

Convenience translation  
In any case of inconsistency, the immediate report in Hebrew shall prevail

## **Discount Investment Corporation Ltd.**

Immediate report dated June 30, 2020 - reference number: 2020-01-069603

**Subject Change in the interest rate as a result of a decrease in a rating or non-compliance with financial covenants pursuant to the provisions of the Trust Deed for the Company's bonds (Series 10)**

Pursuant to the provisions of Sections 5.2 and 5.3.3 of the Trust Deed for bonds (Series 10) of Discount Investment Company Ltd. ("**The Company**") of 1.10.2017 ("**The Trust Deed**" and "**The bonds**", respectively), the Company is notifying as follows:

1. Pursuant to a rating testing report by S&P Ma'alot Ltd., which the Company published on 7.4.2020 ("**The time of decreasing of the rating**"), the rating for the bonds has been determined to be i1BBB- (with a negative rating outlook) ("**The reduced rating**"), which is one rating lower than the base rating (as defined in the Trust Deed, i1BBB). Pursuant to the provisions of Section 5.2 of the Trust Deed, in such a case, the denoted interest rate will increase by a rate of 0.25% a year, with affective from the time of decreasing of the rating.
2. In light of the fact that the Company did not publish an immediate reporting regarding the reduced rating on the trading day following the time of decreasing of the rating (pursuant to the provisions of Section 5.2.3 of the Trust Deed and neither did it change the weighted interest rate before the determining time for the upcoming payment time, as defined below), and as notified to the Company by the Tel-Aviv Stock Exchange Ltd., it is not possible to update the interest rate for bonds when the determining time that has been set for the payment of interest has passed. Accordingly, the exact interest rate that the balance of the bonds will bear for the current period, which began on 31.12.2019 and which ended on 30.06.2020 ("**The upcoming time for the payment of interest**") is 2.40000% and no additional interest has been paid at this time.
3. In light of what is stated in Section 2 above. The Company will pay the interest addition, as stated in Section 1 above (the reduced rating), in respect of the period commencing from the time of the lowering of the rating and until the upcoming time for the payment of interest with the addition of arrears interest at a rate of 3%, as stated in Section 3.3 of the terms that are recorded on the reverse side of the Trust Deed (in respect of the period commencing on 08.07.2020 and up to 12.07.2020), on 12.7.2020, where the determining time for the payment of such interest will be 05.07.2020. The amount of the interest that will be paid is an amount of NIS 1,142,426, in other words, the additional interest rate (including the arrears interest) is 0.05828%.
4. Furthermore, pursuant to the Company's reviewed financial statements as of 31.03.2020, which were published by the Company on 30.06.2020 ("**The time of the check**" or "**The time of the deviation**", as the case may be), the Company's net assets value (as defined in Section 5.3 of the Trust Deed), was less than NIS 1.1 billion and stood at an amount of NIS 157 million, and in addition, the ratio between the net financial debt and the Company's net assets value (as defined in Section 5.3 of the Trust Deed), ("**LTV**") exceeded 75% and stood at a rate of 95%. Pursuant to the provisions of Section 5.3.1.1 of the Trust Deed, in such a case, the denoted interest rate is to increase by a rate of 0.25% a year, and this as from the time of the deviation.

### Convenience translation

In any case of inconsistency, the immediate report in Hebrew shall prevail

5. In addition, at the time of the check, the LTV ratio exceeded 85% and stood at a rate of 95%. Pursuant to the provisions of Section 5.3.1.2 of the Trust Deed, in such a case, the denoted interest rate is to increase by a rate of 0.50% a year, and this as from the time of the deviation. It should be mentioned that as of that time, and in accordance with the Company's reviewed financial statements as of 31.03.2020, which were published by the Company on 30.06.2020, the Company is in compliance with the financial covenant that is set in Section 5.3.1.3 of the Trust Deed and the ratio between the Company's equity and the Company's solo balance sheet total stands at 31%.
6. The annual interest rate for the coming periods (as from 1.7.2020) for the bonds is 5.80000% (including additional interest in respect of the reduced rating (Section 1 above) and including the additional interest in respect of the financial covenants (Sections 4 and 5 above). Furthermore, the semi-annual interest rate for the coming periods for the bonds is 2.90000% (the semi-annual interest rate is calculated as the annual interest rate divided by two) ("**The updated annual interest rate**").
7. The updated interest rate on the debentures will stand as from the time of decreasing of the rating (for the matter of the reduced rating, as stated in Section 1 above) and from the time of the check (for the matter of the non-compliance with the financial covenants, as stated in Sections 2 and 3 above) and until the earlier of (a) the full repayment of the unsettled balance of the principal of the bonds or (b) regarding the matter of the reduced rating, as stated in Section 1 above – the raising of the rating for the bonds to the base rating (as defined in Section 5.2.1 of the Trust Deed) (or higher than that) (c) regarding the matter of the non-compliance with the financial covenants, as stated in Sections 4 and 5 above – the time at which the Company may publish financial statements, whether audited or reviewed (as the case may be) in accordance with which the Company shall be in compliance with either and/or all of the financial covenants that are described above, as the case may be, and this pursuant to the provisions of Section 5.3.5 of the Trust Deed.

\*\*\*