. Financial instruments:

1) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Group management determines the classification of its financial assets at initial recognition.

a) Financial instruments at fair value through profit or 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 categorized 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' 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.

2) Recognition and measurement

Investments are initially recognized at fair value plus transaction costs for all financial assets not measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss, are initially recognized at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognized 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. Financial assets at fair value through profit or loss are subsequently carried at fair value. Receivables are measured in subsequent periods at amortized cost using the effective interest method.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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.

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

3) 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 recognized amounts and there is an intention to settle on a net basis, or realize 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.

h. 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 BG Subsidiary, hold money on behalf of clients in accordance with the client money rules of the UK Financial Conduct Authority (FCA), Australian Securities and Investments Commission (ASIC), Cyprus Securities and Exchange Commission (CySEC), NZ Financial Market Authority (FMA) and Israel Securities Authority (ISA), respectively. 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.

i. Other accounts payable

Other accounts payable are obligations to pay for services that have been acquired in the ordinary course of business from suppliers. Other accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Other accounts payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

j. Trade payables – due to clients

As part of its business, the Group receives from its customers 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 customers 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.

k. Share-based payment

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

l. Employee benefits and Pension Obligations

Group companies operate 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 recognized as employee benefit expense commensurate with receipt from employees of the service in respect of which they are entitled for the contributions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

m. Trading income

Trading income is recognized when it is probable that economic benefits associated with the transaction will flow to the Group and the income can be reliably measured.

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

Trading income is reported gross of commissions to agents as the Group is acting as a principal and is exposed to the significant risks and rewards associated with its trading transactions with its customers.

n. Dividends

Dividend distribution is recognized 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. Current income tax

Tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity. In this case, the tax is also recognized directly in equity, respectively.

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):

p. Deferred income tax

Deferred income tax is recognized, 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 not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss.
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 realized or the deferred income tax liability is settled.
The Group recognizes 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 is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity. In this case, the deferred income tax is also recognized directly in equity, respectively.

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

q. 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.

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

1. New and amended standards adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

   Amendment to IAS 1 - "Presentation of financial statements" (hereafter – IAS 1).

   The amendment to IAS 1 deals with the following topics: materiality and its impact on disclosures in the financial statements, disaggregation and subtotals, order of notes in the financial statements and disclosure of new accounting policy.
   This amendment did not have a significant effect on the Group's financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

2. New and amended standards not yet adopted by the Group for reporting periods starting 1 January 2016:

   a. IFRS 9 – "Financial Instruments" (hereafter – IFRS 9).

      IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group estimates that there will be no material impact in the application of IFRS 9 on its financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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

b. 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 recognizes 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 recognizes 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. Recognize 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 fulfill 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.

On July 22 2015, the IASB released a decision on deferral of the effective date of the standard by one year, and the standard will be applied retrospectively for annual periods beginning on January 1, 2018, with transitional provisions. Early adoption is permitted. The Group is exploring the expected impact of IFRS 15 on its financial statements.

c. 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 recognize 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 recognize depreciation of leases assets separately from interest on lease liabilities in the income statement. IFRS 16 is effective from January 1, 2019 with early adoption allowed only if IFRS 15 - Revenue from Contracts with Customers is also applied. The Group estimates that there will be no material impact in the application of IFRS 16 on its financial statements.

NOTE 3 - SHARE CAPITAL

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

	Number of shares 31 December	
	2016	**2015**
Authorized	300,000,000	300,000,000
Issued and fully paid	114,888,377	114,888,377

The amounts of dividends and the amounts of dividends per share for the years 2016 and 2015 declared and distributed by the Company's Board of Directors are as follows:

Date of declaration	Amount of dividend in thousands of $
24 February 2015	65,005
23 November 2015	24,368
16 February 2016	72,196
2 September 2016	26,700

The dividends paid in 2016 and 2015 amounted to $123,264 (along with dividend declared on 23 November 2015 in the amount of $24,368 and paid to shareholders on 29 February 2016) ($1.073 per share) and $65,005 ($0.566 per share), respectively.

NOTE 4 - 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.

	Year ended 31 December	
	2016	**2015**
Profit attributable to equity holders of the Company (In U.S dollars)	117,242,000	96,567,000
Weighted average number of ordinary shares in issue	114,888,377	114,888,377

NOTE 5 - TRADE PAYABLES-DUE TO CLIENTS

	Year ended 31 December	
	2016	2015
	U.S. dollars in thousands	
Customers deposits, net*	63,956	41,290
Segregated client funds	(62,368)	(39,771)
	1,588	1,519

* Customers deposits, net are comprised of the following:

Customers deposits	83,580	47,469
Less- financial derivative open positions:		
Gross amount of assets	(25,902)	(8,982)
Gross amount of liabilities	6,278	2,803
	63,956	41,290

As of 31 December 2016 and 2015, the total amount of trade payables due to clients includes bonuses to the clients from all of the subsidiaries.

NOTE 6 - SUBSEQUENT EVENTS:

a. On 9 January 2017, the Company announced that its sponsorship agreement with Atlético Madrid will continue to 2017/2018 season.

b. On 7 February 2017, the Company's Board of Directors declared the distribution of a dividend of $ 0.3799 per share, in the total amount of $ 43.6 million with an ex-dividend date of 2 March 2017.

   In addition to the above, the Board has declared a special dividend of $ 0.2729 per share, in the total amount of $31.4 million with an ex-dividend date of 2 March 2017.

Plus500

World's Trading Machine