

DISCOUNT INVESTMENT CORPORATION. LTD

Number with the Registrar 520023896

To: The Securities Authority
www.isa.gov.il

To: The Tel-Aviv Stock Exchange Ltd.
www.tase.co.il

T081 (Public)

Broadcast on Magna: 20/01/2019

Reference: 2019-01-007485

IMMEDIATE REPORT ON THE DISTRIBUTION OF A DIVIDEND IN CASH FOR SECURITIES

Regulation 37(A) of the Securities Regulations (Periodic and Immediate Reports), 5730 – 1970

1. We hereby report that on **17/01/2019**, it was decided to pay a dividend on the Company's securities.
2. The overall amount of the dividend that will be paid is: **NIS 39,888,393.33**.
3. The balance of the corporation's profits, as defined in Section 302 of the Companies Law, 5759 – 1999, after the distribution that is the subject matter of this report is an amount of **NIS 670,000,000**.
4. The process of the distribution of the dividend

On 17.1.2019, the Company's Board of Directors decided to distribute a dividend in cash in an amount of NIS 0.275 per share, reflecting an amount of approximately NIS 40 million. The overall amount of such dividend, as aforesaid, may change, because of self-purchases, insofar as they may be executed by the Company for its shares, in accordance with the self-purchase plan for shares dates 13.12.2018 (see the immediate report of 16.12.2018, reference No., 2018-01-122265) and/or as a result of the exercise of options for shares in the Company (Discount Investments OP 6/16), for details regarding the options for employees, as aforesaid, see the immediate report on the state of the capital, the granting of rights for the purchase of shares and the Corporation's securities records, and the changes therein dated December 31, 2018 (reference No. 2018-01-129957).

The Company's Board of Directors has confirmed that the distribution complies with profits and the repayment capacity tests that are set in Section 302 of the Companies Law, 5759 – 1999. For details regarding the adoption of the said decision, see section 10 below.

Is the abovementioned distribution is with the approval of the court pursuant to Section 303 of the Company Law - **No**

5. The determining date (The ex day): **24/01/2019**
Ex day: **24/01/2019**
Payment date: **03/02/2019**

6. Details of the payment

- A dividend that is distributed from a company that is resident in Israel (see Section 7A for the composition of the sources for the dividend and the tax rate).
- A dividend that is distributed by a fund for investments in land (see Section 7C for the composition of the sources for the dividend and the tax rate).

Entitled security number	Security name	Amount of the dividend for one security	Currency for the amount of the dividend	Payment currency	Representative exchange rate for the date	Tax for individuals %	Tax for companies %
639013	Regular shares of par value NIS 1	0.275	NIS	NIS	_____	25	0

O A dividend that is distributed from a company that is resident abroad (see Section 7B for the tax rate).

1	Security number	Security name	Gross amount for one security	Currency amount	Tax overseas %	Tax in a treaty %	Balance of the tax for individuals to be deducted in Israel	Balance of the tax for companies to be deducted in Israel
			Amount for payment in Israel for one security	Payment currency	Representative exchange rate for payment for the date		Actual tax for individuals in Israel%	Actual tax for companies in Israel%

The amount of the dividend that will be paid is to be mentioned exactly up to 7 digits after the decimal point for payment in Shekels and up to 5 digits after the decimal point in the event of a payment in another currency.

NIS 39,888,393.33

Is the amount of the dividend for one security final **Yes**.

The amount of the dividend for one security is subject to changes as a result of _____

7. The rates of deduction of tax at source that are detailed below are for the purpose of the execution of the deduction of tax at source by members of the Stock Exchange.

7A. The composition of the sources for the dividend that is distributed from a company that is resident in Israel from shares and financial instruments except for an REIT fund.

	% of a dividend	Individuals	Companies	Foreign residents
Income chargeable with companies' tax (1)	100	25%	0%	25%
Income sources abroad (2)	0	25%	23%	25%
Income from an approved/ beneficiary enterprise (3)	0	15%	15%	15%
Income from a beneficiary enterprise in Ireland up to 2013 (4)	0	15%	15%	4%
Income from a beneficiary enterprise in Ireland as from 2014 (5)	0	20%	20%	4%
Preferential income	0	20%	0%	20%
Income from an approved tourism/ agricultural enterprise (6)	0	20%	20%	20%
Income from an approved/ beneficiary enterprise that has delivered notification and waiver (7)	0	15%	0%	15%
Distribution that is classified as a capital gain	0	25%	23%	0%
Distribution by participation unit	0	0	0	0
Other	0	0	0	0

Explanation:

- (1) Income that is chargeable with companies' tax – income from distributions of profits or dividends that are source that has been produced or arisen in Israel and which has been received directly or indirectly from another company that is chargeable with companies' tax.
- (2) Income that is sourced abroad is income that has been produced or arisen abroad and which has not been charged in Israel.
- (3) Including income from a beneficiary tourism enterprise for which the election/ operation year is up to 2013.
- (4) A beneficiary enterprise in Ireland for which the election/ operation year is up to 2013.
- (5) A beneficiary enterprise in Ireland for which the election/ operation year is from 2014.
- (6) Including income from a beneficiary tourism enterprise for which the election/ operation year is from 2014.
- (7) An approved or beneficiary enterprise that has delivered notification and waiver up to 30.6.2015, after the company's tax that it owes has been deducted.

7B. Dividend that has been distributed from a foreign resident company.

	Individuals	Companies	Foreign residents
Dividend distributed from a foreign resident company	25%	23%	0%

7C. Dividend that has been distributed from a real estate investments fund.

	% of the dividend	Individuals (1)	Companies	Foreign resident companies	Exempt mutual fund	Provident fund (2)
From land betterment, capital gains and depreciation (3)		25%	23%	23%	0%	0%
Other chargeable income (such as rental fees)		47%	23%	23%	23%	0%
Income-generating land for residential purposes for rental		20%	20%	20%	0%	0%
Chargeable income in the fund's hands		25%	05	25%	0%	0%
Exceptional income		70%	70%	70%	60%	70%
Other						
Weighted tax % deducted at source	100%					

- (1) Individuals – including income from a chargeable mutual fund, foreign resident individuals.
- (2) Provident fund for an annuity or for emoluments or for compensation s defined in the Income Tax Ordinance and a foreign provident fund or pension fund that is resident in a reciprocal country.
- (3) From land betterment or from a capital gain, except from the sale of land that is held for a short period, as well as income in the amount of the depreciation expenses.
- (4) A distribution from income that has been charged with tax in the hands of the fund, pursuant to Section 46A4(e).

8. The number of the corporation's dormant securities that are not entitled to the payment of a dividend and in respect of which a letter of waiver for the receipt of a dividend is to be furnished – 8,516,950.

9. The impact of the distribution of the dividend on convertible securities:

- The Company does not have convertible securities.
- The distribution of the dividend does not have an impact on the convertibles securities.
- The distribution of the dividend on the convertible securities is as follows:

Security name	Security number	Comments
<u>Discount Investments Options 6/16</u>	<u>6390330</u>	<u>Other</u> <u>The exercise price of the option that has not yet been realized will be reduced by the amount of the gross dividend per share.</u>

10. Recommendations and resolutions of the Board of Directors in connection with the distribution of the dividend in accordance with Regulation 37(A)(1) of the Securities Regulations (Periodic and Immediate Reports), 5730 – 1970:

See attached.

[DIC Reasoning 170119 isa.pdf](#)

For details regarding the Board of Directors' decision on an additional distribution of dividend in cash, see an additional report that is being published in tandem with this immediate report. The balance of the Company's profits, as stated in Section 3 above is stated after the distribution of the dividend in cash, the distribution of the dividend in kind and less the Company's purchases of its shares in the period from 30.9.2018 and until the time of this immediate report.

Signed at the time of the report by Gil Kotler, the Company's Chief Financial Officer.

Reference numbers of previous documents on the subject (There is no mention constituting an inclusion by way of the referral):
[2018-01-122265](#) [2018-01-129957](#)

The Corporation's securities are listed for trading on the Tel-Aviv Stock Exchange

Date of the updating of the structure of the form: 31/12/2018

Abbreviated name: Discount Investments

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In making its decision regarding the distribution of the dividend as aforesaid, the Company's board of directors based itself on the following data and arguments:

1. The Company's board of directors examined the Company's compliance with the distribution criteria prescribed in Section 302 of the Companies Law, 5759-1999, according to the following specification:
 - 1.1. Regarding compliance with the profit criterion, the board of directors approved the distribution of the aforesaid dividend based on the Company's balance surplus accrued in the past two years which ended on September 30, 2018, which amounts to a sum of approximately NIS 848 million. The balance of the Company's distributable profits following the distribution of the cash dividend and of the in-kind dividend (as set forth in the additional immediate report which is being published by the Company concurrently with this report) and with the deduction of repurchases by the Company of its shares (pursuant to a repurchase plan dated December 13, 2018) is approximately NIS 670 million.

It should be noted that the Company approved a plan for the repurchase of its shares at a scope of NIS 120 million (as of this date, shares have been purchased at a scope of approximately NIS 78 million as part of the plan). All the amounts to be paid by the Company as part of the repurchase plan will be deducted from the balance of the distributable profits.
 - 1.2. Regarding compliance with the solvency criterion, the Company's board of directors examined and considered the following data and subjects:
 - 1.2.1. Based on the Company's reviewed financial statements as of September 30, 2018 and the explanations provided by the Company's management with respect to, *inter alia*, the following subjects: the balance of the distributable surplus; data regarding the Company's financial status, including data regarding the Company's liquidity balances, the Company's debt balance and its net debt balance; the market value of the Company's negotiable investments, the surplus liquid balances and negotiable investments on its net debt; the Company's anticipated future cash flows in the foreseeable future (dividends from held companies); an analysis of relevant financial relationships and the carrying out of sensitivity analyses with respect to various assumptions and scenarios.
 - 1.2.2. Based on the above, the Company's board of directors is of the opinion that no reasonable concern exists that the distribution would prevent the Company's ability to meet its existing and anticipated obligations, when the date of their fulfillment arrives.
 - 1.3. The Company meets the financial criteria prescribed in the deeds of trust entered into by the Company in connection with its bonds, and the making of the distribution would not impair the Company's compliance with the financial criteria.
 - 1.4. The Company's board of directors estimates that the distribution of the dividend as aforesaid is not expected to have an adverse effect on the Company's financial status, including on its capital structure, its liquidity status, its level of leveraging, its compliance with financial requirements and restrictions imposed on it and its ability to continue operating in its current framework of operation.

The above information is Prospective Information as defined in the Securities Law, 5728-1968. The Company's estimates based on an analysis of the forecasted cash flow and the Company's existing and foreseen obligations may not come to pass, all or part thereof, or may come to pass in a matter materially different from the one foreseen, seeing as they are dependent upon external elements which the Company has no ability to influence or over whom it has limited influence, this being, *inter alia*, due to the risk factors specified in Section 21 of Part A of the Company's Periodical Report dated December 31, 2017 (as published on March 26, 2018 (Reference No.: 2018-01-030058)), and changes in the market conditions, including with respect to the areas of activity of the companies held by it.