

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

Discount Investment Corporation Ltd,

Immediate report dated March 19, 2020 - reference number: 2020-01-023317

Subject: Letters from the Trustee of the Company' Series 6 Bonds and the Trustee of IDB Development Corporations' Series 14 Bonds

Following the March 17, 2020, Immediate Report of Discount Investment Corporation Ltd. (the "**Company**"), regarding a letter by the outgoing CEO, which was addressed to members of the Company's Board of Directors and which was attached to said Immediate Report (the "**letter**"), the Company updates that on March 17, 2020, it received a letter from the Trustee of the Company's Series 6 bonds (which was preceded by a letter dated March 16, 2020, on the same issue) (through its legal representative), attached to this Immediate Report.

It should be noted that on March 18, 2020, following a discussion held by members of the Company's Board of Directors who have no affiliation with the Company's controlling shareholder, the Company replied (through its legal representative) to said letter. The Company's reply is attached to this Immediate Report.

In the interim, the Company updates that on March 18, 2020, a letter was received by the current CEO of the Company from the Trustee of the Series 14 bonds of IDB Development Corporation, a company controlled by the controlling shareholder of the Company, which is also attached to this Immediate Report.

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**Guy, Bachar & Co.
Law Offices and Notary**

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March 17th, 2020

To
Mr. Eduardo Elsztain, chair of
the board
Discount Investment
Corporation Ltd.
114 Igal Alon Street
Tel Aviv

To
Mr. Moshe Matalon, outside
director
Discount Investment
Corporation Ltd.
114 Igal Alon Street
Tel Aviv

To
Mr. Saul Zang, director
Discount Investment
Corporation Ltd.
114 Igal Alon Street
Tel Aviv

To
Mr. Yossef Singer, director
Discount Investment
Corporation Ltd.
114 Igal Alon Street
Tel Aviv

To
Mrs. Lily Ayalon, independent
director
Discount Investment
Corporation Ltd.
114 Igal Alon Street
Tel Aviv

To
Mr. Alejandro Gustavo
Elsztain, director
Discount Investment
Corporation Ltd.
114 Igal Alon Street
Tel Aviv

To
Mr. Meir Jacobson, outside
director
Discount Investment
Corporation Ltd.
114 Igal Alon Street
Tel Aviv

To
Mrs. Diana Elsztain Dan
Discount Investment
Corporation Ltd.
114 Igal Alon Street
Tel Aviv

To
Mr. Mario Blejer, director
Discount Investment
Corporation Ltd.
114 Igal Alon Street
Tel Aviv

To
Mr. Mauricio Wior, director
Discount Investment
Corporation Ltd.
114 Igal Alon Street
Tel Aviv

To
Mr. Doron Cohen, CEO
Discount Investment
Corporation Ltd.
114 Igal Alon Street
Tel Aviv

To
Mr. Aaron Kaufman
Discount Investment
Corporation Ltd.
114 Igal Alon Street
Tel Aviv

To
Mr. Itzhak Ravid, internal
auditor
Discount Investment
Corporation Ltd.
114 Igal Alon Street
Tel Aviv

To
Mr. Eran Saar
Via email

Convenience translation

Dear Sir/Madam,

Re: **Discount Investment Corporation Ltd. (hereinafter: "DIC")**

Following our letter from yesterday, March 16th, 2020 on behalf of our client, Hermetic Trust (1975) Ltd., which is the trustee of the bonds (Series 6) of the corporation, we hereby address you, jointly and severally, as follows:

1. We were amazed to learn from an IDB Development Corporation in Magna about the letter of Mr. Eran Saar to the DIC directors dated March 16th, 2020 ("**Letter**"), according to which in the last three months Mr. Saar was forced to hold back offers for transactions and actions which, at his discretion, did not coincide with the best interests of DIC and that, as stated in the Letter, he was put under extraneous pressure by Mr. Elsztain to carry out an immediate dividend distribution at an extent of dozens of millions of ILS.
2. As appears from the Letter, the termination of Mr. Saar's role in DIC is allegedly related to Mr. Saar's firm position that no dividend should be distributed in DIC in light of the dramatic changes that have occurred in recent weeks, which led the yield of the corporation bonds to a level of about 15%, and the leverage of the corporation to a level of more than 90%, and created considerable uncertainty regarding the ability to recycle the obligations of DIC, and in light of our position that distribution of dividend in this current period is deemed a risky and irresponsible financial move that does not meet the solvency criteria prescribed by law.
3. There also appears from the Letter that Mr. Elsztain allegedly offered Mr. Saar to resign from his position as the CEO of DIC, claiming there is tension between his role as the CEO of DIC and his role as the CEO of IDB where, according to Mr. Saar, there is no doubt that resignation offer was intended to pave the way for dividend distribution or to promote another transaction that might have an unfavorable impact on DIC.
4. As specified in the Letter, a few hours after Mr. Saar declined the offer to resign from his position and reiterated to Mr. Elsztain his position by which no dividend should be distributed in DIC in the current period Mr. Saar has discovered in a MAYA website report that his tenure as the CEO of the corporation has been terminated. According to the Letter, one hour after the above discovery Mr. Saar received an email message from the chairman of the board stating the corporation board had decided in a meeting held earlier that evening (the evening of March 15th, 2020) to dismiss him immediately from his position as the CEO.
5. The Letter reveals a grim and alarming state of affair by where the corporation's management is allegedly infected with ulterior motives that are slanted in favor of the stakeholder and/or IDB Development, and that the corporation is being allegedly run under a faulty and unacceptable corporate regime that does not favor the corporation.
6. In light of the above, our client wish to emphasize that is shall deem each and every director and/or functionary and/or the stakeholder in DIC who would support and/or participate in a decision (as well as not prevent the making of a decision) that does not favor DIC, including decisions regarding the promotion of initiatives intended to promote the personal interest of the stakeholder and/or IDB Development at the expense of DIC, personally responsible (jointly and severally) for any damage, loss and expense (direct or consequential) caused as a result of such action and/or omission.
7. Without diminishing from the above, you are being required to inform us in a circular, without delay, what the circumstances of discontinuing Mr. Saar tenure as the CEO of DIC were, with detailed reference to the claims made in his Letter.
8. Due to the severity, significance and nature of the above make sure to post this letter in Magna.
9. Anything contained in this letter, as well as not included in this letter, may not diminish from the statements, rights and claims of our client.

Respectfully,

Guy, Bachar & Co.
Law Offices and Notary

Sinay, Elias & Co.
Law Offices

Gornitzky letterhead

To
Guy, Bachar & Co. Law Offices and Notaries
Rubinstein Tower, 20 Lincoln Street,
Tel Aviv

To
Sinay Elias & Co. Law Offices
Sonol Tower, 52 Menachem Begin
Rd.
Tel Aviv

March 19, 2020
Adar 23, 5780

Dear Colleagues,

Re: **Your approaches regarding Discount Investment Corporation Ltd.**
(Reference: Your letters of 16.3.2020 and of 17.3.2020)

On behalf of our client, Discount Investment Corporation Ltd. (hereinafter: "**DIC**" or "**The Company**"), in response to your above-captioned approaches and as we have been informed by the Company, we hereby respond to the points that you have raised as follows

1. Our client has received your approaches, the contents of which are refuted and rejected utterly. Without detracting from the generality of this statement, all of your allegations against the office holders, including in connection with the execution of activity in contravention of the Company's best interests as well as the vague comments regarding the management of the company under extraneous considerations are hereby rejected and refuted.
2. We clarify – **the decision regarding the distribution of a dividend by DIC to its shareholders has not even been on DIC's Board of Directors' agenda recently and neither is it on the agenda at the present time.**
3. In any event, it is also obvious that any proposal and any decision in connection with the distribution of a dividend, or any similar matter, such as the self-purchase of shares, if and insofar as it may be brought up, will be presented to the authorized bodies in the Company, which will consider it and weight it up in accordance with what is in the Company's interest, pursuant to the circumstances and their duty under the law.
4. It would appear that these words are sufficient to illustrate just how hasty, baseless and groundless your aggressive above-captioned post was and that all that it contains are "warnings" that are without foundation and which are irrelevant and in any even there is no need to go into further details¹.
5. In order to remove any doubt, all of DIC's and/or the office holders and members of the Board of Directors' claims, rights and demands are retained by them in full, and there is nothing in what is stated above (or in what is not stated) that detracts from any claim and/or right.

Yours sincerely,
Gornitzky & Co. Advocates

¹ Far in excess of what is necessary and regarding the termination of Mr. Eran Sa'ar's period of office, we refer you to the Company's immediate report of 17.3.2020, in which the Company's position on the matter is stated.

EBN & Co. Erdinast, Ben Nathan, Toledano & Co.

Giora Erdinast / Doni Toledano / Uri Noy / Yoav Dankner / Roy Caner / Raanan Kalir / Alon Binyamini / Ran Sprinzak / Miriam Kleinberger-Attar / Moty Yamin / Dan Sella / Lior Oren / Hadas Bekel / Viva Gayer / Michal Rothschild / Roy Harash / Tomer Weissman / Shay Dayan / Eran Winner / Nadav Olgan / Hagar Guri / Nitzan Aberbach / Arik Brenneisen / Nir Friedman / Naama Ehrlich / Gil Levkovitz / Jonathan Achiron / Roy Gross / Nir Nordan / Efrat Rosner / Yaron Cohen / Yael Ben Yair / Amichai Perry / Gal Rub / Eyal Wiesel / Roi Sasson / Hai Baruch / Dafna Albeck / Reut Gan / Elad Erlich / Eyal Birenberg / Pinhas Yair Bartal / Chen Neeman / Bat El Elias Zada / Lior Etgar / Efrat Cibulski Bar / Anat Shaked Amitai / Noa Bar / Irina (Iris) Kushel / Dina Fraizinger / Asaf Skrabnik / Hadas Erenberg / Zohar Levin / Dror Edri / Yuval Naim / Chai Ifrach / Asaf Wiener / Meira Eder / Almog Gil-Or / Guy Engel / Nisreen Mansour / Shira Yarom / Anat Alper / Kay Geller / Dimitry Suponitsky / Adi Levitski / Peter Teishev / Natalie Ben Yehuda / Mor Elboym / Shai Luchtenstein / Nofit Magro / Keren Saad / Maram Hasan / Dana Zuk / Noa Giora / Bar Kram / Shir Rogers / Tzvika Marx / Rimon Rafaeli / Yael Zeira / Shir Ashkenazi / Daniel Kelman / Gad Keren / Shelly Wechseltmann / Shir Herzog / Dar Raguán / Matan Szatmary / Guy Mokady / Baruch Zacks / Nadav Yafit / Uri Hermelin / John Alkalak / Naomi Govrin Shwarts / Uri Bregman / Amir Algazi / Ortal Mazali Drori / Sarai Barzel Galil / Lea Maharat / Hadas Persky / Itamar Ben David / Jonathan Spielberg / Yarden Rosenbush / Neta Poliak / Gilad Isaacs

To
Mr. Doron Cohen, CEO
Discount Investment Corporation Ltd.
TOHA Tower, 114 Igal Alon Street

Via email
Urgent

Hello,

Re: **Claims Made by Mr. Eran Saar in His Letter Dated March 16th, 2020**

On behalf of our client, Reznik Paz Nevo Trusts Ltd., by virtue of its capacity as the trustee of holders of bonds (Series 14) of IDB Development Corporation Ltd. ("**Bond Holders**" and "**Trustee**") we would like to address Discount Investment Corporation Ltd. ("**Corporation**") and each one of its functionaries, to whom you are request to forward this letter, as follows:

1. On March 17th, 2020 a letter by Mr. Eran Saar, the dismissed Corporation CEO, addressing the Corporation board of directors was posted on MAYA website ("**Letter**").
2. Mr. Saar describes in his Letter a harsh reality regarding the corporate regime in the Corporation, including that the reason for his immediate dismissal followed his attempt to protect the best interests of the Corporation. Mr. Saar also states that recently he was forced to hold back various actions and/or transactions promoted by Mr. Elsztain which, in the opinion of Mr. Saar, were inconsistent with the best interests of the Corporation.
3. As we all know, the controlling shares of the Corporation are encumbered in favor of the Trustee and Bond Holders who in any case have the interest that the Corporation would operate by law with careful observance of corporate regime rules.
4. It is understood that the above raises questions that requires immediate consideration. Thus, at this stage, the Trustee wants to know if the functionaries have reviewed Mr. Saar's claims and what their conclusions were.

5. Also, the Trustee demands to receive, as soon as possible, a detailed account of what those actions and/or transactions were that Mr. Saar was forced to hold back, stating whether any of them is currently on the agenda, as well as a summary of the board's considerations that led to decision made regarding Mr. Saar's dismissal.
6. Finally, we would like to stress that specifically these days each and every functionary is required to adhere to the provisions of the law and the corporate regime rules.

For the avoidance of doubt, it should be stressed that this our letter is not intended to describe the Trustee's claims on the aforementioned subjects or any other subject, much less encompass them all. Also, it must not be construed as any waiver or consent or admission on the part of the Trustee.

Respectfully,
[Signature]
Raanan Kalir, Adv.