World's Trading Machine

PLUS500 PRELIMINARY RESULTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2018

12 February 2019

Plus500 Limited

(“**Plus500**” or the “**Company**” and together with its subsidiaries the “**Group**”)

Preliminary Unaudited Results for the year ended 31 December 2018

Plus500, a leading online service provider for trading Contracts for Difference (“CFDs”) internationally, is pleased to announce preliminary unaudited results for the year ended 31 December 2018.

Financial Highlights:

	2018	2017	Change
Revenues	\$720.4m	\$437.2m	65%
EBITDA[1]	\$506.0m	\$259.2m	95%
EBITDA Margin	70.2%	59.3%	18%
Net Profit	\$379.0m	\$199.7m	90%
Earnings Per Share	\$3.33	\$1.75	90%
ARPU[2]	\$2,365	\$1,379	72%
AUAC[3]	\$934	\$474	97%
Cash Generated from Operations	\$495.0m	\$278.7m	78%
Year-end Net Cash	\$315.3m	\$241.9m	30%
Dividends Per Share (\$)			
• Interim	\$1.3786	\$0.2388	
• Final	\$0.6191	\$0.8129	
• Special	-	\$0.635	
• Total	\$1.9977	\$1.6867	18%
Dividend Pay-out			
• Interim	\$157.0m	\$27.2m	
• Final	\$70.4m	\$164.9m	
• Total	\$227.4m	\$192.1m	18%
Share Buyback Programmes executed	\$2.3m	\$7.5m	(69%)
Total Returns to Shareholders	\$229.7m	\$199.6m	15%

- **Record financial performance:**
  - 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 (FY 2017: 59.3%);

[1] EBITDA - Earnings before Interest, Taxes, Depreciation and Amortisation
[2] ARPU - Average Revenue Per Active User
[3] AUAC - Average New User Acquisition Cost

- **Strong financial position:**
    - Debt-free balance sheet and high cash conversion ratio[4] (98%);
- **Significant returns to shareholders during the period:**
    - Recommended final dividend of $0.6191 per share (final dividend 2017: $0.8129 per share);
    - Including the final dividend, a total of $229.7 million (2017: $199.6 million) is being returned to shareholders, consisting of dividends of $227.4 million and an initial $2.3 million of a $10 million share buyback programme in the period;
    - The Company remains highly cash-generative and maintains its core 60% dividend pay-out ratio, in line with its dividend policy, 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.

Operating 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 in customer deposits, 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 UK[5], Spain and Germany[6];
    - Best rated mobile platform among CFD traders in Australia[7];
    - 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.**

Regulation:

- The Group's technology edge enabled it to comply quickly and efficiently with recent regulatory changes, including MiFID II, GDPR and ESMA intervention measures;
- Non-EEA countries represented approximately 33% of the Group's FY 2018 revenues and 40% of H2 2018 revenues;

[4] Cash generated from operations / EBITDA
[5] By total number of client relationships, Investment Trends UK Leverage Trading Report 2018
[6] By total number of client relationships, Investment Trends 2018 Germany & Spain CFD & FX Reports
[7] By own client rating, Investment Trends AU CFD Report, 2017

- Elective Professional Client ("EPC") categorisation requests in FY 2018:
  - 16,475 customers applied for EPC categorisation;
  - 7,229 customers (44% of the customers who applied for EPC), were approved;
  - Revenue from EPCs in 2018 represented approximately 29% of the Group's annual EEA revenues, and 61% in H2 2018;
  - The EPC categorisation request, consideration and approval process is progressing broadly in line with the Group's expectations.

Current Trading:

- 2019 has started with positive operational KPIs. New Customer[8] and Active Customer[9] numbers and the number of new trades opened are ahead of the end of 2018;
- Following our latest assessment of the impact of the ESMA regulatory measures, FY19 revenue is expected to be lower than current market expectations. This, combined with our intention to maintain our marketing spend, is likely to result in 2019 profit being materially lower than current market expectations;
- Work is ongoing to extend the global footprint and to continue to diversify revenues through growth in current territories and the addition of new operating licences.

Asaf Elimelech, Chief Executive of Plus500, commented:

"We are pleased to report a year of record numbers and performance, well ahead of our original expectations. These results demonstrate both our strong operational performance and differentiation from our industry peers. 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, evident in 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. This listing is already increasing interest in Plus500 and we expect it to further improve the trust and confidence of investors.

"The year was also notable for the introduction of regulatory measures by the European Securities and Markets Authority ("ESMA") in August 2018. Although we have seen a marked reduction in Group revenue directly attributable to this, 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 a strong foundation in this new environment and the benefits of a diversified revenue stream.

"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 and ensure the delivery of sustained market leading financial performance. We are therefore confident that we can continue to successfully develop our business and expand into new markets, enabling us to continue providing strong shareholder returns."

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[8] Customers depositing for the first time during the period
[9] Customers who made at least one real money trade during the period

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation ("MAR"). Upon the publication of this announcement via Regulatory Information Service ("RIS"), this inside information is now considered to be in the public domain.

Plus500 will host an analyst presentation at 9.30 a.m. today at the offices of Liberum, 25 Ropemaker St, London, EC2Y 9LY.

There is an audio conference call for those who would like to dial in:

Toll number	+44 (0)333 300 0804
Toll-free number	0800 358 9473
Participant PIN	73119578#

Enquiries

Plus500
Elad Even-Chen, Chief Financial Officer +972 4 8189503
Kieran McKinney, Investor Relations ir@Plus500.com

MHP Communications
Reg Hoare, Kelsey Traynor, Peter Lambie +44 20 3128 8570
Plus500@mhpc.com

Forward looking statements

This announcement contains statements that are or may be forward-looking statements. All statements other than statements of historical facts included in this announcement may be forward-looking statements, including statements that relate to the Company's future prospects, developments and strategies.

The Company does not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions express by the press or other media regarding the Group. The Company makes no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication.

Forward-looking statements are identified by their use of terms and phrases such as “believe”, “targets”, “expects”, “aim”, “anticipate”, “projects”, “would”, “could”, “envisage”, “estimate”, “intend”, “may”, “plan”, “will” or the negative of those, variations or comparable expressions, including references to assumptions. The forward looking statements in this announcement are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results, performance and achievements to differ materially from any results, performance or achievements expressed or implied by such forward-looking statements. Factors that may cause actual results to differ materially from those expressed or implied by such forward looking statements include, but are not limited to, those described in the risk factors. These forward-looking statements are based on numerous assumptions regarding the present and future business strategies of such entity and the environment in which each will operate in the future. All subsequent oral or written forward-looking statements attributed to the Company or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statement above.

Each forward-looking statement speaks only as at the date of this announcement. Except as required by law, regulatory requirement, the Listing Rules and the Disclosure Guidance and Transparency Rules, neither the Company nor any other party intends to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

About Plus500

Plus500 operates an online trading platform for customers to trade CFDs internationally over more than 2,200 different underlying global financial instruments comprising equities, indices, commodities, options, ETFs, cryptocurrencies and foreign exchange. Customers of Plus500 can trade CFDs in more than 50 countries and in 32 languages. The trading platform is also accessible from multiple operating systems (Windows, iOS, Android and Surface) and web browsers.

Plus500 retains operating licences and is regulated in the United Kingdom, Australia, Cyprus, New Zealand, Israel, South Africa and Singapore. Customer care is integral to Plus500: customers cannot be subject to negative balances and there are no commissions on trades. Plus500 does not utilise cold calling techniques and does not offer binary options. A free demo account is available on an unlimited basis for platform users and sophisticated risk management tools are provided free of charge to manage leverage and stop losses to help customers protect profits and limit capital losses.

www.plus500.com

Business Update

Overview

The Group delivered record revenue and profitability in the year. Revenue was ahead of the prior year by 65%, at $720.4 million (2017: $437.2 million) and EBITDA was up 95% at $506.0 million (2017: $259.2 million).

2018 included an exceptional first quarter (revenue: $297.3 million), following the record customer acquisition at the end of 2017, which was enabled by the considerable investment in back-office technology, procedures and regulatory compliance. The second half of 2018 was subject to a combination of extreme variations in market volatility and weak customer trading performance. In addition, retail customer revenue in the EEA region was significantly impacted by the ESMA regulatory measures.

The total number of transactions in 2018 increased by 6% compared to the prior year. The number of Active Customers was only slightly down on the previous year, but ARPU was significantly higher, reflecting the reversal of the 2017 market P&L and the targeting and onboarding of higher value customers.

During the year, we were also pleased to be rated as the number one CFD broker in the UK,[10] Germany and Spain.[11]

	3 months to 31 Dec*		% Growth	Full Year	Full Year	% Growth
	2018	**2017**		**2018***	**2017**	
Revenues	$154.8m	$132.3m	17%	$720.4m	$437.2m	65%
Number of New Customers	19,405	150,573	(87%)	134,237	246,946	(46)%
Number of Active Customers	101,634	223,864	(55%)	304,616	317,175	(4)%
ARPU	$1,523	$591	158%	$2,365	$1,379	72%
AUAC	$1,489	$284	424%	$934	$474	97%

* Unaudited

During 2018, Plus500 recruited 134,237 New Customers (FY 2017: 246,946), continuing to outperform and lead the industry in terms of customer recruitment and level of activity. The first half of the year was marked by very high customer recruitment, continuing the momentum of late 2017, once again proving the quality of the Company's marketing and operational capabilities. During the second half of the year, which coincided with the introduction of the ESMA measures, new customer recruitment settled at around 7,000 per month; this remained sensitive in specific months to the level of volatility in financial markets and broader economic news flow.

Active Customers numbers were down slightly at 304,616, following the record year in 2017, at 317,175, which itself was more than double 2016. The Company reacted and adjusted rapidly to the heightened level of interest in cryptocurrencies in the fourth quarter of 2017 and the first quarter of 2018, which led to record customer recruitment, subsequently converting into Active Customers. Cryptocurrencies were less influential as 2018 progressed, accounting for only 9% of the Group's total revenues for the second half (H2 2017: 16%). Total customer deposits in the year were up by

[10] By total number of Relationships, Investment Trends 2018 UK Leverage Trading Report.

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

around 28%, at over $1.3 billion, and the 10 highest value customers in the year generated 2% of the 2018 revenues of the Group.

The Company continued to invest in enhancing the overall user experience, both within the front-end trading platform and the back-office support environment, to improve customer satisfaction and retention. 73% of the Group's revenues in 2018 derived from customers who have traded for more than one year, compared to only 53% in the prior year, reflecting some early success from an important customer retention initiative across the Group. This increase in customer tenure is also evidenced in the percentage of customers who have traded for more than five years increasing from 2% in 2016 to 5% in 2017 and 8% in 2018. Importantly, 89% of the Group's elective professional clients have traded for more than one year, and 13% of the elective professionals have been trading with the Company for more than five years.

ARPU reached a record high of $2,365 in 2018, against $1,379 for 2017 and $2,103 in 2016. The fall in 2017 was mainly due to the impact of the exceptionally high New Customer flow in the final quarter, with these New Customers only able to trade for a short period, and positive customer trading performance, diluting ARPU for the year. ARPU held up well in the second half of 2018, at $1,785 (H2 2017: $944), despite the leverage restrictions implemented within the EEA region and the low levels of market volatility in the third quarter.

The Group's initiatives to reduce churn continue to deliver positive results; annual churn has fallen significantly over the last three years (from 62% in 2016 to 46% in 2018), and a further reduction in Q4 2018 bodes well for 2019. Importantly, churn amongst high value customers has also fallen materially.

AUAC rose through the middle of the year against a quieter market backdrop, before falling again in the fourth quarter. While the ESMA measures have constrained the trading activity of retail customers within the EEA region, the Company continues to believe that average lifetime values of New Customers will be maintained at attractive levels and will justify the investment required to acquire them. Plus500 continues to expect AUAC to rise gently over time, as it attracts and retains both higher value retail customers and those who qualify for and elect for a professional status.

Move up to Main Market

On 26 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. This was just under five years since the Company's successful AIM IPO and the Company believes it is providing liquidity benefits and therefore access to a wider pool of investors. Plus500 was subsequently added to the FTSE250 index in September 2018.

Operational Review

In order to continue to grow, it is essential to recruit and retain high quality customers in new and existing territories. The Group therefore continues to invest in broadening and enhancing its brand awareness and diversifying its customer base internationally, both inside and outside the EEA. The Group is currently exploring a number of opportunities to further extend its market reach to new territories, which the Board expects to be a major driver of the Group's future growth and the further diversification of revenues.

The trading platform continues to be diversified across an increasing range of financial instruments, in-line with customer trading interest. During 2018 various instrument categories were in the headlines and the Company adjusted its offering accordingly with relatively ease thanks to its 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. Mr. 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 reflected the importance that the Group places on its in-house proprietary technology and internal technical expertise, which the Board believes represents a significant competitive advantage.

Continuous Development

The adoption of the Group's mobile offering (including tablet) continued to grow and mobile now represents 77% of the Group's total revenues (FY 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 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 in-demand by its 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 customer trading is optimised.

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 all of its customers, including 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.

Additionally, the Company’s risk management framework ensures that risk exposures are strictly limited, resulting in consistent revenue generation with relatively low volatility. 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. 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 worst and best daily financial performance in 2018 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.

Although customer trading performance fluctuates over the short term and can fluctuate from year to year, over a longer timeframe it has tended to be broadly neutral. Over the past five years, Plus500 has earned the vast majority of its revenues from trading spreads and overnight charges.

Regulation

Plus500 challenges itself to be the best in all aspects of the CFD industry. In particular, the Company is proud of the strides it has made in enhancing its regulatory compliance procedures and embedding a compliance culture within its global business.

The Group continued to invest in its regulatory and compliance operations during the year. Plus500 operates in a highly regulated industry, which requires a focus on best practice and maintaining an open dialogue with regulators. During the year, a number of regulatory changes entered into force, as a result of MIFID II, GDPR and ESMA measures. Plus500 implemented these required changes, enabled by its technological edge.

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.

Implementation of ESMA Measures

The year proved to be a significant one in terms of clarifying the regulatory regime in the EEA. During the year, ESMA confirmed and then implemented on 1 August 2018 a set of measures aimed at raising standards across the retail CFD trading industry. The measures are currently being renewed on a rolling three-month basis, with the expectation that they will be permanently established in law in each of the EU member states in due course. In December 2018, the FCA in the UK launched a consultation to do just this, at the same time intending to restrict new products, such as turbos, where it believes these have been created in order to avoid the restrictions.

Plus500 welcomed the clarity provided by this intervention and its intention to protect and improve customer outcomes. The Company believes it will enhance the reputation of the industry, allowing robustly managed, compliant providers such as Plus500 to generate sustainable growth built on delivering the best customer experience.

The main elements of the ESMA measures were all implemented by Plus500 either on, or in advance of, 1 August 2018:

- Leverage limits on the opening of a position by a retail customer
- Negative balance protection on a per account basis
- A margin close-out rule on a per account basis
- A ban on the provision of binary options
- A restriction on the incentives offered to retail customers to trade CFDs
- A standardised risk warning

The Company implemented these measures rapidly and relatively easily, due in part to the fact that it has always provided margin close-out and negative balance protection to all of its customers, and has never offered binary options. Plus500 has also chosen not to change the nature of its products or to create new products in order to avoid restrictions.

Elective Professional Clients (EPCs)

During the year, the Company began providing a process to allow qualifying customers, upon their request, to change their regulatory status to a new categorisation as an EPC, in line with MiFID rules. Subsequently, at the end of 2018, 16,475 customers had applied to become EPCs, of which approximately 44%, 7,229 customers, were approved. Revenues from this customer cohort represented approximately 29% of annual 2018 revenues within the EEA and 61% in the second half of the year. The categorisation request, consideration and approval process is progressing broadly in line with the Group's expectations.

New Licences

For the future, part of the Company’s growth 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 further diversify its geographical spread of revenues, while continuing to take market share in its already established markets.

New Nomination Committee Chair

The Company is pleased to announce the appointment of Mr. Steven Baldwin, a Non-Executive Director of the Company, as Chair of the Company's Nomination Committee. Mr. Daniel King, who chaired the Nomination Committee to date, will continue to serve as a member of the committee.

Research and Development

Research & 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 and is based on proprietary technology that does not rely on third party software suppliers, and is supported solely by its internal technical expertise, 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 when particular asset categories became more popular.

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.

Financial Review

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

Customer trading performance, while historically neutral over the medium to longer term, fluctuates from year to year. The significantly positive customer trading performance in the fourth quarter of 2017, which negatively impacted Group revenue, was reversed in the first quarter of 2018 and was also particularly strong in the final quarter. The total P&L gain in 2018 was $172 million (FY 2017: loss of $103 million), of which $56 million came in the fourth quarter of 2018.

In the first half, revenue was 147% ahead of the same period in the prior year. The Company also delivered a solid second half, 2.5% ahead of the prior year. 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 came from professional customers, who made up 5% of Active Customers in the period.

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

The Company continued to keep costs under control. Non-marketing costs were up by 45%, relative to Group revenue up by 65%. Revenue to cost ratios remained well ahead of the competitor set. Plus500 continued to invest in disciplined marketing, with spend up by 7% to $125.4 million.

SG&A expenses increased by 20% to $215.1 million (FY 2017: $178.7 million), with the majority, (68%) represented by advertising and marketing costs and processing costs. The balance (32%) of costs 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.

In 2018, the Company's financial expenses amounted to a net $2.3 million (FY 2017: financial expenses, net $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.

Plus500's total assets in FY 2018 were $332.9 million, an increase of 23% from $271.6 million in FY 2017; equity was $280.7 million (FY 2017: $225.9 million), representing approximately 84% of the total shareholders' equity and liabilities on the balance sheet.

Plus500's business model continues to be extremely cash-generative, with 98% conversion of operating profit to cash flow (FY 2017: 108%). 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. 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 means that a high proportion of net income is rapidly converted into cash.

In 2018 the Company generated $495.0 million of cash from operations (FY 2017: $278.7 million), resulting in cash and cash equivalent balances of $315.3 million at 31 December 2018 (FY 2017: $241.9 million). Cash balances increased to $315.3 million (FY 2017: $241.9 million), despite the Company's 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 dedicated and segregated accounts with tier one banks, and are subject to annual audit and certification in line with best practices. Total customer deposits in the year were up around 29% at over $1.3 billion, with the growth reflecting the increased average number of customers.

Note: 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.

Shareholders' Returns

The Board continues to consider 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 policy is to pay out at least 60% of retained profits in each financial year as dividends to shareholders, including by way of share buybacks. The Board has undertaken buybacks in the past and has the power to implement them at short notice. It will continue to consider buybacks, taking into account market conditions, share price, trading volume and other factors.

In October 2018 the Board approved a programme to buy back 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 the capital of the Company, 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 95,000 Ordinary Shares in accordance with this programme during January 2019, for an aggregate purchase price of $1.8 million, and at an average share price of £14.77.

The Board is pleased to declare a final dividend for the year ended 31 December 2018 of $0.6191 per share (final dividend 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 (FY 2017: $199.6 million) or 60% of net profit for the year, in line with the Company's stated dividend policy, with the interim and final dividends split in accordance with half yearly profits.

The Company remains highly cash-generative and 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.

Outlook

Plus500 is well positioned to capitalise on the significant 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 higher value customers. The Company's success to date has been built partly 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 platform has evolved over the years, while retaining the ease of use that has attracted the vast majority of customers. The entirely 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 additional countries, including 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. This may produce opportunities for consolidation within the industry. Plus500 is well placed to take advantage of, and create value from, opportunities if they arise.

The Group has now fully 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 higher value customers; the proportion of EEA region revenue from Elective Professional Clients 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 the Group 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, 2019 revenues are now expected to be lower than current market expectations. However, we have seen positive operational metrics since the start of this year, with New and Active Customer numbers and trading volumes currently above the levels seen at the end of 2018. The longer-term impact of the ESMA measures is being partially mitigated by increased deposit levels across this customer segment and falling churn rates.

Given the encouraging operational start to the year and the significant market opportunity, the Group intends to maintain its ongoing marketing investment. This, combined with the anticipated lower revenue, is likely to result in 2019 profit being materially lower than current market expectations.

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.

Plus500 LTD.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Year ended 31 December	
	2018	**2017**
	U.S. dollars in millions	
TRADING INCOME	720.4	437.2
Selling and marketing expenses	175.9	156.0
Administrative and general expenses	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	124.0	53.7
PROFIT AND COMPREHENSIVE INCOME FOR THE YEAR	379.0	199.7
	In U.S. dollars	
EARNINGS PER SHARE (basic and diluted)	3.33	1.75

Plus500 LTD.

CONDENSED CONSOLIDATED FINANCIAL POSITION (UNAUDITED)

	As of 31 December	
	2018	**2017**
	U.S. dollars in millions	
ASSETS		
Non-current assets		
Property, plant and equipment	3.1	3.3
Intangible assets	0.2	0.1
Deferred income taxes	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	0.8	17.2
Other receivables	11.6	7.7
Restricted deposit	0.4	0.4
Short-term bank deposit	-	0.2
Cash and cash equivalents	315.3	241.9
Total current assets	328.1	267.4
TOTAL ASSETS	332.9	271.6
LIABILITIES		
Non-current liabilities		
Share-based compensation	0.3	-
Total non-current liabilities	0.3	-
Current liabilities		
Share-based compensation	7.3	4.2
Income tax payable	9.9	2.3
Other payables	20.1	12.1
Service suppliers	14.3	22.6
Trade payables – due to clients	0.3	4.5
Total current liabilities	51.9	45.7
TOTAL LIABILITIES	52.2	45.7
EQUITY:		
Ordinary shares	0.3	0.3
Share premium	22.2	22.2
Cost of Company's shares held by the Company	(9.8)	(7.5)
Retained earnings	268.0	210.9
Total equity	280.7	225.9
TOTAL LIABILITIES AND EQUITY	332.9	271.6

Plus500 LTD.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

	Ordinary shares	Share premium	Cost of Company's shares held by the Company	Retained Earnings	Total
			U.S. dollars in millions		
BALANCE AT 1 JANUARY 2018	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 treasury shares			(2.3)		(2.3)
BALANCE AT 31 DECEMBER 2018	0.3	22.2	(9.8)	268.0	280.7
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 treasury shares			(7.5)		(7.5)
BALANCE AT 31 DECEMBER 2017	0.3	22.2	(7.5)	210.9	225.9

Plus500 LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Year ended 31 December	
	2018	**2017**
	U.S. dollars in millions	
OPERATING ACTIVITIES:		
Cash generated from operations (see Note 6)	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	(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 the Company's shares by the Company	(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

NOTE 1 - GENERAL INFORMATION

Information on activities of Plus500 Ltd and its subsidiaries

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 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 for 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.

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

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 condensed consolidated financial statements.

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. 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 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: amortised cost, fair value through other comprehensive income 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. IFRS9 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 Group implements IFRS9 retrospectively as from January 1, 2018. The initial implementation of IFRS9 had no material effect on the financial statements of the Company.

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

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 has no material effect on the financial statements of the Group.

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 separately from interest on lease liabilities in the income statement.

The Group will implement IFRS 16 on its effective date, January 1, 2019. The impact on the income statement is not expected to be material as the annual lease operating expense recognised under IAS 17 is likely to be broadly the same as the annual depreciation charge recognised under IFRS 16.

NOTE 3 - 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.

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	92.6	0.8129	23 July 2018
14 February 2018	72.3	0.6350	23 July 2018
10 August 2018	157.0	1.3786	22 November 2018

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.

	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.

NOTE 5 - TRADE PAYABLES – DUE TO CLIENTS:

	As of 31 December	
	2018	2017
	U.S. dollars in millions	
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 from all of the subsidiaries.

NOTE 6 - CASH GENERATED FROM OPERATIONS

	Year ended 31 December	
	2018	2017
	U.S. dollars in millions	
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 (decrease) 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 7 - 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.

Plus500

World's Trading Machine