

An aerial photograph of a dirt road winding through agricultural fields. The top half of the image shows vibrant green fields, while the bottom half shows golden-brown, harvested fields. A dotted white line is drawn across the image, framing the text. The text 'Separate Financial Data' is written in white, sans-serif font, centered within the dotted frame.

Separate Financial Data

Northern Negev

MIGDAL INSURANCE AND FINANCIAL HOLDINGS LTD.

**SEPARATE FINANCIAL DATA OF THE COMPANY FROM THE
CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2012**

INDEX

	<u>Page</u>
Special Auditors' Report on Separate Financial Data according to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports) – 1970	2
Data on the Financial Position	3
Data on the Profit and Loss	4
Data on the Comprehensive Income	5
Data on the Changes in Equity	6 - 8
Data on the Cash Flows	9- 10
Additional information	11 - 16



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, 2012 and 2011 and for each of the three years, the last of which ended as at December 31, 2012, which are included in the Company’s periodic report from page 3-4 (inclusive) to page 4-14 (inclusive). 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 603,712 thousand and NIS 578,561 thousand as at December 31, 2012 and 2011, respectively, and the profit from these investee companies amounted to NIS 66,463 thousand, NIS 49,193 thousand and NIS 75,413 thousand for each of the three years, the last of which ended as at December 31, 2012. 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 19, 2013

KOST FORER GABBAY & KASIERER
Member of Ernst & Young Global

SOMEKH CHAIKIN
Member of KPMG International

Joint auditors

Separate Financial Information as at December 31, 2012

DATA ON THE FINANCIAL POSITION

	Note	December 31,	
		2012	2011
		NIS in thousands	
ASSETS			
Investments in investee companies		4,685,824	4,402,051
Capital notes and loan to investee companies	5.a	69,717	142,104
Total non-current assets		4,755,541	4,544,155
Financial investments		-	3,060
Debtors - investee companies		275	18,559
Other Debtors		347	191
Cash and cash equivalents	2	40,270	8,964
Total current assets		40,892	30,774
Total assets		4,796,433	4,574,929
Equity attributable to shareholders of the Company			
Share capital		110,607	110,607
Share premium		273,735	273,735
Capital reserves		257,533	80,002
Retained earnings		4,152,835	4,073,275
Total equity		4,794,710	4,537,619
LIABILITIES			
Creditors - investee companies		59	3,742
Other creditors	3	1,664	2,018
Financial liabilities		-	31,550
Total liabilities		1,723	37,310
TOTAL EQUITY AND LIABILITIES		4,796,433	4,574,929

March 19, 2013

Date of approval of
the financial
statementsAharon Fogel
Chairman of the BoardYonel Cohen
General ManagerEran Cserninski
Chief Financial Officer

MIGDAL INSURANCE AND FINANCIAL HOLDINGS LTD.

Separate Financial Information as at December 31, 2012

DATA ON PROFIT AND LOSS

	Note	December 31,		
		2012	2011	2010
				NIS in thousands
Company's share in profits of investee companies		225,890	296,117	777,850
General and administrative expenses		4,510	4,176	3,292
Profit before financing income and taxes on income		221,380	291,941	774,558
Finance income in respect of investee companies		4,409	4,464	4,284
Finance income (expenses), net		423	(137)	556
Profit before taxes on income		226,212	296,268	779,398
(Tax benefit) taxes on income	4	-	-	(1,500)
Profit for the period attributable to the shareholders of the Company		<u>226,212</u>	<u>296,268</u>	<u>780,898</u>

Separate Financial Information as at December 31, 2012

DATA ON THE COMPREHENSIVE INCOME

	December 31,		
	2012	2011	2010
	NIS in thousands		
Profit for the period attributed to the shareholders of the Company	226,212	296,268	780,898
Other comprehensive income (loss)			
Net change in the fair value of available for sale financial assets attributed to capital reserves	5	15	-
Profits and losses, net, from the realization of financial assets classified as available for sale and attributed to the statement of profit and loss	-	(20)	-
Company's share of other comprehensive income (loss) net of tax of investee companies	<u>177,526</u>	<u>(250,870)</u>	<u>28,217</u>
Other profit (loss) for the period, net tax	<u>177,531</u>	<u>(250,875)</u>	<u>28,217</u>
Total comprehensive income for the period attributed to the shareholders of the Company	<u><u>403,743</u></u>	<u><u>45,393</u></u>	<u><u>809,115</u></u>

Separate Financial Information as at December 31, 2012

DATA ON THE CHANGES IN EQUITY

	Attributed to Company 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	-	-	-	-	226,212	226,212
Other comprehensive income, net of tax	-	-	177,531	-	-	177,531
Total comprehensive income	-	-	177,531	-	226,212	403,743
Realization to shares of employee options	- *)	-	-	-	-	-
Allocation of 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>

Separate Financial Information as at December 31, 2012

DATA ON THE CHANGES IN EQUITY

		Attributed to Company shareholders					
		Share capital	Share premium	Capital reserves in respect of available for sale assets	Reserve from investment revaluation following rise to control	Retained earnings	Total
		NIS in thousands					
Balance as at January 1, 2011		110,607	273,735	323,888	6,989	3,919,656	4,634,875
4-7	Income for the period	-	-	-	-	296,268	296,268
	Other comprehensive loss, net of tax	-	-	(250,875)	-	-	(250,875)
	Total comprehensive income (loss)			(250,875)		296,268	45,393
	Realization to shares of employee options	- *)	-	-	-	-	-
	Allocation of 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>

Separate Financial Information as at December 31, 2012

DATA ON THE CHANGES IN EQUITY

48

	Attributed to Company 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, 2010	110,559	273,735	295,671	6,989	3,366,199	4,053,153
Income for the period	-	-	-	-	780,898	780,898
Other comprehensive income, net of tax	-	-	28,217	-	-	28,217
Total comprehensive income	-	-	28,217	-	780,898	809,115
Realization to shares of employee options	48	-	-	-	-	48
Allocation of benefit in respect of option warrants to employees	-	-	-	-	12,559	12,559
Dividend	-	-	-	-	(240,000)	(240,000)
Balance as at December 31, 2010	<u>110,607</u>	<u>273,735</u>	<u>323,888</u>	<u>6,989</u>	<u>3,919,656</u>	<u>4,634,875</u>

Separate Financial Information as at December 31, 2012

DATA ON CASH FLOWS

	Schedule	Year ended December 31,		
		2012	2011	2010
				NIS in thousands
CASH FLOWS FROM CURRENT ACTIVITIES				
Net cash provided by the Company's current activities	A	(703)	(8,513)	25,924
Net cash used in current activities in respect of transactions with investee companies		14,601	(12,169)	(1,850)
Net cash provided by (used in) current activities		13,898	(20,682)	24,074
CASH FLOWS FROM INVESTMENT ACTIVITIES				
Net cash provided by (used in) the Company's investment activities		3,080	(3,282)	-
Investment in investee companies, net		(46,605)	(35,187)	(2,000)
Dividend from investee companies		242,465	149,954	240,000
Net cash provided by investment activities in respect of transactions with investee companies		195,860	114,767	238,000
Net cash provided by investment activities		198,940	111,485	238,000
Cash flows from finance activities				
Realization of employee options into shares		- *)	- *)	48
Changes in financial liabilities		(31,428)	31,814	-
Dividend		(150,000)	(196,308)	(193,692)
Net cash used in the Company's finance activities		(181,428)	(164,494)	(193,644)
Net cash from finance activities in respect of transactions with investees		-	-	-
Net cash used in finance activities		(181,428)	(164,494)	(193,644)
Effect of exchange rate fluctuations on the balance of cash and cash equivalents		(104)	(116)	208
Change in cash and cash equivalents		31,306	(73,807)	68,638
Balance of cash and cash equivalents as at the beginning of the period		8,964	82,771	14,133
Balance of cash and cash equivalents as at the end of the period		40,270	8,964	82,771

Separate Financial Information as at December 31, 2012

DATA ON CASH FLOWS

	Year ended December 31,		
	2012	2011	2010
	NIS in thousands		
SCHEDULE A- CASH FLOWS FROM THE COMPANY'S CURRENT ACTIVITIES			
Profit for the period	<u>226,212</u>	<u>296,268</u>	<u>780,898</u>
Items not involving cash flows:			
Company's share in net results of investees treated according to the equity value method	(225,890)	(296,117)	(777,850)
Interest income from investee companies	(3,830)	(4,272)	(4,421)
Net losses from financial investments	(117)	130	-
Taxes on income	-	-	(1,500)
Changes in other balance sheet items:			
Net acquisitions of financial investments	-	-	-
Debtors and receivables	2,504	8,104	11,375
Creditors and payables	<u>(354)</u>	<u>(12,872)</u>	<u>14,552</u>
Total adjustments required for presenting cash flows from current activities	<u>(227,687)</u>	<u>(305,027)</u>	<u>(757,844)</u>
Cash paid and received during the period for:			
Interest received	894	510	444
Interest paid	(122)	(264)	-
Net income tax paid	<u>-</u>	<u>-</u>	<u>2,426</u>
Net cash provided by the Company's current activities	<u>(703)</u>	<u>(8,513)</u>	<u>25,924</u>
Schedule B - Activities not involving cash flows			
Dividend declared but not yet paid	<u>-</u>	<u>-</u>	<u>46,308</u>

*) Less than NIS one thousand.

Separate Financial Information as at December 31, 2012

ADDITIONAL INFORMATION

NOTE 1 – THE SIGNIFICANT ACCOUNTING POLICIES APPLIED IN THE SEPARATE FINANCIAL INFORMATION

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 value basis. |
| Reporting date | - The date of the statement of financial position |

- b. For details regarding the sale of holding in the Company see Note 1b to the consolidated financial statements.

c. 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.

- (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 was classified in the same manner it was classified in the consolidated statements of the financial position.

Separate Financial Information as at December 31, 2012

ADDITIONAL INFORMATION

NOTE 1 – MANNER OF PREPARATION OF THE FINANCIAL DATA FROM THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY FOR 2010 THAT ARE ATTRIBUTABLE TO THE COMPANY ITSELF (Cont.)

c. Manner of preparation of the financial data (Cont.)

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

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 Company's shareholders' equity 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 the consolidated statement of 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 company which is treated according to the equity value method 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.

- (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.

Separate Financial Information as at December 31, 2012

ADDITIONAL INFORMATION**NOTE 2 – CASH AND CASH EQUIVALENTS**

	Average interest rate %	December 31	
		2012	2011
		NIS in thousands	
Cash and deposits for immediate withdrawal	1.57%	1,871	3,956
Non linked short-term deposits	2.27%	38,399	5,008
Total cash and cash equivalents		40,270	8,964

NOTE 3 – CREDITORS

	December 31	
	2012	2011
	NIS in thousands	
Institutions and Government Authorities	1,346	1,346
Others	318	672
	1,664	2,018

NOTE 4 – TAXES ON INCOMEa. 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 2008.

b. Taxes on income included in the statements of income

	Year ended December 31,		
	2012	2011	2010
	NIS in thousands		
Current taxes	-	-	-
Deferred taxes relating to the creation and reversal of temporary differences	-	-	-
Taxes in respect of previous years	-	-	(1,500)
	-	-	(1,500)

Separate Financial Information as at December 31, 2012

ADDITIONAL INFORMATION**NOTE 4 – TAXES ON INCOME**c. 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 profit and loss been liable to tax at the statutory tax rate, and the taxes on income recorded in the statement of profit and loss.

	Year ended December 31,		
	2012	2011	2010
	NIS in thousands		
Profit before taxes on income	226,212	296,268	779,400
Statutory tax rate	25%	24%	25%
Tax computed at the statutory tax rate	56,553	71,104	194,850
Increase (decrease) in taxes on income resulting from the following factors:			
Expenses that are not deductible for tax purposes	1,095	989	718
Exempt income	(1,175)	(1,025)	(1,105)
Company's share of profits of investee companies	(56,473)	(71,068)	(194,463)
Taxes in respect of previous years	-	-	(1,500)
Taxes on income	-	-	(1,500)
Average effective tax rate	-	-	(0.19%)

Separate Financial Information as at December 31, 2012

ADDITIONAL INFORMATION**NOTE 5 - RELATIONSHIPS, COMMITMENTS AND MATERIAL TRANSACTIONS WITH INVESTEE COMPANIES**a. Capital notes and loan

1. 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>2012</u>	<u>2011</u>	<u>December 31</u>	<u>December 31</u>
			<u>NIS in thousands</u>	
Migdal Insurance Company Ltd. (1)	-	120,000	-	110,947
Migdal Capital Markets (1965) Ltd. (2)	30,000	30,000	30,000	30,000
Mivtach Simon Agencies Management Ltd. (3)	11,577	1,500	9,392	1,157
Migdal Health and Life Quality Ltd. (3)	30,472	-	24,855	-
Total	<u>72,049</u>	<u>151,500</u>	<u>64,247</u>	<u>142,104</u>

- (1) Following the change in the Company's controlling shareholders, the capital note was converted to share capital for Migdal Insurance. For additional information see Note 7.e.10 to the consolidated financial statements.
- (2) In order to comply with the equity requirements for a subsidiary of Migdal Capital Markets, the Company provided an unlinked loan bearing no interest to Migdal Capital Markets, in the amount of NIS 30 million which will be settled on August 31, 2021, against the issue of a capital note by Migdal Capital Markets. In February 2012 the Company's Board of Directors approved the recognition of the said capital note as a perpetual capital note.
- (3) All the capital notes were issued for a period of not less than 5 years, are not linked to the CPI and do not bear any interest. The capital notes are presented at their present value.

Separate Financial Information as at December 31, 2012

ADDITIONAL INFORMATION

NOTE 5 - RELATIONSHIPS, COMMITMENTS AND MATERIAL TRANSACTIONS WITH INVESTEE COMPANIES (Cont.)

a. Capital notes and loan (Cont.)

2. Loan to investee company

The balance of the linked loan as at December 31, 2012 is NIS 5,470 thousand. The loan bears interest at an annual rate of 4% to be settled in equal monthly payments up to October 2015.

b. Dividend from a subsidiaries

In the year 2012 Migdal Insurance distributed a dividend in the total amount of NIS 242,465 thousand.

NOTE 6 - SUBSIDIARIES' EQUITY REQUIREMENTS

Regarding the capital requirements for Migdal Insurance, Migdal Makefet and Migdal Capital Markets see Note 7.e to the consolidated financial statements.