

SEPARATE FINANCIAL DATA



Migdal Insurance and Financial Holdings Ltd.

Separate Financial Data of the Company

As at December 31, 2013

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Kost Forer Gabbay & Kasierer
3 Aminadav St.
Tel-Aviv 6706703, Israel

Tel: +972-3-6232525
Fax: +972-3-5622555
ey.com



Somekh Chaikin
KPMG Millennium Tower
17 Ha'arba'a Street, PO Box 609
Tel Aviv 61006 Israel
Telephone 972 3 684 8000
Fax 972 3 684 8444
Internet www.kpmg.co.il

To:
The shareholders of Migdal Insurance and Financial Holdings Ltd.

Dear Sirs,

Subject: Special auditors' report on separate financial data pursuant to Regulation 9C to the Securities Regulations (Periodic and Immediate Reports) – 1970

We have audited the separate financial data presented in accordance with Regulation 9C of the Securities Regulations (Periodic and Immediate Reports) – 1970 of Migdal Insurance and Financial Holdings Ltd. (hereunder –“ the Company”) as at December 31, 2013 and 2012 and for each of the three years, the last of which ended as at December 31, 2013, which are included in the Company's periodic report. The separate financial data are the responsibility of the Company's Board of Directors and its Management. Our responsibility is to express an opinion on the separate financial data based on our audits.

We did not audit the financial data from the financial statements of investee companies whose assets less liabilities attributed to them amounted to NIS 654,175 thousand and NIS 604,111 thousand as at December 31, 2013 and 2012, respectively, and the profit from these investee companies which amounted to NIS 70,752 thousand, NIS 66,463 thousand and NIS 49,193 thousand for each of the three years, the last of which ended as at December 31, 2013. The financial statements of those companies were audited by other auditors whose reports thereon were furnished to us, and our opinion, insofar as it relates to amounts emanating from the financial statements of those companies, is based solely on the reports of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards in Israel. Such standards require that we plan and perform the audit to obtain reasonable assurance that the separate financial data are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the separate financial data. An audit also includes an examination of the accounting principles that were applied in preparing the separate financial data and the significant estimates made by the Board of Directors and by Management, as well as evaluating the adequacy of presentation of the separate financial data. We believe that our audits and the financial statements of the other auditors, provide a reasonable basis for our opinion.

In our opinion, based on our audits and the financial statements of the other auditors the separate financial data has been prepared, in all material respects, in accordance with Regulation 9C of the Securities Regulations (Periodic and Immediate Reports) - 1970.

Tel-Aviv, Israel
March 18, 2014

SOMEKH CHAIKIN
Member of KPMG International
Certified Public Accountants (Isr.)

KOST FORER GABBAY & KASIERER
Member of Ernst & Young Global
Certified Public Accountants (Isr.)

Joint auditors

Separate Financial Data as at December 31, 2013

	Note	December 31 2013 NIS thousands	December 31 2012 NIS thousands
Assets			
Investments in investee companies		5,042,709	4,685,824
Loans and capital notes to investee companies	5.a	88,758	69,717
Total non-current assets		5,131,467	4,755,541
Debtors - investee companies		550	275
Other debtors		642	347
Cash and cash equivalents	2	7,988	40,270
Total current assets		9,180	40,892
Total assets		5,140,647	4,796,433
Equity attributable to shareholders of the Company			
Share capital		110,628	110,607
Share premium		273,735	273,735
Capital reserves		377,170	257,533
Retained earnings		4,377,484	4,152,835
Total equity		5,139,017	4,794,710
Creditors in respect of investee companies		-	59
Other creditors	3	1,630	1,664
Total liabilities		1,630	1,723
Total equity and liabilities		5,140,647	4,796,433

March 18, 2014

Date of approval of
the financial
statementsShlomo Eliahu
Chairman of the BoardAnath Levin
General ManagerEran Czerninski
Chief Financial Officer

Separate Financial Data as at December 31, 2013

	Note	Year ended December 31		
		2013	2012	2011
		NIS thousands	NIS thousands	NIS thousands
Company's share in profits of investee companies		619,549	*) 216,914	*) 294,914
General and administrative expenses		4,496	4,510	4,176
Profit before financing income and taxes on income		615,053	212,404	290,738
Finance income in respect of investee companies		2,411	4,409	4,464
Finance income (expenses), net		306	423	(137)
Income before taxes on income		617,770	217,236	295,065
(Tax benefit) taxes on income	4	-	-	-
Income for the period attributable to the shareholders of the Company		617,770	217,236	295,065

*) Restated - See Note 2G to the consolidated financial statements regarding initial adoption of Revised IAS 19, Employee Benefits.

Separate Financial Data as at December 31, 2013

	Year ended December 31		
	2013	2012	2011
	NIS thousands	NIS thousands	NIS thousands
Profit for the period attributed to the shareholders of the Company	617,770	*) 217,236	*) 295,065
Other comprehensive income			
Other comprehensive income for the period which after initial recognition in comprehensive income was or will be transferred to profit or loss			
Net change in the fair value of available for sale financial assets attributed to capital reserves	-	5	15
Net change in available for sale financial assets transferred to the statement of profit and loss	-	-	(20)
Company's share of other comprehensive income of investee companies accounted for under the equity method	<u>117,434</u>	<u>177,526</u>	<u>(250,870)</u>
Total other comprehensive income for the period which after initial recognition in comprehensive income was or will be transferred to profit or loss, net of tax	<u>117,434</u>	<u>177,531</u>	<u>(250,875)</u>
Other comprehensive income items which will not be transferred to profit or loss - Share of other comprehensive income of investee companies accounted for under the equity method	<u>4,690</u>	*) 8,976	*) 1,203
Total other comprehensive profit (loss) for the period, net of tax	<u>122,124</u>	<u>186,507</u>	<u>(249,672)</u>
Total comprehensive income for the period	<u><u>739,894</u></u>	<u><u>403,743</u></u>	<u><u>45,393</u></u>

*) Restated - See Note 2G to the consolidated financial statements regarding initial adoption of Revised IAS 19, Employee Benefits.

The accompanying additional information is an integral part of the financial data and the separate interim financial data.

Separate Financial Data as at December 31, 2013

	Attributed to Company's shareholders								Total
	Share capital	Share premium	Capital reserves in respect of available for sale assets	Reserve from investment revaluation following rise to control	Reserve from transactions with non-controlling interests	Translation reserve for foreign operations	Revaluation reserve	Retained earnings	
	NIS in thousands								
Balance as at January 1, 2013	110,607	273,735	250,544	6,989	-	-	-	4,152,835	4,794,710
Income for the period	-	-	-	-	-	-	-	617,770	617,770
Total other comprehensive income, net of tax	-	-	117,441	-	-	(7)	3,352	1,338	122,124
Total comprehensive income	-	-	117,441	-	-	(7)	3,352	619,108	739,894
Realization of shares of employee options	21	-	-	-	-	-	-	-	21
Classification of share based payments from liability for employee benefits to equity	-	-	-	-	-	-	-	5,230	5,230
Benefit in respect of option warrants to employees	-	-	-	-	-	-	-	311	311
Dividend	-	-	-	-	-	-	-	(400,000)	(400,000)
Transactions with non-controlling interests	-	-	-	-	(1,149)	-	-	-	(1,149)
Balance as at December 31, 2013	110,628	273,735	367,985	6,989	(1,149)	(7)	3,352	4,377,484	5,139,017

Separate Financial Data as at December 31, 2013

	Attributed to Company's shareholders					Total
	Share capital	Share premium	Capital reserves in respect of available for sale assets	Reserve from investment revaluation following rise to control	Retained earnings	
	NIS in thousands					
Balance as at January 1, 2012	110,607	273,735	73,013	6,989	4,073,275	4,537,619
Income for the period	-	-	-	-	**) 217,236	217,236
Total other comprehensive income, net of tax	-	-	177,531	-	**) 8,976	186,507
Total comprehensive income	-	-	177,531	-	226,212	403,743
Realization of shares of employee options	*) -	-	-	-	-	-
Benefit in respect of option warrants to employees	-	-	-	-	3,348	3,348
Dividend	-	-	-	-	(150,000)	(150,000)
Balance as at December 31, 2012	<u>110,607</u>	<u>273,735</u>	<u>250,544</u>	<u>6,989</u>	<u>4,152,835</u>	<u>4,794,710</u>

*) Less than NIS thousand.

**) Restated - See Note 2G to the consolidated financial statements regarding initial adoption of Revised IAS 19, Employee Benefits.

Separate Financial Data as at December 31, 2013

	Attributed to Company's shareholders					Total
	Share capital	Share premium	Capital reserves in respect of available for sale assets	Reserve from investment revaluation following rise to control	Retained earnings	
	NIS in thousands					
Balance as at January 1, 2011	110,607	273,735	323,888	6,989	3,919,656	4,634,875
Income for the period	-	-	-	-	*) 295,065	295,065
Total other comprehensive income (loss), net of tax	-	-	(250,875)	-	*) 1,203	(249,672)
Total comprehensive income			(250,875)		296,268	45,393
Realization of shares of employee options	**)-	-	-	-	-	-
Benefit in respect of option warrants to employees	-	-	-	-	7,351	7,351
Dividend	-	-	-	-	(150,000)	(150,000)
Balance as at December 31, 2011	<u>110,607</u>	<u>273,735</u>	<u>73,013</u>	<u>6,989</u>	<u>4,073,275</u>	<u>4,537,619</u>

*) Restated - See Note 2G to the consolidated financial statements regarding initial adoption of Revised IAS 19, Employee Benefits.

**)- Less than NIS thousand.

Separate Financial Data as at December 31, 2013

Schedule	Year ended December 31			
	2013	2012	2011	
	NIS thousands	NIS thousands	NIS thousands	
<u>Cash flows from current activities</u>				
Net cash provided by (used in) the Company's current activities	A	1,034	(703)	(8,513)
Net cash provided by (used in) current activities in respect of transactions with investee companies		(334)	14,601	(12,169)
Net cash provided by (used in) current activities		970	13,898	(20,682)
<u>Cash flows from investment activities</u>				
Net cash provided by the Company's investment activities		-	3,080	(3,282)
Investment in investee companies		(20,500)	(46,605)	(35,187)
Dividend from investee companies		387,310	242,465	149,954
Net cash provided by investment activities in respect of transactions with investee companies		366,810	195,860	114,767
Net cash provided by investment activities		366,810	198,940	111,485
<u>Cash flows from finance activities</u>				
Exercise of employee options		21	** -	** -
Changes in financial liabilities		-	(31,428)	31,814
Dividend		(400,000)	(150,000)	(196,308)
Net cash used in the Company's finance activities		(399,979)	(181,428)	(164,494)
Net cash from financing activities in respect of transactions with investees		-	-	-
Net cash used in financing activities		(399,979)	(181,428)	(164,494)
Effect of exchange rate fluctuations on the balance of cash and cash equivalents		(83)	(104)	(116)
Change in cash and cash equivalents		(32,282)	31,306	(73,807)
Cash and cash equivalents as at the beginning of the period		40,270	8,964	82,771
Cash and cash equivalents as at the end of the period		7,988	40,270	8,964

**) Less than NIS thousand.

Separate Financial Data as at December 31, 2013

	Year ended December 31		
	2013	2012	2011
	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>NIS thousands</u>
Schedule A- cash flows from the Company's current activities			
Income for the period	617,770	*) 217,236	*) 295,065
Items not involving cash flows:			
Company's share in net results of investees treated according to the equity value method	(619,549)	*)(216,914)	*)(294,914)
Interest income from investee companies	(2,212)	(3,830)	(4,272)
Net losses from financial investments	-	(117)	130
Taxes on income	-	-	-
Changes in other balance sheet items:			
Debtors and receivables	4,920	2,504	8,104
Creditors and payables	(34)	(354)	(12,872)
Total adjustments required for presenting cash flows from current activities	(616,875)	(218,711)	303,824
Cash paid and received during the period for:			
Interest received	409	894	510
Interest paid	-	(122)	(264)
Net income tax paid	-	-	-
Net cash provided by the Company's current activities	1,304	(703)	(8,513)

*) Restated - See Note 2G to the consolidated financial statements regarding initial adoption of Revised IAS 19, Employee Benefits.

Separate Financial Data as at December 31, 2013

Note 1 - Significant Accounting Principles Applied in Separate Financial Data

A. Definitions

- The Company - Migdal Insurance and Financial Holdings Ltd.
- Investee companies - Subsidiaries and companies in which the Company's investment is included, directly or indirectly, in the financial statements on an equity basis.
- Reporting date - The date of the statement of financial position

B. Manner of preparation of the financial data

The separate financial information is prepared in accordance with Regulation 9C to the Securities Regulations (Periodic and Immediate Reports) – 1970 (hereunder – Regulation 9C) including the details provided in the tenth addendum to the said regulations (hereunder – the addendum), and subject to the clarifications provided in the “Clarification regarding the Separate Financial Report of a Corporation” that was published on the website of the Securities Authority on January 24, 2010 and relates to the manner of implementing the aforementioned regulation and addendum (hereunder – the clarification of the Securities Staff).

The separate financial information does not constitute financial statements, including separate financial statements, prepared and presented in accordance with International Financial Reporting Standards (hereunder – IFRS) in general, and in accordance with the provisions of IAS 27 – “Consolidated and Separate Financial Statements”, in particular. Nevertheless, the accounting policy detailed in Note 2 to the consolidated financial statements regarding significant accounting policies, and the manner of classifying the financial data in the consolidated financial statements, were implemented for the purpose of presenting the separate financial information, with the required changes as stated below.

The notes provided hereunder include disclosures of additional material information, in accordance with the disclosure requirements provided in Regulation 9C and as specified in the addendum and subject to the clarification of the Securities Staff, insofar as the said information was not included in the consolidated financial statements in a manner relating explicitly to the Company itself.

Separate Financial Data as at December 31, 2013

Note 1 - Significant Accounting Principles Applied in Separate Financial Data (cont'd)

B. Manner of preparation of the financial data (cont'd)

1. Assets and liabilities included in the consolidated financial statements that are attributable to the Company itself:

The amounts of assets and liabilities included in the consolidated financial statements that are attributable to the Company itself and are specified according to types of assets and liabilities, are presented. This data were classified in the same manner they were classified in the consolidated statements of the financial position.

Information regarding the net amount, on the basis of the consolidated financial statements, that is attributable to the shareholders of the Company itself, of the total assets less total liabilities, in respect of investee companies, including goodwill, is also presented.

As a result of this manner of presentation, the equity attributable to the Company's owners, on the basis of the consolidated financial statements, is the same as the equity of the Company according to the separate financial information.

2. Income and expenses included in the consolidated financial statements that are attributable to the Company itself:

The amounts of income and expenses included in the consolidated financial statements, at a breakdown in respect of profit or loss and other comprehensive income, that are attributable to the Company itself and detailed according to types of income and expenses, are presented. This data was classified in the same manner as they were classified in the consolidated statements of profit and loss and other comprehensive income.

In addition, information is presented regarding the net amount, on the basis of the consolidated financial statements, that is attributable to the shareholders of the Company itself, of the total revenues less the total expenses in respect of the operating results of investee companies, including goodwill impairment, impairment of an investment in an affiliated company or its reversal and impairment of an investment in a jointly controlled entity or its reversal.

As a result of this presentation the total profit for the year that is attributable to the Company's owners and the total comprehensive income for the year that is attributable to the Company's owners based on the consolidated financial statements, is the same as the total profit for the year that is attributable to the Company's owners and the total comprehensive income for the year that is attributable to the Company's owners, respectively, according to the separate financial information.

Separate Financial Data as at December 31, 2013**Note 1 - Significant Accounting Principles Applied in Separate Financial Data (cont'd)****B. Manner of preparation of the financial data (cont'd)**

3. Cash flows included in the consolidated financial statements that are attributable to the Company itself:

The cash flow amounts included in the consolidated financial statements and attributable to the Company itself, are presented based on the consolidated statements of cash flows, classified according to the cash flows from current activities, investing activities and financing activities with details of their composition. This data was classified in the same manner as the consolidated financial statements were classified.

Note 2 - Cash and Cash Equivalents

	Average interest rate	December 31 2013	December 31 2012
	%	NIS thousands	NIS thousands
Cash and deposits for immediate withdrawal	0.81	703	1,871
Short-term deposit Unlinked	0.96	7,285	38,399
Total cash and cash equivalents		7,988	40,270

Note 3 - Payables

	December 31 2013	December 31 2012
	NIS thousands	NIS thousands
Institutions and Government Authorities	1,343	1,346
Others	287	318
Total payables	1,630	1,664

Separate Financial Data as at December 31, 2013**Note 4 - Taxes on Income****A. Company tax assessments**

The Company received final tax assessments, by virtue of agreement or by virtue of statute of limitations, up to and including the year 2009.

B. Theoretical tax

Hereunder is a reconciliation of the tax amount that would have been applicable had all the income and expenses, profits and losses in the statement of income been liable to tax at the statutory tax rate, and the taxes on income recorded in the statement of income.

	Year ended December 31		
	2013	2012	2011
	NIS thousands	NIS thousands	NIS thousands
Profit before taxes on income	617,770	*) 217,236	*) 295,065
Statutory tax rate	25%	25%	24%
Tax computed at the statutory tax rate	154,443	54,309	70,816
Increase (decrease) in taxes on income resulting from the following factors:			
Expenses that are not deductible for tax purposes	968	1,095	989
Exempt income	(524)	(1,175)	(1,025)
Company's share of profits of investee companies	(154,887)	*)(54,229)	*)(70,780)
Taxes on income	-	-	-
Average effective tax rate	-	-	-

*) Restated - See Note 2G to the consolidated financial statements regarding initial adoption of Revised IAS 19, Employee Benefits.

Separate Financial Data as at December 31, 2013**Note 5 - Relationships, Commitments and Material Transactions with Investee Companies****A. Loans and capital notes**

1. Presented hereunder are details of capital notes that were issued to the Company by subsidiaries:

<u>Issuing Company</u>	<u>Nominal value</u>		<u>Balance as at</u>	<u>Balance as at</u>
	<u>December 31</u>	<u>December 31</u>	<u>December 31,</u>	<u>December 31,</u>
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	<u>NIS in thousands</u>			
Migdal Capital Markets (1965) Ltd. (1)	30,000	30,000	30,000	30,000
Mivtach Simon Agencies Management Ltd. (2)	22,077	11,577	18,735	9,392
Migdal Health and Quality of Life Ltd. (2)	40,472	30,472	34,436	24,855
	92,549	72,049	83,171	64,247

(1) In order to meet the capital requirements of a subsidiary of Migdal Capital Markets the Company gave Migdal Capital Markets, against the issue of a capital note by Migdal Capital Markets, an unlinked loan which bears no interest of NIS 30 million, to be repaid on August 31, 2021. During February 2012, the Board of Directors approved that the capital note be recognized as a perpetual capital note.

(2) All capital notes issued for a period of not less than 5 years, are not linked and do not bear interest. The capital notes are presented at their present value.

2. Loan to investee company

The balance of the loan as at December 31, 2013 is NIS 5,587 thousand (December 31, 2012 - NIS 5,470 thousand). The loan is linked to the CPI Index, bears interest of 4% per annum and will be repaid in equal monthly payments beginning from June 2014.

Separate Financial Data as at December 31, 2013**Note 5 - Relationships, Commitments and Material Transactions with Investee Companies (cont'd)****B. Dividend from subsidiaries**

	Year ended December 31		
	2013	2012	2012
	NIS thousands		
Migdal Insurance Company Ltd.	367,310	242,465	145,744
Migdal Capital Markets (1965) Ltd.	20,000	-	-

Note 6 - Equity requirements for subsidiaries

Regarding the equity requirements for Migdal Insurance, Makefet and Migdal Capital Markets, see Note 7.F to the Consolidated Financial Statements.

Note 7 - Events After the Reporting Date

- A.** On March 18, 2014, the Board of Directors approved a dividend distribution of NIS 200 million, subject to the approval of the general meeting. On the same day, the Board of Migdal Insurance approved a dividend distribution of NIS 200 million.

The date of dividend distribution (for both the Company and Migdal Insurance) is set for May 19, 2013.

- B.** For details regarding the approval of the appointment of Ms. Anath Levin as CEO of the Company and Chairman of the Board of Migdal Insurance and the appointment of Mr. Ofer Eliahu as CEO of Migdal Insurance and determining their salaries see Notes 38. d. 1. e) and 38. j. 3.