

# 2019

## INTERIM FINANCIAL STATEMENTS

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MARCH 31, 2019

DIC |

D I S C O U N T  
I N V E S T M E N T  
C O R P O R A T I O N



# Discount Investment Corporation Ltd

## Interim Financial Statements March 31, 2019

**This translation does not include:**

**Part 1 - Material changes and Developments in the Corporation's  
Business Affairs**

**Part 5 - Quarterly Report Regarding the Effectiveness of Internal  
Control over Financial Reporting and Disclosure**

**Part 6 - Auditor's Letter of Consent in Connection with the Shelf  
Offering Reports Which may be Published by Virtue of the  
Company's Prospectus from May 2019**

\* The English version of this information as at March 31, 2019 is a translation of the Hebrew version of the financial statements of Discount Investment Corporation Ltd., and is presented solely for convenience purposes. Please note that the Hebrew version constitutes the binding version.

TRANSLATION FROM HEBREW – IN THE EVENT OF ANY DISCREPANCY THE HEBREW SHALL PREVAIL

## **Discount Investment Corporation Ltd.**

### **Financial Statements for the First Quarter Ended**

**March 31, 2019**

[Part A](#) - Material Changes and Developments in the Corporation's Business Affairs  
(not included)

[Part B](#) - Board of Directors' Report Regarding the State of the Company's Affairs  
and Accompanying Annexes

[Part C](#) - Condensed Consolidated Interim Financial Statements

[Part D](#) - Financial Data from the Consolidated Interim Financial Statements  
Attributed to the Corporation Itself (in Hebrew)

[Part E](#) - Quarterly Report Regarding the Effectiveness of Internal Control over  
Financial Reporting and Disclosure (not included)

[Part F](#) - Auditor's Letter of Consent in Connection with the Shelf Offering Reports  
Which May Be Published by Virtue of the Company's Prospectus from  
May 2019 (not included)

**Attached documents:**

1. Condensed interim financial statements as at March 31, 2019 of IDB Group U.S.A. Investments Inc. (see Note 3.D.1 below).
2. Data regarding the Company's liabilities are attached to these financial statements, in accordance with Regulation 38E of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, by way of reference to the aforementioned data which are included in the report regarding the corporation's liabilities, which was submitted by the Company to the Israel Securities Authority and which was published on May 30, 2019 (reference number 2019-01-054271).

DIC

# Discount Investment Corporation Ltd

**Interim Financial Statements March 31, 2019**

**Part 2 - Board of Directors' Report regarding the state of the  
Company's Affairs and its Annexes**



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## **Report for the first quarter of 2019**

The Board of Directors of Discount Investment Corporation Ltd. ("DIC" or the "Company") hereby respectfully submits the Board of Directors' Report as at March 31, 2019, which reviews the Company's principal operations during the first quarter of 2019 (the "Reporting Period"). The report has been prepared in accordance with the Securities Regulations (Periodic and Immediate Reports), 5730-1970, and is based on the assumption that the reader is also in possession of the Company's complete periodic report (including the Board of Directors' Report) for the year ended December 31, 2018 (the "Periodic Report"), and of the financial statements for 2018, as included in the Periodic Report (the "Annual Financial Statements").

The Company is a holding company which invests, independently and through investee companies, in companies which are engaged in various segments of the Israeli economy and abroad (the "Group"). Some of the investee companies operate through global diversification of their investments.

The Company concentrates its operations through consolidated companies<sup>1</sup>, associate companies<sup>2</sup>, and other investee companies in which the Company does not have significant influence. As at the publication date of the report, approximately 82.3% of the Company's issued capital is held by Dolphin IL Investments Ltd. ("Dolphin IL"), a company incorporated in Israel which is wholly owned by Dolphin Netherlands B.V. ("Dolphin Netherlands"), and approximately 1.46% of the voting rights in the Company are held by Tyrus S.A., a company incorporated in Uruguay which is wholly owned by IRSA Inversiones Y Representaciones Sociedad Anonima ("IRSA"), a foreign corporation. Dolphin Netherlands and IRSA are companies indirectly controlled by Mr. Eduardo Elsztain (through corporations under his control).

The net profit in the financial statements refers to profit attributable to the Company's owners and to non-controlling interests. The profit data presented in this Board of Directors' Report refers to the profit attributed to the Company's owners, unless stated otherwise.

The numerical data are presented as rounded figures.

## **1. Board of Directors' Remarks Regarding the State of the Company's Affairs**

### **1.1 General**

The Company is a holding company which directly and indirectly holds various companies that are engaged in various market sectors. Due to its status as a holding company, the Company's business position, operating results, capital and cash flows are primarily affected by the business positions of its primary directly and indirectly held investee companies, and by the results of their operations, cash flows and changes in equity, and sometimes also by the value of the Company's holdings in those companies. Therefore, the Board of Directors' Report presented herein also includes explanations regarding the impact of the position of these primary companies on the Company. Additionally, the Company's position, operating results, capital and cash flows are also affected by the Company's headquarter activities, which include financing expenses and income, and general and administrative expenses. The Company's degree of stability is affected, inter alia, by the fact that the Company distributes its investments. The Company's direct and indirect investments are partly investments in companies with significant cash flows, which are characterized by routine dividend distributions (see also section 1.6.4 below regarding the balances of distributable profits in investee companies directly held by the Company, and restrictions also arising therefrom), and partly investments in companies with growth and optimization potential.

The business results of the Company, and sometimes also the capital attributed to the owners of the Company, may fluctuate (in accordance with current accounting principles) a great deal between the various reporting periods, due to, inter alia, the timing and extent of realizing and making investments by DIC and its investee companies, to the effects of changes in prices of securities on the capital market and in the value of assets, and to changes in the financing expenses (net) of the Company and its investee companies, the amount of which is affected by the net amount of debt, the linkage bases of the debt and net financial assets, financial derivatives and the rate of change in the Consumer Price Index (the "CPI") and exchange rates of the relevant foreign currencies during the reporting period, mainly the exchange rate of the US dollar.

1 Companies which are held by the Company, directly or indirectly, at a rate exceeding 50% of voting rights, as well as companies over which effective control is held.

2 Companies over which the Company has significant influence, including entities under joint control, and which are included in the financial statements according to the equity method.

## **1. Board of Directors' Remarks Regarding the State of the Company's Affairs (Cont.)**

### **1.1 General (Cont.)**

The Group's member companies evaluate, each on its own level, the value of the assets held by them, as well as the attributed and unattributed excess cost included in their reports. The Group's investments in investee companies accounted by the equity method are evaluated for each holding company, on the level of its entire investment. For details regarding the book value of the main investments in investee companies as at March 31, 2019, as compared with market value, are presented in Note 3.C. to the financial statements.

The recently increased sector-wide legislation, standardization and regulation in various operating segments of the Israeli economy have a negative affect, and sometimes a significantly negative effect, on the operations of certain material investee companies of the Company, on their financial results and on the prices of their securities, and also on the Company's operations, and the Company believes that the foregoing has a significant impact on the Company and on its business operations.

The Group's operations are affected by many additional external factors (see sections 7 and 20 in Part A of the Periodic Report).

The provisions of the Law to Promote Competition and Reduce Concentration, 5774-2013 (the "Concentration Law") may have significant implications on the Company and on its investee companies (see section 7.2 in Part A of the Periodic Report).

In November 2017, a transaction was completed in which IDB Development sold all of its shares in the Company to Dolphin IL. Accordingly, the Company became a first tier company, as this term is defined in the Concentration Law, which led to the postponement of the requirement to apply the provisions of the Concentration Law with respect to reporting corporations which are other tier companies, and which are under the Company's control, to December 2019. DIC and Property & Building are each continuing to evaluate various alternatives for dealing with the 2019 requirement. For additional details, see Note 3.B. to the financial statements. In May 2019, subsequent to the date of the statement of financial position, the Board of Directors of the Company resolved to approve the execution of a full tender offer for shares in Property and Building. For details see Note 9.H. to the financial statements.

In January 2019, the independent committee which was appointed by IDB Development's Board of Directors contacted the Company with a offer, and offered the Company to initiate a process of negotiations towards the acquisition of the control of Clal Insurance Enterprises Holdings Ltd. (without offering any terms for the transaction). In March 2019, the Company's Controlling Shareholder, Mr. Eduardo Elsztain, submitted to the Director of the Capital Market, Insurance and Savings Authority (the "Commissioner") a request for a control permit (the "Request") in Clal Insurance Enterprises Holdings and in Clal Insurance Company Ltd. For additional details, see Note 3.B.5. to the financial statements.

In January and February 2019, as part of a plan for the self-purchase of DIC shares, DIC acquired an additional 10 million DIC shares, for a total consideration of NIS 96 million. For additional details, see Note 4.A. to the financial statements.

On January 17, 2019, DIC's Board of Directors resolved to perform a dividend distribution in cash in the amount of NIS 0.275 per share, reflecting a total of approximately NIS 40 million, as well as a payment in kind dividend of 0.585 par value, per share, of IDB Development's debentures (Series I), reflecting a total of NIS 64 million, according to the market value of the debentures (Series I) on the distribution date. The total sum of the distributed dividend amounted to NIS 104 million, which was paid on February 3, 2019.

In January and February 2019, DIC acquired approximately 1.4% of Property & Building's issued share capital, for a total cost of NIS 26 million.

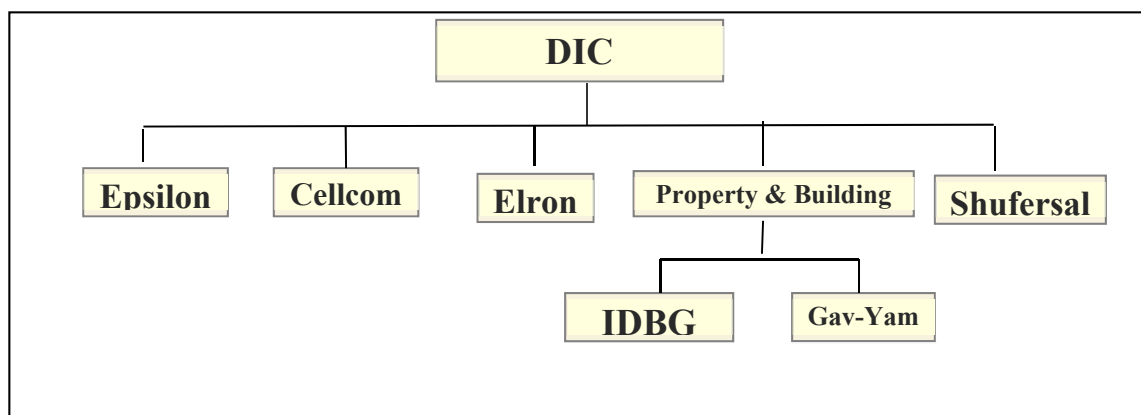
On January 17, 2019, the Board of Directors of DIC approved a plan for the self-purchase of its debentures (Series F and Series J), until the end of 2019, at a total cost of up to NIS 150 million. The aforementioned debentures will be acquired in accordance with market opportunities, according to the dates, prices and scopes which will be determined by DIC management. In the first quarter of 2019, DIC acquired its debentures (Series F and Series J), for a total cost of NIS 109 million. As a result of the acquisitions, DIC recorded, in the financial statements for the first quarter of 2019, profit from the prepayment of debentures, in the amount of NIS 17 million. For details regarding a claim and a motion to approve it as a derivative claim, on the grounds of the performance of an allegedly prohibited distribution, with respect to the aforementioned dividend distribution and self-purchases, from the date of the decision on the said distribution, see Note 5.B.1. to the financial statements.

## 1. Board of Directors' Remarks Regarding the State of the Company's Affairs (Cont.)

### 1.1 General (Cont.)

As at March 31, 2019, the main consolidated companies directly held by the Company include Property & Building (68.8%), Cellcom (44.1% in capital, 47.0% in voting rights), and Elron (59.5%). Shufersal is a primary associate company (26.0%).

Presented below is a diagram specifying the primary companies, for the purpose of this report, which are held by the Company as at March 31, 2019<sup>3</sup>



### 1.2 Results in the first quarter of 2019

The Company finished the first quarter of 2019 with loss of NIS 31 million, as compared with loss of NIS 261 million in the corresponding period last year, and profit of NIS 539 million in 2018.

For details regarding the main non-recurring profits (losses), see section 1.9.1 below.

<sup>3</sup> The above diagram is provided for convenience purposes only, and also includes investee companies which do not necessarily constitute an operating segment of the Company.

## 1. Board of Directors' Remarks Regarding the State of the Company's Affairs (Cont.)

### 1.3 Results of investee companies directly held by the Company and their contribution to the Company's results<sup>4</sup>

Segment	Rate of Holding As at March 31 2019	Data on the level of the Company			Data on the level of the investee company <sup>5</sup>		
		Profit (loss) For the three months ended March 31		Profit (loss) For the year 2018	Profit (loss) For the three months ended March 31		Profit (loss) For the year 2018
		2019	2018	2018	2019	2018	2018
		NIS millions					
Cellcom	44.1%	(7)	<sup>6</sup> (265)	<sup>7</sup> (587)	(16)	7	(62)
Property & Building	68.8%	37	33	66	53	52	116
Shufersal <sup>8</sup>	26.0%	9	28	<sup>9</sup> 1,355	48	67	265
Others <sup>10</sup>		(28)	-	(34)			
Total		11	(204)	800			
Administrative and financing, net (see section 1.4 below)		(42)	(57)	(261)			
Net income (loss)		(31)	(261)	539			

### 1.4 Administrative and financing expenses, net

	First quarter For the year		Explanation of change
	2019	2018	
	NIS millions		
Management expenses, net	(9.3)	(10.7)	The decrease in net management expenses in the first quarter of 2019, as compared with the corresponding quarter last year, was mainly due to the decrease of NIS 0.5 million in donations.
Financing expenses, net	(33)	(46)	The decrease in the first quarter of 2019, as compared with the corresponding quarter last year, was mainly due to: <ol style="list-style-type: none"> <li>Profit which was recorded in the first quarter of 2019, in the amount of NIS 17 million, from a self-purchase of the Company's debentures.</li> <li>The transition from financing income in the first quarter last year in the amount of NIS 8 million, to financing expenses in the amount of NIS 20 million in the first quarter of 2019, with respect to foreign currency differences on asset balances linked to the USD exchange rate, was due to the decrease in the USD exchange rate in the first quarter of 2019 at a rate of 3.1%, as compared with the increase of 1.4% in the corresponding period last year.</li> <li>Decrease in net interest expenses in the amount of NIS 6 million, primarily due to the decrease in the Company's net debt.</li> <li>The transition from financing expenses in the first quarter of 2018, in the amount of NIS 4 million, to financing income in the amount of NIS 13 million in the first quarter of 2019, with respect to revaluation and interest from the Company's marketable securities and liquid investments.</li> </ol>
<b>Total</b>	<b>(42)</b>	<b>(57)</b>	

4 The Company's results, as presented in the Board of Directors' Report, refer to the part of the results which is attributed to the Company's owners, unless specified otherwise. The contribution to the results takes into account the Company's share in the results of the investee, the taxes which are attributed to the investment, the Company's share in the realization or amortizations of holdings in the investee company, all after deducting / adding amortization of excess cost.

5 The presented data refer to the results of the investee companies, as presented in their financial statements, without taking into account the Company's rate of holding in them and without taking into account transactions between the companies and between the segments.

6 Includes amortization for impairment of the goodwill attributed to Cellcom in the amount of NIS 268 million.

7 Includes amortization for impairment of the goodwill attributed to Cellcom in the amount of NIS 562 million.

8 Shufersal's operating results are presented in the statements of income until the date of loss of control in June 2018 under discontinued operations; see 3.A.3.B. to the financial statements.

9 Including profit from loss of control in the amount of NIS 1,232 million.

10 Includes the Company's share in losses of Elron, in the first quarter of 2019, in the first quarter of 2018 and in 2018, in the amount of NIS 11 million, NIS 9 million and NIS 29 million, respectively.



## 1. Board of Directors' Remarks Regarding the State of the Company's Affairs (Cont.)

### 1.5 Primary data regarding the Company's primary holdings (direct and indirect)

#### Weight of primary holdings and market segments

Presented below is a table specifying the relative weight of the Company's primary holdings, in consideration of the rates of holding therein, which are calculated according to the "holding value" as at May 29, 2019:<sup>11</sup>

Mix of holdings according to primary holdings:

Investee company		% of total holdings
1	Shufersal (commerce and services)	38%
2	Property & Building (real estate)	36%
3	Cellcom (telecommunication)	19%
4	Elron (technology)	3%
All other holdings		4%
<b>Total</b>		<b>100%</b>

### 1.6 Select data from the financial statements and financing characteristics

#### 1.6.1 Summary balance sheet data

	Company		Consolidated	
	As at March 31			
	2019	2018	2019	2018
NIS millions				
Current assets	1,871	1,523	8,579	11,327
Total assets	6,396	6,496	29,246	35,203
Current liabilities	392	427	3,961	7,382
Total liabilities	4,528	5,098	23,587	29,063
Capital attributed to owners of the Company <sup>12</sup>	1,868	1,398	1,868	1,398
Total capital (including non-controlling interests)			5,659	6,140

#### 1.6.2 Liabilities and financing

Data regarding debt and cash in the Company and in its wholly owned companies:

	As at May 29	As at March 31		As at December 31
	2019	2019	2018	2018
NIS millions				
Financial liabilities <sup>13</sup>	(4,540)	(4,488)	(4,974)	(4,565)
Liquid asset balances <sup>14</sup>	1,966	1,851	1,683	2,197
Debt, net	(2,574)	(2,637)	(3,291)	(2,368)
Average lifetime of liabilities	3.73	3.89	4.57	4.13

11 The value of holdings (which does not include the liquid cash balance or the Company's liabilities) was calculated with respect to public companies - based on the known market value (proximate to the publication date of the report) and with respect to private companies - according to the book value presented in the financial statements (subject to the necessary adjustments with respect to realizations, investments and dividends). The relative weight tables of the Company's primary holdings, as stated above, by investee companies and by market segments in which the Company operates, are based on the holding data as at May 29, 2019; The figures presented in the table are rounded.

12 See also section 1.6.5 below.

13 Debentures (and as at March 31, 2018 - also undertaking to banking corporation). Also includes accrued interest in the amount of NIS 90 million, NIS 54 million, NIS 61 million and NIS 1 million, as at May 29, 2019, March 31, 2019, March 31, 2018 and December 31, 2018, respectively.

14 Includes cash and cash equivalents, marketable securities and liquid investments.

## 1. Board of Directors' Remarks Regarding the State of the Company's Affairs (Cont.)

### 1.6 Select data from the financial statements and financing characteristics (Cont.)

#### 1.6.3 The Company's financing sources

##### 1.6.3.1 Presented below are the principal monetary movements in the Company's headquarters

	For the first quarter of					
	2019			2018		
	Liquid assets <sup>(1)</sup>	Financial debt	Financial debt, net	Liquid assets <sup>(1)</sup>	Financial debt	Financial debt, net
	NIS millions					
Balance at start of period	2,197	(4,565)	(2,368)	1,817	(5,165)	(3,348)
Dividends from investees and others (see also section 1.6.3.2 below)	1	-	1	19	-	19
Settlement agreement regarding a derivative claim (Ma'ariv)	-	-	-	87	-	87
Investment in Cellcom	(4)	-	(4)	-	-	-
Investment in Property & Building	(26)	-	(26)	-	-	-
Self-purchase of debentures	(109)	125	16	-	-	-
Repayment of financial debt - principal	-	-	-	(228)	228	-
Repayment of financial debt - interest	-	-	-	(15)	15	-
Repayment of CPI - hedging transactions	-	-	-	(3)	-	(3)
Acquisition of treasury shares	(96)	-	(96)	-	-	-
Dividend paid <sup>(2)</sup>	(104)	-	(104)	-	-	-
Non-current investments	-	-	-	(1)	-	(1)
General and administrative expenses less income from management fees and others, net	(7)	-	(7)	(12)	-	(12)
Transition from long-term investment to marketable securities	-	-	-	13	-	13
Foreign currency differences	(20)	-	(20)	8	-	8
Financing - interest income, revaluation of current investments, accrual of interest on financial debt and linkage differentials	19	(48)	(29)	(2)	(52)	(54)
Balance at end of period	<u>1,851</u>	<u>(4,488)</u>	<u>(2,637)</u>	<u>1,683</u>	<u>(4,974)</u>	<u>(3,291)</u>

<sup>(1)</sup> Liquid assets including cash, cash equivalents, marketable securities and liquid investments.

<sup>(2)</sup> For details, see note 4.B. to the financial statements.

## 1. Board of Directors' Remarks Regarding the State of the Company's Affairs (Cont.)

### 1.6 Select data from the financial statements and financing characteristics (Cont.)

#### 1.6.3 The Company's financing sources (Cont.)

##### 1.6.3.2 Received dividend:

A. Presented below are details regarding cash dividend distributions which DIC received from investees and others:

	For the three months ended March 31		For the year ended December 31
	2019	2018	2018
	NIS millions		
Shufersal	-	-	80
Property & Building	-	-	64
Epsilon Investment House Ltd. ("Epsilon")	-	3	6
Credit Suisse, Emerging Markets	-	16	18
Pitango Venture Capital Fund III (Israeli Investors) LP ("Pitango")	-	-	3
Brinx Israel Ltd. ("Brinx")	-	-	1
Others	1	-	1
<b>Total</b>	<b>1</b>	<b>19</b>	<b>173</b>

B. For details regarding dividends which was announced during the reporting period, and which were paid after the date of the statement of financial position, see Note 9.C. to the financial statements.

1.6.3.3 In connection with the Company's debentures (Series J), the Company undertook, in accordance with the deed of trust, to fulfill, during the entire period of the debentures, the grounds for adjustment of the interest rate, and the following financial covenants:

Grounds for adjustment of interest rate <sup>(1)</sup> / financial covenant	Calculation results	
	As at March 31, 2019	As at May 29, 2019
In case of a reduction in the rating of the debentures by one or more notches below a rating of ilBBB, the stated interest rate will increase at a rate of 0.25% per year, and at a rate of 0.25% per year with respect to each additional decrease in rating, up to a maximum cumulative interest addition of 1% per year.	ilBBB+ Rating (Stable)	ilBBB+ Rating (Negative)
DIC's net asset value (see section 1.6.7.2 below) falls below NIS 1.1 billion, and additionally, the ratio between the net financial debt and DIC's asset value increases beyond 75%.	Net asset value - NIS 1.2 billion. Ratio between net financial debt and asset value - 69%	Net asset value - NIS 1.5 billion. Ratio between net financial debt and asset value - 64%
The ratio between DIC's net financial debt and its asset value exceeds 85%.	Ratio between net financial debt and asset value - 69%	Ratio between net financial debt and asset value - 64%
The ratio between DIC's capital and DIC's total balance sheet falls below 12.5%.	Ratio between capital and total solo balance sheet - 29%	Ratio between capital and total solo balance sheet - 29%

<sup>(1)</sup> It is noted that if and insofar as an adjustment of the interest rate is required, in any case, the maximum cumulative rate of the additional interest will not exceed 1.75% per year beyond the stated interest rate.

For additional details regarding the financial covenants which were determined in connection with the debentures (Series J), see Note 14.C.2. to the Annual Financial Statements.

## 1. **Board of Directors' Remarks Regarding the State of the Company's Affairs (Cont.)**

### 1.6 **Select data from the financial statements and financing characteristics (Cont.)**

#### 1.6.3 The Company's financing sources (Cont.)

1.6.3.4 For details regarding expected repayments of the Company's liabilities, see the Company's report regarding its liabilities by repayment dates (T-126), which was published by the Company via an electronic public report on May 30, 2019 (reference number 2019-01-054217), proximate to the publication of this report.

1.6.3.5 The cash flows of DIC are affected, inter alia, by dividends that are distributed by its investee companies and dividends that are distributed by the Company, by the consideration from the realization of its holdings therein, by investments, by repaying the Company's current liabilities and by debt raisings.

1.6.3.6 Liquidity - DIC's policy is to act to ensure that it will have sufficient liquid resources to service its liabilities in a timely manner. As part of the above, DIC aims to maintain an adequate balance of liquid resources. It is noted that as at March 31, 2019, DIC has a balance of liquid resources in the amount of NIS 1,851 million, where the total sum of principal and interest payments with respect to DIC's debts in the three remaining quarters of 2019 and in 2020 amount to NIS 536 million and NIS 482 million, respectively. No principal and interest payments are expected in the first quarter of 2021. DIC routinely reviews its future cash flow forecast and the sources which are available to it, including, inter alia, the following sources:

- Expected dividends from investee companies - in connection with the above, DIC monitors the profitability of investee companies, their available cash flow and their ability to distribute dividends. See also section 1.6.4 below regarding the balances of distributable profits in investee companies directly held by the Company. DIC expects that some of its investee companies will continue distributing additional dividends in the coming years. For details regarding dividends which DIC received from investee companies, see section 1.6.3.2 above; see also Note 9.C. to the financial statements regarding dividends from Shufersal and from Property & Building, which were announced during the reporting period, and which were paid after the date of the statement of financial position, and which are not included in the aforementioned balance of liquid assets as at March 31, 2019.
- Debt restructuring - the Company evaluates, from time to time, the possibility of receiving loans or loans secured by pledges on assets from financial institutions or institutional entities, for an exchange of an existing debenture series, or for an issuance of a new debenture series.
- Realization of holdings in investee companies - DIC is able to realize a few percent or more of the share capital of investee companies, while retaining the control or significant influence thereof, as applicable, and also its ability to realize all or most of its holdings in the shares of one of the investee companies.

It is noted that DIC holds control and significant influence of large public companies, which are leaders in their fields, whose shares have a high degree of marketability, and DIC's holdings therein are free and clear of any pledges.

It is also noted that the net asset value of DIC as at May 29, 2019 (which is based on the market value of its primary investments according to their average market value during the five trading days which preceded the above date) amounts to of NIS 1,450 million.

## 1. Board of Directors' Remarks Regarding the State of the Company's Affairs (Cont.)

### 1.6 Select data from the financial statements and financing characteristics (Cont.)

#### 1.6.4 Retained earnings and negative balances of distributable profits<sup>15</sup>

The balance of distributable profits (as this term is defined in section 302 of the Companies Law), of the Company and of investee companies directly held by the Company is as follows:

As at March 31, 2019				
Held by the Company				
NIS millions				
The Company <sup>16</sup>	Property & Building	Cellcom <sup>17</sup>	Shufersal	Elron <sup>18</sup>
40	267	1,323	425	(146)

#### 1.6.5 Movement in the capital attributed to the owners of the Company<sup>19</sup>

	For the three months ended		For the year ended
	March 31		December 31
	2019	2018	2018
NIS millions			
Balance at start of period	2,317	1,666	1,666
Initial adoption of the amendment to IAS 28	(171)	-	-
Initial adoption of the final version of IFRS 9	-	(30)	(30)
<u>Changes during the period</u>			
Exercise of share warrants	-	-	9
Net profit (loss) attributable to the Company's owners	(31)	(261)	539
Acquisition of treasury shares	(96)	-	(19)
Dividend to the Company's owners	(104)	-	-
Reserves from translation differences	(52)	20	102
Reserves in respect of transactions with non-controlling interests	-	1	(1)
Hedging reserves	2	1	2
Revaluation reserves	2	-	45
Capital reserves and other movements, net	1	1	4
Balance at end of period	<u>1,868</u>	<u>1,398</u>	<u>2,317</u>

15 For details regarding restrictions on the distribution of dividends, see sections 8.4, 9.4 and 10.4 of Part A of the periodic report and Note 3.H to the Annual Financial Statements. In addition, the aforementioned companies, as well as their investee companies, are subject by law to various agreements or permits and restrictions pertaining to the distribution of dividends.

16 The balance of distributable profits as at March 31, 2019 was calculated based on the net profit (loss) attributable to the owners of the Company, which was accrued in the last eight quarters, less dividends which were distributed during the period, and less the acquisition of treasury shares in the amount of NIS 115 million, in accordance with the provisions of section 302 of the Companies Law. The cumulative balance of retained earnings is negative.

17 The balance of retained earnings (surplus) in the reviewed financial statements of Cellcom as at March 31, 2019.

18 Data with respect to Elron were translated for convenience purposes according to the exchange rate as at March, 31 2019.

19 See also section 1.7 below.



## 1. Board of Directors' Remarks Regarding the State of the Company's Affairs (Cont.)

### 1.6 Select data from the financial statements and financing characteristics (Cont.)

#### 1.6.6 Linkage bases of the Company's assets and liabilities as at March 31, 2019 (including wholly owned subsidiaries)

	Linked to the CPI	Linked to foreign currency (primarily to the USD)	Unlinked NIS millions	Non- monetary items	Total
Right-of-use assets	-	-	-	1	1
Fixed assets	-	-	-	1	1
Investments in investee companies and other companies (see section 1.6.7)	-	-	-	4,420	4,420
Dividend receivable	-	-	120	-	120
Other receivables and debit balances	-	-	6	1	7
Short term deposits	-	-	9	-	9
Investments in marketable securities	-	283	37	351	671
Cash and cash equivalents	-	647	538	-	1,185
<b>Total assets</b>	<b>-</b>	<b>930</b>	<b>710</b>	<b>4,774</b>	<b>6,414</b>
Debentures (including maturities)	1,969	-	2,477	-	4,446
Employee benefits	-	-	-	2	2
Lease liabilities	-	-	1	-	1
Other payables and credit balances	25	-	37	17	79
Current provisions	-	-	-	18	18
<b>Total liabilities</b>	<b>1,994</b>	<b>-</b>	<b>2,515</b>	<b>37</b>	<b>4,546</b>
<b>Net exposure as at March 31, 2019</b>	<b>(1,994)</b>	<b>930</b>	<b>(1,805)</b>	<b>4,737</b>	<b>1,868</b>
<b>Net exposure as at March 31, 2018</b>	<b>(2,309)</b>	<b>861</b>	<b>(2,000)</b>	<b>4,846</b>	<b>1,398</b>
<b>Net exposure as at December 31, 2018</b>	<b>(1,938)</b>	<b>940</b>	<b>(1,714)</b>	<b>5,029</b>	<b>2,317</b>

For details regarding the linkage bases of the total assets and total liabilities in the consolidated statement of financial position as at March 31, 2019, see section 2.2 below.

#### 1.6.7 Investment in investee companies and others

##### 1.6.7.1 Presented below is the movement in investee companies and other companies:

	For the three months ended March 31, 2019 NIS millions
Balance at start of period	4,720
Initial adoption of the amendment to IAS 28	(171)
Company's share in the profit of investees accounted by the equity method	22
Dividends from investee companies <sup>(1)</sup>	(120)
Change in investments as a result of third party acquisitions	29
Change in investments applied to capital reserves	(46)
Other changes	(14)
Balance at end of period	4,420

<sup>(1)</sup> Not including dividends from companies measured at fair value, which are applied to the statement of income.

**1. Board of Directors' Remarks Regarding the State of the Company's Affairs (Cont.)**

**1.6 Select data from the financial statements and financing characteristics (Cont.)**

1.6.7 Investment in investee companies and others (Cont.)

1.6.7.2 Presented below are the balances of investments in investee companies and others, the net asset value and the leverage ratio<sup>20</sup> as at March 31, 2019:

	<u>Holding rate</u>	<u>Book value</u> NIS millions	<u>Asset value<sup>20</sup></u>
<u>Companies accounted by the equity method</u>			
Cellcom	44.1%	1,589	674
Shufersal <sup>21</sup>	26.0%	1,347	1,497
Property & Building <sup>21</sup>	68.8%	1,165	1,352
Elron	59.5%	159	161
Epsilon	68.8%	54	54
EMCO	12.2%	10	10
Microwave Networks, Inc.	99.8%	12	12
Others		7	7
 <u>Companies and funds measured at fair value</u>			
Indivision	3.5%	3	3
Pitango	27.3%	23	23
Mustang Mezzanine Fund, LP	23.8%	12	12
Brinx	10.0%	28	28
Others		11	11
		<u>4,420</u>	<u>3,844</u>
Less financial debt, net (section 1.6.2)			<u>(2,637)</u>
Total net asset value [NAV]			<u>1,207</u>
Leveraging ratio [LTV]			<u>69%</u>

20 Net asset value is calculated according to the value of the assets, as stated below: (A) With respect to non-marketable holdings - according to their value in the Company's financial statements; (B) With respect to marketable holdings - according to their average market value during the five trading days preceding March 31, 2019.

21 The book value of the balance of the investment in Property & Building and in Shufersal is after deducting dividends which were announced in March 2019 and received in April 2019, in the amount of NIS 78 million and NIS 42 million, respectively. The asset value includes the addition of the aforementioned balances.

## 1. Board of Directors' Remarks Regarding the State of the Company's Affairs (Cont.)

### 1.7 Changes in capital and profit (loss) quality

For details regarding changes and effects on the Company's capital and profit quality, see section 1.1 above.

The Company's total comprehensive loss in the first quarter of 2019 (including non-controlling interests) amounted to NIS 67 million, as compared with comprehensive loss (including non-controlling interests) of NIS 196 million in the corresponding quarter last year. The aforementioned difference is primarily due to the following factors:

A. Net profit in the first quarter of 2019 (including non-controlling interests) amounted to NIS 7 million, as compared with loss in the amount of NIS 231 million in the corresponding quarter last year.

B. In the first quarter of 2019, other comprehensive loss was recorded with respect to investee companies accounted by the equity method, net of tax, in the amount of NIS 10 million, as compared with other comprehensive income in the amount of NIS 10 million in the corresponding quarter last year.

C. In the first quarter of 2019, other comprehensive loss (including non-controlling interests) net of tax was recorded for foreign currency translation differences with respect to foreign operations in the amount of NIS 64 million, as compared with other comprehensive income, net of tax, in the amount of NIS 23 million in the corresponding quarter last year. The change was mostly due to the decrease in the USD exchange rate in the first quarter of 2019 at a rate of 3.1%, as compared with the increase of 1.4% in the corresponding quarter last year.

Comprehensive loss attributable to the owners of the Company in the second quarter of 2019 amounted to NIS 79 million, as compared with comprehensive loss in the amount of NIS 240 million in the corresponding quarter last year.

### 1.8 Summary of the Company's results (consolidated)

	For the three months ended March 31		For the year ended December 31
	2019	2018	2018
	NIS millions		
Net income (loss) for the period attributable to owners of the Company	(31)	(261)	539
Net income for the period attributable to non-controlling interests	38	30	151
Net income (loss) attributable to the owners of the Company and to non-controlling interests	7	(231)	690
Income (loss) from the realization and increase in value of investments and assets, and dividends, less amortization of investments and assets and increase in net value (including non-controlling interests)	(6)	(317)	* 642
Comprehensive income (loss) attributable to Company shareholders	(79)	(240)	700
Basic and diluted income (loss) per share - in NIS	(0.2)	(1.7)	3.5

\* Includes income with respect to the loss of control of Shufersal in the amount of NIS 1,232 million, which is presented under discontinued operations.

## 1. Board of Directors' Remarks Regarding the State of the Company's Affairs (Cont.)

### 1.9 Details of main non-recurring events

#### 1.9.1 Details regarding main non-recurring profits (losses)

	For the three months ended March 31		For the year ended December 31
	2019	2018	2018
	NIS millions		
<b>Involving cash flows -</b>			
Gain from loss of control of Shufersal	-	-	400
Gain on sale of Shufersal shares	-	-	22
Gain from self-purchase of Bonds	17	-	6
<b>Not involving cash flows -</b>			
Gain on sale of Shufersal shares	-	-	832
Impairment of goodwill attributed to Cellcom	-	(268)	(562)
Update to the value of the HSBC Tower, net	-	-	24
Update to the value of the Tivoli project in Las Vegas, net	(2)	-	(26)

#### 1.9.2 Main non-recurring impacts which directly affect capital attributed to the Company's owners

- 1.9.2.1 For details regarding the self-purchase of DIC shares, in the first quarter of 2019, of a total of NIS 96 million, which was recorded in the financial statements for the first quarter of 2019 in the statement of changes in equity as treasury shares, see Note 4.A. to the financial statements.
- 1.9.2.2 For details regarding a dividend distribution (in cash and in kind), in the amount of NIS 104 million, which was paid on February 3, 2019, see Note 4.B. to the financial statements.
- 1.9.2.3 For details regarding the acquisition of 0.2% of Cellcom's issued share capital by the Company in January 2019, see Note 3.A.1.A. to the financial statements.
- 1.9.2.4 For details regarding the acquisition of 1.4% of Property & Building's issued share capital by the Company in January and February 2019, see Note 3.A.2.A to the financial statements.

## 1. Board of Directors' Remarks Regarding the State of the Company's Affairs (Cont.)

### 1.10 Contribution to the business results of the Company and of investee companies, by operating segment<sup>22</sup>

#### 1.10.1 Cellcom segment

DIC's share in the results of the Cellcom segment in the first quarter of 2019 amounted to loss of NIS 7 million, as compared with loss in the amount of NIS 265 million, including an amortization for impairment of the goodwill attributed to Cellcom in the amount of NIS 268 million, which was recorded in the first quarter of 2018, and loss in the amount of NIS 587 million in 2018, including amortization for impairment of the goodwill attributed to Cellcom in the amount of NIS 562 million.

The first quarter of 2019 was characterized by continued competition in the mobile segment, and on the other hand, continued growth in the landline segment.

#### Summary of the business results of the Cellcom segment

	<u>First quarter of</u>		<u>Increase</u>	<u>Explanation</u>
	<u>2019</u>	<u>2018</u>	<u>(Decrease)</u>	
	<u>NIS millions</u>		<u>%</u>	
Income from services	678	701	(3.3)	The decrease in the first quarter of 2019, as compared with the corresponding period last year, was primarily due to the decrease of 7.6% in income from services in the mobile segment, due to the decline in income from mobile services, as a result of the ongoing erosion in the prices of those services, in light of the competition in the mobile market. On the other hand, in the landline segment, an increase of 4.3% occurred relative to the corresponding quarter last year, mainly due to the increase in income from internet and television services.
Revenues from end user equipment	250	232	7.8	The increase in the first half of 2019, as compared with the corresponding period last year, was primarily due to the increase in the scope of sales of end user equipment in the landline segment, which was partially offset by the decrease in the scope of sales of end user equipment in the mobile segment.
<b>Total revenues</b>	<b>928</b>	<b>933</b>	<b>(0.5)</b>	

<sup>22</sup> In the tables presented in this section, the percentage of change pertaining to the comparison of data to the corresponding periods of last year is calculated based on exact figures which are not rounded to the nearest million.



## 1. Board of Directors' Remarks Regarding the State of the Company's Affairs (Cont.)

### 1.10 Contribution to the business results of the Company and of investee companies, by operating segment (Cont.)

#### 1.10.1 Cellcom Segment (Cont.)

##### Summary of the business results of the Cellcom segment

	<u>First quarter of</u>		<u>Increase</u>	<u>Explanation</u>
	<u>2019</u>	<u>2018</u>	<u>(Decrease)</u>	
	<u>NIS millions</u>		<u>%</u>	
Cost of sales and services	(695)	(665)	4.5	The increase in the first quarter of 2019, as compared with the corresponding quarter last year, was primarily due to the increase in sales of end user equipment in the landline segment, and the increase in content costs for television services and in costs associated with internet services in the landline segment, and which was partially offset by the decrease in the cost of the end user equipment which was sold in the mobile segment.
Gross profit	233	268	(13.1)	
Rate of gross profit from total revenues	25.1%	28.7%	(12.5)	
Operating expenses	(229)	(223)	2.7	The increase in the first quarter of 2019, relative to the corresponding period last year, was primarily due to the increase in payroll expenses and commissions to marketers, due to the periodic amortization of discounted costs to obtain contracts with customers and was partially offset by the increase in expenses with respect to doubtful debts and welfare expenses.
Operating profit	9	52	(82.7)	
Adjusted EBITDA <sup>23</sup>	224	187	19.8	The increase in the first quarter of 2019, relative to the corresponding quarter last year, was primarily due to the decrease in rental expenses in the amount of NIS 63 million, which were recognized as a right-of-use asset due to the adoption of IFRS 16 and the increase in the scope of sales of end user equipment in the landline segment, and was partly offset by the continued erosion in income from mobile services.
Rate of EBITDA from total revenues	24.1%	20.0%	20.5	
Financing expenses, net	(27)	(40)	(32.5)	The decrease in the first quarter of 2019, as compared with the corresponding period last year, was primarily due to profits in Cellcom's marketable investments portfolio, due to the increase in the securities market in the first quarter of 2019, which was partly offset by the increase in financing expenses due to the adoption of IFRS 16.
Tax income (expenses)	2	(5)	Transition to tax income	In the first quarter of 2019, Cellcom recorded tax income, primarily due to the expected use of losses for tax purposes, as compared with tax expenses which were recorded in the corresponding quarter last year, as a result of taxable income for tax purposes.
Net profit (loss)	(16)	7	Transition to loss	

#### Cellcom's main operational indicators:

	<u>First quarter of</u>		<u>Change in %</u>
	<u>2019</u>	<u>2018</u>	<u>Increase (decrease)</u>
<b>In the mobile segment:</b>			
Number of Cellcom subscribers at end of period (in thousands)	2,853	2,822	1.1
Churn rate	11.0%	9.5%	15.8
Monthly average revenue per user (ARPU) (in NIS)	47.2	51.8	(8.9)
<b>In the landline segment:</b>			
Number of subscribers (households) at end of period in the television segment (in thousands)	227	184	23.4
Number of subscribers (households) at end of period in the internet infrastructure segment (in thousands)	278	235	18.3

For details regarding the main changes in the holdings in the Cellcom segment during the reporting period, see Note 3.A.1. to the financial statements.

23 Adjusted EBITDA - A standard index in the communications sector, defined as earnings before net financing income (expenses), other net income (expenses) (excluding expenses in connection with the voluntary retirement programs for employees and profit (loss) losses from the sale of subsidiaries), taxes, depreciation and amortization, and share-based payments.

## 1. Board of Directors' Remarks Regarding the State of the Company's Affairs (Cont.)

### 1.10 Contribution to the business results of the Company and of investee companies, by operating segment (Cont.)

#### 1.10.2 Property & Building segment

DIC's share in the results of the Property & Building segment in the first quarter of 2019 amounted to profit of NIS 37 million, as compared with profit of NIS 33 million in the first quarter of 2018, and profit of NIS 66 million in 2018.

Further to 2018, the first quarter of 2019 was characterized by stability in the income-generating property branch in Israel, as reflected both in the level of demand and in the level of rental prices and occupancy rates. Throughout the period, demand was seen for office, commercial, industry and logistics areas, in most of the operating areas at Property & Building, as reflected in the stabilization of prices and even the increase of rent in some of the high demand areas, and maintenance of high occupancy rates of approximately 97%.

#### Summary of the business results of Property & Building

	<b>First quarter of</b>		<b>Increase</b>	<b>Explanation</b>
	<b>2019</b>	<b>2018</b>	<b>(Decrease)</b>	
	<b>NIS millions</b>		<b>%</b>	
Revenues from property rentals	232	221	5.0	The increase in the first quarter of 2019, as compared with the corresponding period last year, was due to the occupancy of new revenue-generating projects, and the real increase in rental income.
Revenues from the rental of identical properties <sup>24</sup> after the deduction of holding expenses ("NOI")	176	172	2.3	The increase in the first quarter of 2019 as compared with the corresponding period last year was due to the real increase in rent, and the increase of the occupancy rate in properties whose construction was completed in previous years.
Revenues from the sale of apartments and real estate	97	144	(32.6)	The decrease in the first quarter of 2019, as compared with the corresponding period last year, was primarily due to the decrease in the scope of active projects. Revenue from apartment sales is recognized based on the progress of sales and construction in the projects.
EBITDA <sup>25</sup>	169	167	1.2	
Increase in fair value of investment property, net	5	6	(16.7)	
Share of Property & Building in the net profits of investee companies	21	34	(38.2)	The decrease in the first quarter of 2019, as compared with the corresponding period last year, was primarily due to the measurement of some of the loans which were given to IDBG at fair value, as a result of the implementation of the IAS 28, and to the update to the valuation of the Tivoli project in Las Vegas, which was recorded in the first quarter of 2019. It is noted that, in 2018, the valuation of the Tivoli project was updated in the second quarter of 2018 (as specified in Note 3.A.2.B. to the financial statements).
Financing expenses, net	(63)	(82)	(23.2)	The decrease in the first quarter of 2019, relative to the corresponding period last year, was primarily due to the increase in financing income from marketable securities and from deposits, and was partly offset by the increase in interest expenses on the debt, as a result of increase in net debt, despite the fact that the index did not change in the current period, relative to the corresponding period last year.
Tax expenses	(33)	(28)	(17.9)	The increase in the first quarter of 2019, as compared with the corresponding period last year, was primarily due to the change in pre-tax profit, net of results of associate companies.
<b>Net profit</b>	<b>53</b>	<b>52</b>	<b>1.9</b>	

For details regarding principal changes in the holdings of the Property & Building segment during the reporting period, see Note 3.A.2 to the financial statements.

<sup>24</sup> Properties which existed as at March 31, 2019 and which also existed in the corresponding quarter last year.

<sup>25</sup> Earnings before income tax, financing expenses, depreciation, amortization, revaluations and Property & Building's share in the business results of investee companies.

## 1. Board of Directors' Remarks Regarding the State of the Company's Affairs (Cont.)

### 1.10 Contribution to the business results of the Company and of investee companies, by operating segment (Cont.)

#### 1.10.3 Shufersal segment

DIC's share in the results of the Shufersal segment in the first quarter of 2019 amounted to profit of NIS 9 million, as compared with profit of NIS 28 million in the first quarter of 2018, and profit of NIS 1,355 million in 2018, which was primarily due to profit in the amount of NIS 1,254 million, as a result of the sale of approximately 24% of Shufersal shares, and the revaluation of the balance of the investment in Shufersal (33.6%) to fair value, in light of the loss of control.

Shufersal's results in the first quarter of 2019 were affected by seasonality, by the timing of the Passover holiday, which this year fell in mid-April, and its effects on Shufersal's results were reflected both in the first quarter and in the second quarter of 2019, whereas last year, Passover eve fell in late March, such that most of the effects of the Passover holiday were reflected in the first quarter of 2018; The results were also affected by the continued development of Shufersal's digital platform, which primarily includes the "Shufersal Online" system, and the continued expansion and strengthening of the private brand, including the launch of products in current and new categories in the Be (formerly New Pharm) segment. Shufersal is working to continue the development of the brand, while implementing and applying the activity of the Be chain with the activities of Shufersal, continuing the distribution and expansion of the customer base of Be chain, including operational synergies, rebranding, expansion of the mix of products, opening concept branches and chain expansion, substantiating the new credit card customer club, and continuing the development of its revenue-generating real estate segment.

#### Summary of the business results of Shufersal

	First quarter		Increase (Decrease)	Explanation
	For the year			
	2019	2018	%	
	NIS millions			
Revenues from the retail segment	2,974	3,017	(1.4)	The decrease in the first quarter of 2019, as compared with the corresponding period last year, was primarily due to seasonality. Sales in identical stores which were fully operational in the two reporting periods decreased by 3.8%, and are attributable to the timing of the Passover holiday.
Revenues from the real estate segment	44	44	-	
Revenues from the credit card customer club management segment	19	21	(9.5)	
Revenues from the Be segment	163	140	16.4	The increase in the first quarter of 2019, as compared with the corresponding period last year, was primarily due to the opening of new branches, and was partly offset by the timing of the Passover holiday.
<b>Total revenues<sup>26</sup></b>	<b>3,149</b>	<b>3,169</b>	<b>(0.6)</b>	
Sales per square meter - retail segment (NIS in thousands)	5.90	6.14	(3.9)	The decrease in the first quarter of 2019, as compared with the corresponding period last year, was primarily due to the decrease in sales due to the timing of the Passover holiday.

26 After adjustments in respect of inter-segmental rentals.

**1. Board of Directors' Remarks Regarding the State of the Company's Affairs (Cont.)**  
**1.10 Contribution to the business results of the Company and of investee companies, by operating segment (Cont.)**  
**1.10.3 Shufersal segment (Cont.)**

Summary of the business results of Shufersal (Cont.)

	First quarter		Increase (Decrease)	Explanation
	2019	2018		
	NIS millions		%	
Gross profit	860	850	1.2	The increase in gross profit and its rate in the first quarter of 2019 compared to the corresponding period last year was mainly due to an improvement in the terms of trade, which derived mainly from the timing of the holiday.
Rate of gross profit from total revenues	27.3%	26.8%	1.9	
Operating expenses	731	737	(0.8)	The decrease in the first quarter of 2019, as compared with the corresponding period last year, was primarily due to the decrease in costs of launching C.A.L. credit cards, and the initial adoption of IFRS 16 in the current quarter, and was partly offset by the continued distribution and expansion of the customer base of Be chain, and the expansion in the series of branches.
Operating profit <sup>27</sup>	128	112	14.3	
Rate of operating profit	4.1%	3.5%	17.1	
EBITDA	305	193	58.0	The increase in the first quarter of 2019, as compared with the corresponding period last year, was primarily due to the initial adoption of IFRS 16 in the current quarter, and to that stated above.
Rate of EBITDA from total revenues	9.7%	6.1%	59.0	
Financing expenses, net	(64)	(28)	128.6	The increase in the first quarter of 2019, as compared with the corresponding period last year, was primarily due to the impact of the adoption of IFRS 16 and the increase in expenses with respect to forward transactions in the current quarter, relative to the corresponding quarter last year.
Tax expenses	(17)	(18)	(5.6)	
<b>Net profit</b>	<b>48</b>	<b>67</b>	<b>(28.4)</b>	

For details regarding the main changes in the holdings of the Shufersal segment during the reporting period, see Note 3.A.3. to the financial statements.

## 2. Exposure to and Management of Market Risks

- 2.1 During the reporting period, no material changes occurred in the Company's exposure to and management of market risks, relative to the Company's reports on this subject in the Company's Board of Directors' Report for 2018. The Company does not manage the risks of its investee companies.
- 2.2 Linkage bases of the total assets and total liabilities in the consolidated statement of financial position as at March 31, 2019:

	Linked to the CPI	Linked to the USD	Linked to other currency	Unlinked	Non-monetary items	Total
	NIS millions					
Total assets	648	1,615	17	5,844	21,122	29,246
Total liabilities	9,314	1,630	3	10,512	2,128	23,587
<b>Net balance as at March 31, 2019</b>	<b>(8,666)</b>	<b>(15)</b>	<b>14</b>	<b>(4,668)</b>	<b>18,994</b>	<b>5,659</b>
<b>Net balance as at March 31, 2018<sup>28</sup></b>	<b>(10,786)</b>	<b>(141)</b>	<b>(1)</b>	<b>(5,088)</b>	<b>22,156</b>	<b>6,140</b>
<b>Net balance as at December 31, 2018</b>	<b>(8,149)</b>	<b>(38)</b>	<b>14</b>	<b>(3,923)</b>	<b>18,437</b>	<b>6,341</b>

### 2.3 Investee companies

During the reporting period, no material changes occurred in the exposure area of the Company's material investee companies to market risks and the management thereof, with respect to the Company's reports on the subject in the Company's Board of Directors' Report for 2018.

## 3. Donations and Assistance to the Community

Further to that stated in section 3.1 of the Company's board of directors' report for 2018, in March 2019, the Company's Board of Directors resolved to set the Company's donation budget for 2019 at a total of NIS 5.39 million, whereby a total of NIS 2 million out of the aforementioned amount (which constitutes 0.37% of the Company's net profit for 2018, according to its audited consolidated financial statements, and constitutes 37% of the Company's total donation budget for 2019) will be provided as a donation to IDB Community Foundation (R.A.), a not-for-profit association which collects donations from member companies of the Group. In April 2019, subsequent to the date of the statement of financial position, the donation was transferred to IDB Community Foundation.

## 4. Disclosure Requirements Regarding the Corporation's Financial Report

### 4.1 Plan for self-purchase of DIC shares

For details regarding self-purchases of DIC shares, in accordance with the self-purchase plan which was approved by the Company's Board of Directors in December 2018, see Note 4.A. to the financial statements.

### 4.2 Plan for self-purchase of DIC debentures

For details regarding actions with the Company's debentures, in accordance with the self-purchase plan which was approved by the Company's Board of Directors in January 2019, see Note 4.C. to the financial statements.

### 4.3 Major events subsequent to the date of the statement of financial position

For details regarding major events subsequent to the date of the statement of financial position, see Note 9 to the financial statements.

### 4.4 Specific disclosure for the debenture holders

See Annex A to the Board of Directors' Report.

\_\_\_\_\_  
Eduardo Elsztain  
Chairman of the Board

\_\_\_\_\_  
Sholem Lapidot  
General Manager

Tel Aviv, May 30, 2019

<sup>28</sup> Including assets and liabilities of Shufersal, which were consolidated in the Company's financial statements, until the date of loss of control in June 2018; for details, see Note 3.A.3.B. to the financial statements.

DIC

**Discount Investment Corporation Ltd**

**Interim Financial Statements March 31, 2019**

**Annex to the Directors' Report**

## Annex - Financial Position and Financing Sources

### Information regarding the Company's debentures

Presented below is a table specifying the Company's debenture series

Summary of data regarding debentures<sup>(1)</sup>, NIS millions

Series	Original issuance date	Par value on the issuance date	Data as at March 31, 2019					Data as at May 29, 2019			Principal payment dates <sup>(3)</sup>		Linkage terms	Trust company - Name of supervisor, address and telephone number	
			Outstanding par value balance	Outstanding linked par value balance	Amount of interest accrued in the books	Book value of the balance of debentures <sup>(2)</sup>	Market value	Outstanding par value balance	Outstanding linked par value balance	Interest rate (fixed)	From	to			Interest payment dates
F <sup>(4)(8)</sup>	28.12.06 1.4.07* 28.6.07* 7.7.13 to 15.12.13* 14.1.14* 3.8.16* 2.4.17*	3,705	1,618	1,955	24	1,956	1,912	1,618	1,971	4.95%	31.12.17	31.12.25	December 31 <sup>(3)</sup>	CPI-linked	<b>Hermetic Trust (1975) Ltd.</b> Person in charge: Dan Avnon, Adv., 113 Hayarkon St., Tel Aviv 6357301, Tel: 03-5544553
H	28.6.07	187	31	37	1	38	39	31	37	4.45%	28.6.14	28.6.19	June 28 <sup>(3)</sup>	CPI-linked	<b>Strauss Lazar Trust Company (1992) Ltd.</b> Person in charge: Uri Lazar, CPA, 17 Yitzchak Sadeh St., Tel Aviv 6777517, Tel: 03-6237777.
J <sup>(6)(8)</sup>	2.10.17 12.12.17*	2,582	2,442	2,442	29	2,507	2,068	2,442	2,442	4.80%	30.12.21	30.12.26	June 30 December 30 <sup>(7)</sup>	Unlinked	<b>Strauss Lazar Trust Company (1992) Ltd.</b> Person in charge: Uri Lazar, CPA, 17 Yitzchak Sadeh St., Tel Aviv 6777517, Tel: 03-6237777.
<b>Total</b>		<b>6,474</b>	<b>4,091</b>	<b>4,434</b>	<b>54</b>	<b>4,501<sup>(5)</sup></b>	<b>4,019</b>	<b>4,091</b>	<b>4,450</b>						

(1) The Company has also fulfilled all of the debenture terms, and additionally, the Company has fulfilled all of the terms of the liability as specified in the deed of trust. (2) Including interest accrued in the books and net premiums. (3) Annual payments. (4) Series F is a material debenture series which constitutes 5% or more of the corporation's total liabilities, as presented in the separate financial report. With respect to this debenture series - no securities or collateral were provided to the lender; the credit is of the recourse type; no financial covenants have been established; no breach events have taken place or are currently taking place; the debentures do not confer the right of early repayment; and no material changes were made to the terms of the debentures in 2019. (5) The book value includes a net premium in the amount of NIS 13 million. (6) Series J is a material debenture series which constitutes 5% or more of the corporation's total liabilities, as presented in the separate financial report. With respect to this debenture series - no securities or collateral were provided to the lender; the credit is of the recourse type; financial covenants were established; no breach events took place or are currently taking place; the debenture does not confer upon the Company the right of early repayment; and no material changes have been made to the terms of the debentures in the first quarter of 2019. (7) Semi-annual payments. (8) In January - March 2019, the Company acquired, in trading on the stock exchange, approximately NIS 20 and approximately 101 million par value of the Company's debentures (Series F and Series J), respectively. The aforementioned debentures were delisted from the stock exchange.

\* An extension was made to the aforementioned series on these dates. The data in the table refer to the entire series.



**Annex - Financial Position and Financing Sources (Cont.)**

**Details regarding debenture ratings**

Series	Name of rating company	Rating as at March 31, 2019	Rating as at May 30, 2019	Rating on the series issuance date	Date of rating issuance as at May 30, 2019	Additional ratings during the period between the date of the original issuance and the current rating as at May 30, 2019	
						Date	Rating
F	S&P Maalot	BBB+ (Stable)	BBB+ (Negative)	AA	4/2019	4/2007, 6/2007, 11/2008, 7/2009, 1/2011, 10/2011, 11/2011, 1/2012, 5/2012, 9/2012, 7/2013, 8/2013, 12/2013, 3/2014, 12/2014, 2/2015, 3/2016, 7/2016, 2/2017, 3/2017, 8/2017, 9/2017, 12/2017, 3/2018, 8/2018	AA, A+, A-BBB+, BBB, BBB-
H	S&P Maalot	BBB+ (Stable)	BBB+ (Negative)	AA	4/2019	11/2008, 7/2009, 1/2011, 10/2011, 11/2011, 1/2012, 5/2012, 9/2012, 8/2013, 3/2014, 12/2014, 2/2015, 3/2016, 7/2016, 2/2017, 3/2017, 8/2017, 9/2017, 12/2017, 3/2018, 8/2018	AA, A+, A-BBB+, BBB, BBB-
J	S&P Maalot	BBB+ (Stable)	BBB+ (Negative)	BBB	4/2019	9/2017, 12/2017, 3/2018, 8/2018	BBB, BBB+

For S&P Maalot's updated rating report with respect to the Company's debentures, see the Company's immediate report regarding the rating of liability certificates, which was published by the Company, through a public electronic report, on April 18, 2019 (reference number 2019-01-039151).

DIC

**Discount Investment Corporation Ltd**

**Interim Financial Statements March 31, 2019**

**Part 3 - Condensed Consolidated Interim Financial Statements**

**Discount Investment Corporation Ltd.**

**Condensed Consolidated Interim Financial Statements  
As at March 31, 2019**

---

**(Unaudited)**

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## **Auditors' Review Report to the Shareholders of Discount Investment Corporation Ltd.**

### **Introduction**

We have reviewed the attached financial information of Discount Investment Corporation Ltd. and its subsidiaries (hereinafter: the "Group"), which includes the condensed consolidated interim statement of financial position as at March 31, 2019, as well as the condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended. The board of directors and management are responsible for preparing and presenting the financial information for this interim period in accordance with IAS 34, "Interim Financial Reporting", and are also responsible for compiling the financial information for these interim periods in accordance with Chapter IV of the Securities Regulations (Periodic and Immediate Reports), 5730-1970. Our responsibility is to express a conclusion regarding the financial information for these interim periods, based on our review.

We have not reviewed the condensed interim financial information of consolidated companies, whose assets as included in the consolidation constitute approximately 3% of total consolidated assets as at March 31, 2019, and whose income as included in the consolidation constitutes approximately 3% of total consolidated income from sales and services, in the three month period then ended. We have also not reviewed the condensed interim financial information of investee companies accounted by the equity method, the investment in which totaled approximately NIS 747 million as at March 31, 2019, and where the Group's share in their income amounted to approximately NIS 11 million for the three month period then ended.

The condensed interim financial information of those companies was reviewed by other auditors, whose review reports were presented to us, and our conclusion, insofar as it refers to the financial information with respect to those companies, is based on the review reports provided by the other auditors.

### **Scope of the Review**

We have conducted our review according to Review Standard 1 of the Institute of Certified Public Accountants in Israel, "Review of Financial Information for Interim Periods Prepared by the Entity's Auditor." A review of financial information for interim periods consists of inquiries, mainly with the people responsible for financial and accounting matters, and of the application of analytical and other review procedures. A review is significantly limited in scope compared to an audit prepared according to generally accepted auditing standards in Israel, and therefore does not allow us to achieve certainty that we have become aware of all material issues that may have been identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, and on the review reports prepared by other auditors, we have not become aware of any information which would have caused us to believe that the aforementioned financial information has not been prepared, in all material respects, in accordance with IAS 34.

In addition to that stated in the previous paragraph, based on our review and on the review reports prepared by other auditors, we have not become aware of any information which would cause us to believe that the aforementioned financial information is not compliant, in all material respects, with the disclosure provisions of Chapter IV of the Securities Law Regulations (Periodic and Immediate Statements), 5730-1970.

Tel Aviv,  
May 30, 2019

Kesselman & Kesselman  
Certified Public Accountants  
A member firm of PricewaterhouseCoopers International Limited

**Condensed Consolidated Interim Statements of Financial Position as at**

	March 31 2019 <u>(Unaudited)</u>	March 31 2018 <sup>(1) (2)</sup> <u>(Unaudited)</u>	December 31 2018 <sup>(2)</sup> <u>(Audited)</u>
	<u>NIS millions</u>		
<b>Non-current assets</b>			
Investments in investee companies accounted by the equity method	2,212	1,260	2,495
Financial assets measured at fair value through profit or loss	170	182	181
Loans, deposits, restricted deposits and debit balances	295	300	287
Right-of-use assets <sup>(2)</sup>	803	-	-
Fixed assets	1,770	5,175	1,777
Investment property	12,140	11,741	12,089
Long term trade receivables	369	396	370
Inventory of real estate	24	59	22
Deferred expenses	337	346	343
Deferred tax assets	9	15	8
Intangible assets	2,538	4,402	2,532
	<u>20,667</u>	<u>23,876</u>	<u>20,104</u>
<b>Current assets</b>			
Other investments	2,007	2,108	2,009
Deposits and pledged and restricted deposits	423	708	395
Other receivables and debit balances	226	375	200
Current tax assets	15	13	16
Trade receivables and other income receivable	1,345	2,783	1,365
Inventory	92	904	99
Inventory of buildings for sale	240	391	288
Assets classified as held for sale	33	140	33
Cash and cash equivalents	4,198	3,905	4,890
	<u>8,579</u>	<u>11,327</u>	<u>9,295</u>
<b>Total assets</b>	<u>29,246</u>	<u>35,203</u>	<u>29,399</u>

(1) Includes assets with respect to the activities of Shufersal, which was deconsolidated, beginning in the second quarter of 2018, see Note 3.D.2. below.

(2) See Note 2.E.1. below regarding the initial adoption of IFRS 16, Leases. In accordance with the chosen transition method, the comparative figures were not restated.

The accompanying notes to the condensed consolidated interim financial statements are an integral part hereof.

**Condensed Consolidated Interim Statements of Financial Position as at (Cont.)**

	March 31 2019 <u>(Unaudited)</u>	March 31 2018 <sup>(1) (2)</sup> <u>(Unaudited)</u>	December 31 2018 <sup>(2)</sup> <u>(Audited)</u>
	<u>NIS millions</u>		
<b>Capital</b>			
Share capital	810	809	810
Capital reserves	4,222	4,251	4,366
Accumulated losses	<u>(3,164)</u>	<u>(3,662)</u>	<u>(2,859)</u>
Capital attributable to owners of the Company	1,868	1,398	2,317
Non-controlling interests	<u>3,791</u>	<u>4,742</u>	<u>4,024</u>
	<u>5,659</u>	<u>6,140</u>	<u>6,341</u>
<b>Non-current liabilities</b>			
Debentures	15,052	16,875	15,486
Loans from banks and other financial liabilities	2,209	2,590	2,211
Lease liabilities <sup>(2)</sup>	604	-	-
Derivatives	4	3	4
Provisions	211	196	223
Deferred tax liabilities	1,507	1,750	1,502
Employee benefits	20	187	20
Other non-financial liabilities	<u>19</u>	<u>80</u>	<u>19</u>
	<u>19,626</u>	<u>21,681</u>	<u>19,465</u>
<b>Current liabilities</b>			
Current maturities of debentures	1,593	1,565	1,685
Credit from banking corporations, overdraft and current maturities of loans from banks and others	382	552	331
Current maturities of lease liabilities	230	-	-
Other payables and credit balances	817	2,184	606
Trade payables	786	2,852	763
Derivatives	1	23	1
Current tax liabilities	22	43	81
Provisions	<u>130</u>	<u>163</u>	<u>126</u>
	<u>3,961</u>	<u>7,382</u>	<u>3,593</u>
<b>Total capital and liabilities</b>	<u>29,246</u>	<u>35,203</u>	<u>29,399</u>

(1) Includes liabilities with respect to the activities of Shufersal, which was deconsolidated beginning in the second quarter of 2018, see Note 3.D.2. below.

(2) See Note 2.E.1. below regarding the initial adoption of IFRS 16, Leases. In accordance with the chosen transition method, the comparative figures were not restated.

\_\_\_\_\_  
Eduardo Elsztain  
Chairman of the Board

\_\_\_\_\_  
Sholem Lapidot  
General Manager

\_\_\_\_\_  
Gil Kotler  
CFO

Approval date of the financial statements: May 30, 2019

The accompanying notes to the condensed consolidated interim financial statements are an integral part hereof.

**Condensed Consolidated Interim Statements of Income**

	Note	For the three months ended		For the year
		March 31		ended
		2019	2018 <sup>(1),(2)</sup>	December 31
		(Unaudited)		(Audited)
		NIS millions		
<b>Income</b>				
Sales and services	7	1,279	1,321	5,259
The Company's share in the net profit of investee companies accounted by the equity method, net		16	38	-
Profit from realization and increase in the value of investments, assets and dividends		10	5	104
Increase in fair value of investment property, net		5	6	322
Other income		6	<sup>(3)</sup> 7	<sup>(3)</sup> 27
Financing income		86	<sup>(3)</sup> 30	<sup>(3)</sup> 125
		<u>1,402</u>	<u>1,407</u>	<u>5,837</u>
<b>Expenses</b>				
Cost of sales and services		849	852	3,385
Research and development expenses		11	9	42
Selling and marketing expenses		168	143	634
General and administrative expenses		110	142	587
The Group's share in the loss of investee companies accounted by the equity method, net		-	-	35
Loss from realization, impairment, and write-down of investments and assets		16	322	694
Other expenses		2	-	-
Financing expenses		207	198	1,016
		<u>1,363</u>	<u>1,666</u>	<u>6,393</u>
Income (loss) before taxes on income		39	(259)	(556)
Taxes on income		(32)	(34)	(132)
<b>Income (loss) from continuing operations</b>		7	(293)	(688)
<b>Income from discontinued operations, after tax</b>	3.A.3.B	-	62	1,378
<b>Net income (loss) for the period</b>		<u>7</u>	<u>(231)</u>	<u>690</u>
Net income (loss) attributable to:				
The Company's owners		(31)	(261)	539
Non-controlling interests		38	30	151
		<u>7</u>	<u>(231)</u>	<u>690</u>
		NIS	NIS	NIS
<b><u>Earnings (loss) per share attributable to for the Company's owners</u></b>				
Basic and diluted loss per share from continuing operations		(0.2)	(1.9)	(5.0)
Basic and diluted earnings per share from discontinued operations		-	0.2	8.5
Basic and diluted earnings (loss) per share		<u>(0.2)</u>	<u>(1.7)</u>	<u>3.5</u>

- (1) Restated due to the presentation of the Shufersal operation under discontinued operations, see Note 3.A.3.B. below.  
(2) See Note 2.E.1. below regarding the initial adoption of IFRS 16, Leases. In accordance with the chosen transition method, the comparative figures were not restated.  
(3) Retrospective adoption of new accounting policy - see Note 2.F. below.

The accompanying notes to the condensed consolidated interim financial statements are an integral part hereof.



## Condensed Consolidated Interim Statements of Comprehensive Income

	For the three months ended		For the year ended
	March 31		December 31
	2019	2018 <sup>(1)</sup>	2018 <sup>(1)</sup>
	(Unaudited)		(Audited)
	NIS millions		
<b>Net income (loss) for the period</b>	7	(231)	690
<b>Other comprehensive income items which will not be transferred to profit and loss, net of tax</b>			
The Group's share in other comprehensive loss in respect of investee companies accounted by the equity method	-	-	(3)
Revaluation of fixed assets transferred to investment property	-	-	76
Actuarial losses in defined benefit plan	-	-	(5)
<b>Total other comprehensive income which will not be transferred to profit and loss</b>	-	-	68
<b>Other comprehensive income (loss) items after initial recognition under comprehensive income which have been transferred or will be transferred to profit and loss, net of tax</b>			
Foreign currency translation differences for foreign operations	(64)	23	148
Effective part in changes to the fair value of cash flow hedging	-	2	13
Net change in the fair value of cash flow hedging that was charged to profit or loss	-	-	(4)
The Group's share in other comprehensive income (loss) in respect of investee companies accounted by the equity method	(10)	10	50
<b>Total other comprehensive income (loss) after initial recognition under comprehensive income which has been transferred or will be transferred to profit and loss</b>	(74)	35	207
<b>Total other comprehensive income (loss) for the period, net of tax</b>	(74)	35	275
<b>Total comprehensive income (loss) for the period</b>	(67)	(196)	965
<b>Attributable to:</b>			
The Company's owners	(79)	(240)	700
Non-controlling interests	12	44	265
<b>Comprehensive income (loss) for the period</b>	(67)	(196)	965
<b>Comprehensive income (loss) for the period attributable to Company shareholders, due to:</b>			
Continuing operations	(79)	(269) <sup>(2)</sup>	(600)
Discontinued operations	-	29 <sup>(2)</sup>	1,300
	(79)	(240)	700

(1) See Note 2.E.1. below regarding the initial adoption of IFRS 16, Leases. In accordance with the chosen transition method, the comparative figures were not restated.

(2) Restated due to the presentation of the Shufersal operation under discontinued operations, see Note 3.A.3.B. below.

The accompanying notes to the condensed consolidated interim financial statements are an integral part hereof.

Condensed Consolidated Interim Statements of Changes in Equity

Attributable to the Company's owners

	Share capital	Premium on shares	Reserves in respect of transactions with non-controlling interests	Reserves from translation differences	Hedging reserves	Capital reserves in respect of available-for-sale financial assets through other comprehensive income	Revaluation reserves	Controlling shareholders reserves	Treasury shares	(Accumulated loss)	Total capital attributable to the Company's owners	Non-controlling interests	Total capital
	NIS millions												
<b>For the three months ended March 31, 2019 (unaudited)</b>													
Balance as at January 1, 2019	810	4,449	9	(162)	-	(2)	88	3	(19)	(2,859)	2,317	4,024	6,341
Initial adoption of the amendment to IAS 28 (see Note 2.E.2. below).	-	-	-	-	-	-	-	-	-	(171)	(171)	(83)	(254)
<b>Income (loss) for the period</b>	-	-	-	-	-	-	-	-	-	(31)	(31)	38	7
<b>Other comprehensive income (loss) for the period</b>	-	-	-	(50)	2	-	-	-	-	-	(48)	(26)	(74)
<b>Transactions with owners charged directly to equity, investments of owners and distributions to owners</b>													
Dividend paid to the Company's owners (see Note 4.B below)	-	-	-	-	-	-	-	-	-	(104)	(104)	-	(104)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(133)	(133)
Acquisition of treasury shares	-	-	-	-	-	-	-	-	(96)	-	(96)	-	(96)
Acquisition of shares in consolidated companies from non-controlling interests	-	-	-	(2)	-	-	2	-	-	-	-	(29)	(29)
Share-based payments given by the Company	-	-	-	-	-	-	-	-	-	1	1	-	1
Balance as at March 31, 2019	<u>810</u>	<u>4,449</u>	<u>9</u>	<u>(214)</u>	<u>2</u>	<u>(2)</u>	<u>90</u>	<u>3</u>	<u>(115)</u>	<u>(3,164)</u>	<u>1,868</u>	<u>3,791</u>	<u>5,659</u>

The accompanying notes to the condensed consolidated interim financial statements are an integral part hereof.

Condensed Consolidated Statements of Changes in Equity (Cont.)

	Attributable to the Company's owners										Non-controlling interests
	Share capital	Premium on shares	Reserves in respect of transactions with non-controlling interests	Reserves from translation differences	Hedging reserves	Capital reserves in respect of available-for-sale financial assets through other comprehensive income	Revaluation reserves	Controlling shareholders reserves	(Accumulated loss)	Total capital attributable to the Company's owners	
	NIS millions										
<b>For the three months ended March 31, 2018 unaudited)</b>											
Balance as at January 1, 2018	809	4,441	10	(264)	(2)	(2)	43	3	(3,372)	1,666	4,918
Initial adoption of the final version of IFRS 9	-	-	-	-	-	-	-	-	(30)	(30)	(14)
<b>Income (loss) for the period</b>	-	-	-	-	-	-	-	-	(261)	(261)	30
<b>Other comprehensive income for the period</b>	-	-	-	20	1	-	-	-	-	21	14
<b>Transactions with owners charged directly to equity, investments of owners and distributions to owners</b>											
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(207)
Acquisition of interests in a consolidated company from non-controlling interests <sup>(1)</sup>	-	-	1	-	-	-	-	-	-	1	(1)
Share-based payments provided by consolidated companies	-	-	-	-	-	-	-	-	-	-	2
Share-based payments given by the Company	-	-	-	-	-	-	-	-	1	1	-
Balance as at March 31, 2018	<u>809</u>	<u>4,441</u>	<u>11</u>	<u>(244)</u>	<u>(1)</u>	<u>(2)</u>	<u>43</u>	<u>3</u>	<u>(3,662)</u>	<u>1,398</u>	<u>4,742</u>

(1) Including effects in respect of expirations of share-based payment instruments in a consolidated company.

The accompanying notes to the condensed consolidated interim financial statements are an integral part hereof.

Condensed Consolidated Statements of Changes in Equity (Cont.)

	Attributable to the Company's owners										Non-controlling interests	Total capital		
	Share capital	Premium on shares	Reserves in respect of transactions with non-controlling interests	Reserves from translation differences	Hedging reserves	Reserves in respect of available-for-sale financial assets through other comprehensive income	Revaluation reserves	Controlling shareholders reserves	Treasury shares	(Loss balance)			Total capital attributable to the Company's owners	
	NIS millions													
<b>For the year ended</b>														
<b>December 31, 2018</b>														
Balance as at January 1, 2018	809	4,441	10	(264)	(2)	(2)	43	3	-	(3,372)	1,666	4,918	6,584	
Initial adoption of the final version of IFRS 9	-	-	-	-	-	-	-	-	-	(30)	(30)	(14)	(44)	
<b>Net income for the year</b>	-	-	-	-	-	-	-	-	-	539	539	151	690	
<b>Other comprehensive income (loss) for the year</b>	-	-	-	118	2	-	47	-	-	(6)	161	114	275	
<b>Transactions with owners charged directly to equity, investments of owners and distributions to owners</b>														
Acquisition of treasury shares	-	-	-	-	-	-	-	-	(19)	-	(19)	-	(19)	
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(240)	(240)	
Deconsolidation of Shufersal due to loss of control	-	-	-	-	-	-	(6)	-	-	6	-	(978)	(978)	
Acquisition of shares in consolidated companies from non-controlling interests <sup>(1)</sup>	-	-	2	(16)	-	-	4	-	-	-	(10)	66	56	
Sale of interests in consolidated companies to non-controlling interests	-	-	(3)	-	-	-	-	-	-	-	(3)	3	-	
Investments of non-controlling interests in consolidated companies	-	-	-	-	-	-	-	-	-	-	-	1	1	
Exercise of share warrants	1	8	-	-	-	-	-	-	-	-	9	-	9	
Share-based payments provided by consolidated companies	-	-	-	-	-	-	-	-	-	-	-	3	3	
Share-based payments given by the Company	-	-	-	-	-	-	-	-	-	4	4	-	4	
Balance as at December 31, 2018	<u>810</u>	<u>4,449</u>	<u>9</u>	<u>(162)</u>	<u>-</u>	<u>(2)</u>	<u>88</u>	<u>3</u>	<u>(19)</u>	<u>(2,859)</u>	<u>2,317</u>	<u>4,024</u>	<u>6,341</u>	

<sup>(1)</sup> Includes acquisitions within the framework of an issuance in a subsidiary.

Condensed Consolidated Interim Statements of Cash Flows

	For the three months ended		For the year ended
	March 31		December 31
	2019	2018 <sup>(1),(2)</sup>	2018 <sup>(2)</sup>
	(Unaudited)		(Audited)
	NIS millions		
<b>Cash flows from operating activities</b>			
Net income (loss) for the period	7	(231)	690
Income (loss) from discontinued operations, after tax	-	(62)	(1,378)
Income (loss) from continuing operations	7	(293)	(688)
<b>Adjustments:</b>			
The Group's share in the (profit) loss of investee companies accounted by the equity method, net	(16)	(38)	35
Received dividends (including from other investments)	5	-	20
Realization losses, impairment and write-downs, net, of investments, assets and dividends	6	317	590
Increase in fair value of investment property, net	(5)	(6)	(322)
Depreciation and amortization	220	135	593
Financing costs, net	121	<sup>(3)</sup> 168	<sup>(3)</sup> 891
Expenses of tax on income, net	32	34	132
Income tax paid, net	(15)	(30)	(85)
Payments in respect of the settlement of derivatives, net	(1)	(2)	-
Share-based payment transactions	1	3	6
	348	581	1,860
<b>Changes in other balance sheet items</b>			
Decrease in other receivables and debit balances (including long-term amounts)	40	127	83
Decrease in trade receivables (including long term amounts)	27	<sup>(3)</sup> 27	<sup>(3)</sup> 107
Decrease in inventory	47	9	78
Increase in non-current inventory	-	(4)	(2)
Change in provisions and benefits to employees	-	-	(1)
Increase (decrease) in trade payables	58	34	(45)
Increase (decrease) in other payables and credit balances, provisions and other liabilities (including long term amounts)	(40)	(11)	61
	132	182	281
Net cash arising from continuing operating activities	487	470	1,453
Net cash arising from discontinued operating activities	-	326	229
Net cash arising from operating activities	487	796	1,682
<b>Cash flows for investing activities</b>			
Deposits, loans and long term investments provided	-	-	(8)
Current investments, loans and short term deposits, net	(54)	124	117
Investments and loans, net, in investee companies accounted by the equity method	(9)	(39)	(67)
Non-current investments	-	(1)	(12)
Investments in investment property, fixed assets and intangible assets	(273)	(237)	(983)
Receipts in respect of the settlement of derivatives, net	1	-	3
Receipts from realization of non-current investments, including dividend from the realization	9	23	537
Receipts from realization of investment property, fixed assets and other assets	2	-	211
Taxes paid in respect of investment property, fixed assets and other assets	(37)	(1)	(23)
Interest received	21	22	77
Net cash used in continuing investing activities	(340)	(109)	(148)
Net cash arising from (used in) discontinued investing activities	-	(407)	25
Net cash used in investing activities	(340)	(516)	(123)

(1) Restated due to the presentation of the Shufersal operation under discontinued operations, see Note 3.A.3.B. below.

(2) See Note 2.E.1. below regarding the initial adoption of IFRS 16, Leases. In accordance with the chosen transition method, the comparative figures were not restated.

(3) Retrospective adoption of new accounting policy - see Note 2.F. below.

The accompanying notes to the condensed consolidated interim financial statements are an integral part hereof.

**Condensed Consolidated Interim Statements of Cash Flows (Cont.)**

	For the three months ended		For the year
	March 31		ended
	2019	2018 <sup>(1),(2)</sup>	December 31
	(Unaudited)		(Audited)
	NIS millions		
<b>Cash flows for financing activities</b>			
Non-current financial liabilities received	150	396	2,754
Repayment of non-current financial liabilities	(512)	(868)	(2,451)
Interest paid	(150)	(159)	(875)
Principal and interest payments of lease liabilities	(76)	-	-
Exercise of Company share warrants	-	-	9
Acquisition of treasury shares	(96)	-	(19)
Issuance of shares and options to non-controlling interests in consolidated companies	-	-	131
Current financial liabilities, net	(10)	9	(117)
Receipts, including exercised share options, from non-controlling interests in consolidated companies, net	1	-	28
Acquisition of shares in consolidated companies from non-controlling interests	(30)	-	(120)
Taxes paid with respect to the sale of shares of consolidated companies to non-controlling interests	(49)	-	-
Dividend paid to the Company's owners	(40) <sup>(3)</sup>	-	-
Dividend to non-controlling interests in consolidated companies	-	(4)	(159)
Payments in respect of the settlement of derivatives	-	(4)	(18)
Net cash used in continuing financing activities	(812)	(630)	(837)
Net cash arising from discontinued operating activities	-	446	302
Net cash used in financing activities	(812)	(184)	(535)
Increase (decrease) in cash and cash equivalents from continuing operations	(665)	(269)	468
Increase in cash and cash equivalents from discontinued operations	-	365	556
Increase (decrease) in cash and cash equivalents from continuing operations and discontinued operations	(665)	96	1,024
Balance of cash and cash equivalents at start of period	4,890	3,798	3,798
Effects of fluctuations in exchange rates on balances of cash and cash equivalents	(27)	11	68
Balance of cash and cash equivalents at end of period	4,198	3,905	4,890

(1) Restated due to the presentation of the Shufersal operation under discontinued operations, see Note 3.A.3.B. below.

(2) See Note 2.E.1. below regarding the initial adoption of IFRS 16, Leases. In accordance with the chosen transition method, the comparative figures were not restated.

(3) For details regarding the distribution of debentures (Series I) of IDB Development, as a dividend in the amount of NIS 64 million, see Note 4.B below.

The accompanying notes to the condensed consolidated interim financial statements are an integral part hereof.

## Notes to the Condensed Consolidated Interim Financial Statements

### Note 1 - General

- A. Discount Investment Corporation Ltd. (“DIC”) is a company registered in Israel and incorporated in Israel, whose address is 3 Azrieli Center, Triangle Tower, 44th floor, Tel Aviv. The Company is a holding company which invests, independently and through investee companies, in companies which are engaged in various segments of the Israeli economy and abroad. The Company generally invests in investee companies at a scope which gives it influence over their direction and management. The Company’s shares and debentures are listed for trading on the Tel Aviv Stock Exchange Ltd. (the “Stock Exchange”). As at the publication date of the report, approximately 82.3% of the voting rights in the Company are held by Dolphin IL Investments Ltd. (“Dolphin IL”), a company incorporated in Israel which is wholly owned by Dolphin Netherlands B.V. (“Dolphin Netherlands”), and approximately 1.46% of the voting rights in the Company are held by Tyrus S.A., a company incorporated in Uruguay which is wholly owned by IRSA Inversiones Y Representaciones Sociedad Anonima (“IRSA”), a foreign corporation. Dolphin Netherlands and IRSA are companies indirectly controlled by Mr. Eduardo Elsztein (through corporations under his control). For details regarding the implications of the Concentration Law on certain holdings of the Company, regarding which compliance with the law’s provisions is required by no later than December 2019, and regarding the associated uncertainty, see Note 3.B. below.
- B. These financial statements were prepared according to a condensed framework as at March 31, 2019 and for the three month period then ended (the “Interim Financial Statements”) in accordance with IAS 34, “Interim Financial Reporting”, and do not include all information required in full annual financial statements. These reports should be read and reviewed together with the Company’s annual financial statements as at December 31, 2018, and for the year then ended, and of the accompanying notes, which were approved on March 19, 2019 (the “Annual Financial Statements”). The notes to the interim financial statements with respect to contingent investments, engagements, debentures and loans, engagements and liabilities only include the main updates on these matters since the approval date of the Annual Financial Statements.
- C. **Main Definitions:**  
 In these reports (hereinbefore and hereinafter):
- |                        |                                                                                                      |
|------------------------|------------------------------------------------------------------------------------------------------|
| The Company and/or DIC | - Discount Investment Corporation Ltd. and/or its wholly owned headquarter companies, as applicable; |
| The Group              | - DIC and its consolidated companies;                                                                |
| IDB Development        | - IDB Development Corporation Ltd.;                                                                  |
| Elron                  | - Elron Electronic Industries Ltd.;                                                                  |
| Cellcom                | - Cellcom Israel Ltd.;                                                                               |
| Shufersal              | - Shufersal Ltd.;                                                                                    |
| Property & Building    | - Property & Building Ltd.;                                                                          |
| IDBG                   | - IDB Group USA Investments Inc.;                                                                    |
| IFRS                   | - International Financial Reporting Standards.                                                       |

### Note 2 - Significant Accounting Policies

- A. **Framework for preparation of the interim financial statements**  
 The condensed consolidated interim financial statements were prepared in accordance with generally accepted accounting principles regarding the preparation of financial statements, as determined in International Accounting Standard 34 - “Interim Financial Reporting”, and in accordance with the disclosure provisions set forth in Chapter IV of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.  
 These condensed consolidated interim financial statements were approved for publication by the Company’s Board of Directors on May 30, 2019. The significant accounting policies which were applied in the preparation of the consolidated interim financial statements are consistent with those which were applied in the preparation of the Annual Financial Statements, excluding the initial adoption of IFRS 16, and the amendment to IAS 28, sees Note 2.E.1. and 2.E.2. below, respectively.



**Note 2 - Significant Accounting Policies (Cont.)**

**B. Use of estimates and judgment**

In their preparation of the Group's condensed financial statements in accordance with IFRS, the managements of the Company and of the investee companies are required to use estimates, approximations and assumptions which affect the implementation of the accounting policy and the amounts of assets, liabilities, revenues and expenses, as well as the capital components presented in the aforementioned statements. It is hereby clarified that actual results may differ from these estimates.

The judgment exercised by the managements of the Company and of its investee companies when implementing the Group's accounting policy regarding material issues, and the main assumptions which were used for estimates involving uncertainty, are consistent with those used in the Annual Financial Statements, except as specified below and as stated in Note 2.E. below, which are associated with the initial adoption of the amendment to IAS 28, (see also Note 1.D.(3) to the annual financial statements, regarding the assessment of whether the cash flows with respect to financial assets which were given include principal and interest only (SPPI)), and IFRS 16, Leases.

<b>Estimate / judgment</b>	<b>Main assumptions</b>	<b>Possible implications</b>	<b>Main references</b>
Determination regarding whether an agreement contains a lease	For the purpose of determining whether an arrangement contains a lease, the Group assesses whether the arrangement involves the transfer of the right to control an identifiable asset for a certain period of time in consideration of payment, while evaluating whether, throughout the lease period, it has the right to obtain, in practice, all of the economic benefits arising from the use of the identifiable asset, and the intention to direct the use of the identifiable asset.	Recognition of right-of-use asset and of lease liabilities or recognition of current expenses.	Note 2.E.1.A. below.
Determination of the lease period	For the purpose of determining the lease period, the Group takes into account the period during which the lease is not cancelable, including options to extend, regarding which it is reasonably certain that they will be exercised and/or options to cancel regarding which it is reasonably certain that they will not be exercised.	Increase or decrease in the initial measurement of a right-of-use asset and lease liability, and of depreciation and financing expenses in subsequent periods.	Note 2.E.1.D. below.
Determination of the discount rate with respect to the Group's lease liabilities	The Group discounts the lease payments using its incremental interest rate.	Increase or decrease of lease liability, right-of-use asset, and as a result, of the depreciation expenses and financing expenses which will materialize.	See Note 2.E.1. below.

**C. Functional currency and presentation currency**

These financial statements are presented in NIS, which is the Company's functional currency, and are rounded to the nearest million, except if stated otherwise. The New Israeli Shekel is the currency that represents the main economic environment in which the Company operates.

**Note 2 - Significant Accounting Policies (Cont.)**

**D. Details regarding the rates of change in the CPI and in the USD exchange rate:**

	CPI		Exchange rate of
	known CPI	CPI in lieu	the
	Points		US Dollar
			NIS
As at			
March 31, 2019	100.2	100.7	3.632
March 31, 2018	99.01	99.31	3.514
December 31, 2018	100.5	100.2	3.748
Rates of change during the period (in percent):			
For the three months ended			
March 31, 2019	(0.3%)	0.5%	(3.1%)
March 31, 2018	(0.3%)	(0.1%)	1.4%
For the year ended			
December 31, 2018	1.2%	0.8%	8.1%

**E. Initial adoption of new standards**

**1. IFRS 16, Leases**

IFRS 16 (the “Standard”) replaces IAS 17, Leases. The standard cancels the classification of leases as operating leases or financial leases. Instead, the standard classifies all leases similarly to a finance lease, in a manner whereby the lessee must recognize a right-of-use asset and a liability with respect to the lease in the Company’s statement of financial position. However, the Group chose not to adopt these provisions, in accordance with the option provided in the standard for lessees, with respect to short-term leases, and with respect to leases in which the underlying asset in the lease is of a low value. The Group chose to adopt the following easements, which are permitted under the transitional provisions:

- A. To maintain the definition and/or estimate of the existence of a lease in accordance with the provisions of the current standards, with respect to all current agreements as at the date of initial adoption;
- B. To use a single capitalization rate for a portfolio of leases with similar characteristics;
- C. Not to include initial direct costs in the measurement of the right-of-use asset on the date of initial adoption;
- D. To use the possibility of “hindsight” for the purpose of determining the lease period if the agreement includes options for extension or cancellation;
- E. To estimate whether the lease agreement is onerous by adopting IAS 37 immediately before the date of initial adoption, instead of conducting an impairment test of the right-of-use assets.

The standard affects the accounting treatment of lease agreements with respect to the Group’s mobile sites, real estate, and vehicles, in which the Group is the lessee, and which were classified, before the date of the standard’s initial adoption, as operating leases.

**Method for adoption of the standard and effects**

The Group has adopted the standard since January 1, 2019, according to the cumulative effect approach.

With respect to consolidated companies:

The Group recognized, on the date of initial adoption, a lease liability according to the present value of the balance of future lease payments, discounted by the lessee’s incremental borrowing rate of interest as at that date, and in parallel, recognized a right-of-use asset in the same amount as the liability, adjusted for lease payments which were paid in advance or which accrued, and which were recognized as an asset or liability before the date of initial adoption. As a result, the adoption of the standard had no effect on retained earnings as at the date of initial adoption.

With respect to leases in which the Group is the lessee, and which were classified before the date of initial adoption as operating leases, excluding cases in which the Group chose to adopt the easements in the standard, as stated above, the Group recognized, on the date of initial adoption, a right-of-use asset and a lease liability for all leases which grant it control over the use of identifiable assets for a defined time period.

**Note 2 - Significant Accounting Policies (Cont.)**

**E. Initial adoption of new standards (Cont.)**

**1. IFRS 16, Leases (Cont.)**

Accordingly, depreciation expenses are recognized with respect to the right-of-use asset, and the need for recognition of impairment with respect to a right-of-use asset is evaluated in accordance with the provisions of IAS 36. Additionally, financing expenses are recognized with respect to lease liabilities. Beginning on the date of initial adoption, rental expenses which are attributed to properties under operating lease are discounted as assets, and are depreciated under depreciation expenses in subsequent periods.

In its measurement of lease liabilities, the Group discounted lease payments using the nominal incremental interest rate as at January 1, 2019. The weighted average of discount rates which were used to measure the liability is 3.0%.

Presented below are the significant changes in the accounting policy following the initial adoption of the standard beginning on January 1, 2019:

**A. Determination regarding whether an arrangement contains a lease**

On the date of engagement in the lease, the Group determines whether the arrangement constitutes a lease or contains a lease, while evaluating whether the arrangement involves the transfer of the right to control the use of the identifiable asset for a certain period of time, in consideration of payment. In its assessment regarding whether an arrangement involves transfer of the right to control the use of an identifiable asset, the Group evaluates whether, throughout the lease period, it has the following two rights:

- (1) The right to obtain essentially all of the economic benefits from the use of the identifiable asset; and
- (2) The right to direct the use of the identifiable asset.

With respect to lease contracts in the mobile segment, in the Group of cell sites and switching stations which include non-lease components, such as services or maintenance, which are associated with a lease component, the Group chose to treat the contract as a single lease component, without separating the components.

With respect to lease contracts in groups of office buildings, service center warehouses, retail stores and vehicles which include non-lease components, such as services or maintenance, which are associated with a lease component, the Group chose to separate the lease components, and to treat the lease component separately.

**B. Leased properties and lease liabilities**

Contracts in which the Group is granted control of the use of a lease asset for a certain period of time, and for a consideration, are treated as leases. Upon initial recognition, the Group recognizes a liability in the amount of the present value of the future lease payments, and in parallel, the Group recognizes a right-of-use asset in the amount of the lease liability, adjusted with respect to lease payments which have been paid in advance, or which have accrued, plus any direct costs which have materialized in the lease.

Due to the fact that it is not possible to easily determine the interest rate represented in the Group's leases, the Group uses the lessee's incremental borrowing rate of interest.

Following initial recognition, the right-of-use asset is treated according to the cost model, and is amortized throughout the lease period or throughout the asset's useful lifetime, whichever is earlier.

**C. Variable lease payments**

Variable lease payments which depend on an index or exchange rate are initially measured using the index or exchange rate as at the lease commencement date, and are included in the measurement of the lease liability. When changes have occurred in the cash flows of future lease payments which are due changes in an index or exchange rate, the balance of the liability is updated against the right-of-use asset.

Other variable lease payments which are not included in the measurement of the liability, such as turnover-dependent rent, are applied to the statement of income on the date of fulfillment of the conditions for those payments.

**D. Lease period**

The lease period is determined as the period during which the lease is non-cancelable, together with periods which are covered by an option to extend or to cancel the lease, if it is reasonably certain that the lessee will exercise or not will the option, respectively.

## **Note 2 - Significant Accounting Policies (Cont.)**

### **E. Initial adoption of new standards (Cont.)**

#### **1. IFRS 16, Leases (Cont.)**

Presented below are the significant changes in the accounting policy following the initial adoption of the standard beginning on January 1, 2019 (Cont.)

#### **E. Amortization of right-of-use asset**

After the lease commencement date, a right-of-use asset is measured according to the cost method, net of accumulated depreciation, and accumulated depreciation accrued impairment losses, and adjusted with respect to re-measurements of the lease liability. Depreciation is calculated in a straight line throughout the useful lifetime or the period of the contractual lease, whichever is earlier, as follows:

- Cell sites and switching stations 4 years
- Office buildings, service center warehouses and retail stores 3 years
- Vehicles 2 years

#### **F. Revaluation of lease liabilities**

Upon the occurrence of a significant event or significant change in circumstances, which is under the Group's control, and which affected the decision regarding whether it is reasonably certain that the Group will exercise an option, which was not previously included in the determination of the lease period, or does not exercise an option which was previously included in the determination of the lease period, the Group remeasures the lease liability in accordance with the updated lease payments, using an updated discount rate. The change in the book value of the liability is recognized against the right-of-use asset, or is recognized in profit and loss if the book value of the right-of-use asset has been fully amortized.

#### **G. Lease amendments**

The Group treats a lease amendment as a separate lease in cases where the lease amendment increases the scope of the lease by adding the right to use one or more underlying assets, and the consideration with respect to the lease increases by the amount corresponding to the separate price with respect to the increase in scope and any appropriate updates to that separate price, in order to reflect the circumstances of the contract.

In all other cases, on the application date of a lease amendment,, the Group allocates the consideration in the updated contract among the lease components, determines the amended lease period, and measures the lease liability by discounting the updated lease payments using an updated discount rate.

With respect to lease amendments which reduce the scope of the lease, the Group recognizes a decrease in the book value of the right-of-use asset in order to reflect the partial or full cancellation of the lease, and recognizes the profit or loss due to the difference between the decrease in the right-of-use asset and the remeasurement of the lease liability, in profit and loss.

With respect to other lease amendments, the Group remeasures the lease liability against the right-of-use asset.

#### **H. Subleases**

In leases where the Group leases the underlying asset through a sublease, the Group determines whether the classification of the sublease as a finance or operating lease, with respect to the right of use which was received from the primary lease. The Group evaluated existing subleases on the date of initial adoption in accordance with the balance of their contractual terms, as at that date.

**Note 2 - Significant Accounting Policies (Cont.)**

**E. Initial adoption of new standards (Cont.)**

**1. IFRS 16, Leases (Cont.)**

Presented below are the significant changes in the accounting policy following the initial adoption of the standard beginning on January 1, 2019 (Cont.)

**I. Investment Property**

Some of the leased properties, which the Group leases through operating leases, are classified and treated as investment properties.

Impact on the statement of financial position as at January 1, 2019:

	In accordance with the previous policy	Impact of the standard NIS millions (Unaudited)	In accordance with the adoption of IFRS 16
<u>Non-current assets</u>			
Long term trade receivables	370	4	374
Right-of-use assets	-	859	859
Investment property	12,089	24	12,113
<u>Current assets</u>			
Other receivables and debit balances	200	(2)	198
		<u>885</u>	
<u>Non-current liabilities</u>			
Lease liabilities	-	654	654
<u>Current liabilities</u>			
Current maturities of lease liabilities	-	233	233
Trade payables	763	(2)	761
		<u>885</u>	

It is noted that the initial adoption of IFRS 16 on January 1, 2019, did not cause any changes in financial ratios, which would have affected the ability of the Group's member companies to fulfill the financial covenants by which they are bound with respect to debentures and other financing entities.

**2. Amendment to International Accounting Standard 28, Investments in Associates and Joint Ventures (the "Amendment to IAS 28")**

In accordance with the amendment to IAS 28, an entity will adopt the provisions of IFRS 9 with respect to long term investments which essentially constitute a part of the entity's net investment in the associate or joint venture. The provisions of IFRS 9 were adopted with respect to those investments before the adoption of sections 38 and 40-43 of IAS 28, regarding the participation in part of the losses of the associate or joint venture, and regarding the recognition of impairment of the investment in the associate or joint venture. Additionally, upon the adoption of IFRS 9 with respect to those long term investments, the entity will not take into account adjustments which were made to the value of the investment in the books, following the adoption of the provisions of IAS 28.

The Group adopted the aforementioned amendment retrospectively beginning on January 1, 2019, without adjusting comparative figures, as permitted in accordance with the amendment.

Following the adoption of the provisions of the aforementioned amendment, loans which were given to investee companies were classified as financial assets presented at fair value through profit or loss, and additionally, the Group included its share in the losses of investee companies, after the provision of the aforementioned loans, at fair value.

Additionally, the translation reserve for foreign operations as at January 1, 2019, included a negative balance in the amount of NIS 200 million, with respect to the aforementioned loans. The Company chose to apply the accounting policy according to which foreign currency differences arising from the aforementioned loans are applied to other comprehensive income. Accordingly, the balance of the aforementioned translation reserve remained as part of the Company's capital reserves, including after January 1, 2019.

## Note 2 - Significant Accounting Policies (Cont.)

### **E. Initial adoption of new standards (Cont.)**

#### **2. Amendment to International Accounting Standard 28, Investments in Associates and Joint Ventures (the “Amendment to IAS 28”) (Cont.)**

Impact on the statement of financial position as at January 1, 2019:

	In accordance with the previous policy	Impact of the standard	In accordance with the adoption of the amendment to IAS 28
	NIS millions		
	(Unaudited)		
Investments in investee companies accounted by the equity method	2,495	(254)	2,241
Accumulated loss	(2,859)	(171)	(3,030)
Non-controlling interests	4,024	(83)	3,941

### **F. Retrospective adoption of new accounting policy**

Income from long term credit arrangements in the mobile segment (transactions including over 12 monthly payments) is recorded based on the present value of future cash flows, discounted by the market interest rates on the transaction date. Beginning in 2019, Cellcom chose to apply an accounting policy according to which the difference between the original amount and the present value of the credit, as stated above, is distributed over the credit period and recorded as other income throughout the credit period. The comparative figures for previous years were adjusted in order to reflect the change effective retrospectively. The Company believes that the above referenced presentation better reflects the mobile activity, and provides more reliable and relevant information regarding the effects of long term credit transactions in the mobile segment.

In accordance with the above, amounts of NIS 7 million and NIS 27 million were reclassified in the statement of income for the three month period ended March 31, 2018, and for the year ended December 31, 2018, respectively, from the item for financing income to the item for other income.

## Note 3 - Investee Companies

### **A. Development of investments in investee companies - main changes during the reporting period**

#### **1. Cellcom, a consolidated company held by DIC at a rate of 44.1%**

- A. In January 2019, DIC acquired approximately 0.2% of Cellcom’s issued share capital, at a cost of NIS 4 million. As a result of the acquisition, DIC recorded, in the first quarter of 2019, a decrease in capital attributed to the Company’s owners in the amount of NIS 1 million.
- B. In March 2019, a loan was provided to Cellcom by an Israeli bank in the amount of NIS 150 million, in accordance with Cellcom’s engagement in a subordinated loan agreement from June 2017. For additional details regarding the loan terms, see Note 14.D.1.F to the Annual Financial Statements.

#### **2. Property & Building, a consolidated company held by DIC at a rate of 68.8%**

- A. In January and February 2019, DIC acquired approximately 1.4% of Property & Building’s issued share capital, at a total cost of NIS 26 million. As a result of the acquisition, DIC recorded, in the first quarter of 2019, a decrease in capital attributed to the Company’s owners in the amount of NIS 1 million.
- B. The valuation of the Tivoli project in Las Vegas was updated in the first quarter of 2019 to a total of USD 248 million. As a result, Property & Building recorded amortization in the amount of NIS 3 million in the first quarter of 2019, which was included under the item for the Company’s share in the profit of investee companies accounted by the equity method, net. DIC’s share in the aforementioned loss amounted to a total of NIS 2 million. It is noted that, in 2018, the valuation of the Tivoli project in Las Vegas was updated in the second quarter 2018, when Property & Building recorded an amortization in the amount of NIS 40 million, while DIC’s share in the aforementioned loss amounted to NIS 26 million.



## **Note 3 - Investee Companies (Cont.)**

### **A. Development of investments in investee companies - main changes during the reporting period (Cont.)**

#### **2. Property & Building, a consolidated company held by DIC at a rate of 68.8% (Cont.)**

- C. In January 2019, Property & Building and IDB Development decided to waive the accrued interest on the loans which they had given, in equal parts, to IDBG, as well as some of the principal of the aforementioned loans, excluding the principal of a loan in the amount of USD 100 million (Property & Building's share - USD 50 million). The waiver of the aforementioned loans had no effect on the Company's results. On the date of the waiver of the aforementioned loans, which constituted a significant change to the loan terms, IDBG designated those loans to fair value through profit and loss.

It is noted that the foregoing does not pertain to the loan facility which was given by Property & Building to IDBG, as stated in Note 3.G.2.D. to the Annual Financial Statements, whose terms remain unchanged.

- D. Further to that stated in Note 3.G.2.D. to the annual financial statements, regarding the framework agreement which was provided to IDBG by Property & Building, which determines that in case, at the end of the period of the loan which was provided by Property & Building, i.e., on September 20, 2019, IDB Development does not provide its share, or the repayment period of the loan is not extended with the parties' consent, the conversion mechanism will be activated which will dilute IDB Development's share in IDBG, and will increase Property & Building's share in IDBG, in May 2019, Property & Building was informed by IDB Development that it does not intend to provide its share or to work to extend the repayment period, and that the above referenced conversion mechanism will therefore be activated.

#### **3. Shufersal, an investee company of DIC at a rate of 26.0%**

- A. In January 2019, Shufersal issued a new debenture series (Series G), at a scope of NIS 555 million par value. The debentures bear interest at an annual rate of 3.52% (unlinked). The gross issuance consideration amounted to a total of NIS 555 million. The aforementioned issuance was performed according to an effective interest rate of 3.69%. For details regarding financial covenants in connection with the aforementioned debentures, see Note 14.D.3.A. to the Annual Financial Statements.

#### **B. Discontinued operations**

1. Following the sale of Shufersal shares, as specified in Note 3.G.4.A. to the Annual Financial Statements, the Shufersal operation was presented, until the sale date in June 2018, as a discontinued operation, while the comparative figures with respect to the results of Shufersal for the three month period ended March 31, 2018, were restated in order to present the discontinued operation of Shufersal separately from continuing operations.



## Note 3 - Investee Companies (Cont.)

### A. Development of investments in investee companies - main changes during the reporting period (Cont.)

#### 3. Shufersal, an investee company of DIC at a rate of 26.0% (Cont.)

##### B. Discontinued operations (Cont.)

##### 2. Detailed data regarding the discontinued operation

##### A. Detailed results of the discontinued operation:

	For the three months ended March 31, 2018 (Unaudited) NIS millions
<b>Income</b>	
Sales and services	3,168
The Group's share in the profit of investee companies accounted by the equity method, net	1
Financing income	4
	<u>3,173</u>
<b>Expenses</b>	
Cost of sales and services	2,319
Selling and marketing expenses	706
General and administrative expenses	40
Other expenses	1
Financing expenses	30
	<u>3,096</u>
Profit before taxes on income	77
Taxes on income	(15)
	<u>62</u>
<b>Income for the period from discontinued operations</b>	
Net profit from the discontinued operation during the period attributed to:	
The Company's owners	28
Non-controlling interests	34
	<u>62</u>
Other comprehensive income for the period from discontinued operations attributed to:	
The Company's owners	1
Non-controlling interests	1
	<u>2</u>

##### B. Presented below are data regarding the net cash flows which are attributed to the discontinued operation:

	For the three months ended March 31 2018 (Unaudited)
Net cash arising from operating activities	326
Net cash used in investing activities	(407)
Net cash arising from financing activities	446
Change in cash and cash equivalents from discontinued operations	<u>365</u>

**Note 3 - Investee Companies (Cont.)**

**B. Additional details regarding the investments of the Company and investee companies**

1. DIC is continuing to evaluate various alternatives for compliance with the Concentration Law with respect to 2019 (as defined in Note 3.F.1.A. to the annual financial statements). These alternatives may include possible structural changes to any of the tier companies in the group which are affected by the 2019 requirement (i.e., on the level of DIC's tier, or on the level of the tier of Property & Building or companies under its control). With respect to the alternatives under evaluation which are on the level of DIC's tier, the Company is evaluating, inter alia, the possibility of acquiring (all or some of) the minority interests in Property & Building, whether in a single stage or in several stages; and/or selling shares of Property & Building which are held by DIC to its shareholders. As part of and further to the above referenced assessment, on May 30, 2019, subsequent to the date of the statement of financial position, the Board of Directors of DIC approved the performance of a tender offer, in which DIC will acquire all of the shares of Property & Building which are held by the public, at a price of NIS 333 per Property & Building share, subject to the provisions of the law and the conditions which will be specified in the tender offer specification that will be published by DIC. For additional details, see Note 9.H. below.
2. Property & Building, which, as at the approval date of these financial statements, is a second tier company, and is the controlling shareholder of reporting corporations (Gav Yam, Mehadrin and Ispro), is also evaluating the implications of the law on its aforementioned holdings.  
As the Company was informed, the possible alternatives which are being evaluated by Property & Building include, inter alia, the alternatives of acquiring the minority interests in Gav Yam and/or merging with Gav Yam, selling Gav Yam shares to its shareholders, or a partial sale of Gav Yam shares to third parties. With respect to Property & Building's holdings in Ispro, it is evaluating various alternatives for the prepayment of its marketable debt. Property & Building is also evaluating various alternatives with respect to its holdings in Mehadrin, including, inter alia, in light of the announcement of Phoenix Holdings Ltd. ("Phoenix"), the other controlling shareholder of Mehadrin (jointly with Property & Building), in which it was stated that it is evaluating the significance of the provisions of the Concentration Law with reference to its holding of Mehadrin shares, in consideration of the fact that its wholly owned subsidiary is considered a significant financial entity, while Mehadrin is considered a significant real entity (as these terms are defined in the Concentration Law), and therefore, Phoenix may be subject to restrictions which signify that Phoenix will be unable to hold over 5% of Mehadrin shares, beginning in December 2019.
3. As of the date of this report, a decision has not reached by the Company's Board of Directors and/or by Property & Building's Board of Directors, regarding any of the alternatives under evaluation, and accordingly, as of the date of this report, there is uncertainty in connection with DIC's ability to execute one of the chosen alternatives by the deadline, and to estimate with certainty the dates and scopes of activities which it and/or Property & Building may be required to perform in connection with the implementation of the 2019 requirement, including the implications on the financial statements, and accordingly, the financial statements do not include all of the adjustments in connection with the chosen alternatives. Additionally, given the timetables defined in the provisions of the Concentration Law with respect to the 2019 requirement, the Company and/or Property & Building may be required to sell assets which are material to the activities of the Company and/or Property & Building, and/or to act in accordance with the provisions of the law and to lose control of companies which are reporting corporations by December 2019, and as a result, to stop consolidating those companies in the financial statements of the Company and/or Property & Building. The fulfillment of certain scenarios could have adverse effects on the financial covenants of Property & Building towards some of its creditors. However, the management of Property & Building believes that even in those scenarios, it will have at its disposal several alternatives for action, including raising capital, which will allow it to fulfill the financial covenants.

**Note 3 - Investee Companies (Cont.)**

**B. Additional details regarding the investments of the Company and investee companies (Cont.)**

4. So long as a company is considered, pursuant to the law, a third or higher tier company, its Board of Directors must include independent directors who will constitute a majority among the Board members, and the number of outside directors must be at least half of the Board members, less one, rounded upwards, and no less than two outside directors. The foregoing also applies to the reporting corporations which are controlled by Property & Building, and they have adjusted the structure of their Boards of Directors in accordance with the provisions of the law.
5. Further to that stated in Note 3.F.3. to the Company's consolidated annual financial statements regarding a letter which was sent, in January 2019, by an independent committee appointed by IDB Development's board of directors, to DIC, in which it offered DIC to initiate a process of negotiations towards acquiring the control of Clal Insurance Enterprises Holdings Ltd. ("Clal Insurance Enterprises Holdings") (without proposing any terms for the transaction), in March 2019, the Company's controlling shareholder, Mr. Eduardo Elsztain, submitted to the Director of the Capital Market, Insurance and Savings Authority (the "Commissioner") a request for a control permit (the "Request") in Clal Insurance Enterprises Holdings and in Clal Insurance Company Ltd., a private company held approximately 99.8% by Clal Insurance Enterprises Holdings (jointly: "Clal Insurance").

The request pertains to shares of Clal Insurance Enterprises Holdings which are held by IDB Development (as at proximate to the publication date of the financial statements - shares which constitute approximately 20.3% of the issued capital of Clal Insurance Enterprises Holdings, of which approximately 15.4% are through the trustee who was appointed by the Commissioner, in accordance with the outline for the sale of IDB Development's control of, and holdings in, Clal Insurance Enterprises Holdings, which was formulated by the Commissioner), and for additional shares of Clal Insurance Enterprises Holdings, regarding which IDB Development engaged in swap transactions (as at proximate to the approval date of the financial statements - shares which constitute approximately 24% of the issued capital of Clal Insurance Enterprises Holdings) (all or some).

The request pertains to the issuance of a permit for the control of Clal Insurance, through a special purpose vehicle which will be formed by corporations controlled by the controlling shareholder, and which will acquire, from IDB Development, its holdings in Clal Insurance. The request also pertains to additional possible alternatives regarding the manner of holding of Clal Insurance, through IDB Development or through DIC (which will acquire from IDB Development its holdings in Clal Insurance). It is hereby clarified that there is no certainty that the request will be approved by the Commissioner, and in any case, there is no certainty regarding any of the various alternatives for the aforementioned holding structure, some of which depend on the receipt of various approvals (including approvals from the competent organs of DIC, of IDB Development and of the relevant corporations which are controlled by the controlling shareholder, insofar as may be required), and on compliance with financial and other regulatory requirements. As at proximate to the publication date of the financial statements, no understandings or agreements whatsoever have been reached between DIC and the controlling shareholder and/or corporations under his control.

DIC is evaluating the implications of the request, including regarding the provisions of the Fourth Chapter of the Concentration Law, which prescribes provisions regarding the separation between significant real corporations and significant financial entities. Insofar as the controlling shareholder receives a permit for the control of Clal Insurance, the alternatives which are available to DIC in connection with the aforementioned provisions of the Concentration Law include the possibility of reducing the holding rate of its held real corporations and/or other actions which will result in a reduction of the Group's sales turnover and effective credit (as these terms are defined in the Concentration Law), in a manner which would lead to its removal from the list of significant real corporations.

It is hereby clarified that no decisions have been reached on this matter, and that any action among the possibilities presented above will be performed subject to the provisions of any applicable law and agreement, and in accordance with the required approvals for the chosen course of action.

**Note 3 - Investee Companies (Cont.)**

**C. Details regarding investments in investee companies directly held by DIC as at March 31, 2019**

	Stake in share capital and in voting rights %	Scope of investment in the investee company	Reserves ( <sup>1</sup> )	Market value of shares listed on the Tel Aviv Stock Exchange as at			Country of incorporation
				NIS millions		March 31, 2019	
				Total	May 29, 2019		
<b>Primary consolidated companies *</b>							
Property & Building Ltd.	68.8	1,165	53	1,218	1,270	1,432	Israel
Cellcom Israel Ltd. (in voting - 47.0%)	44.1	1,589	2	1,591	678 <sup>(2)</sup>	727 <sup>(2)</sup>	Israel
Elron Electronic Industries Ltd.	59.5	159	80	239	162	108	Israel
Epsilon Investment House Ltd.	68.8	54	-	54			Israel
<b>Primary associate company</b>							
Shufersal Ltd.	26.0	1,347	(1)	1,346	1,486	1,492	Israel
<b>Other investee companies *</b>		29	(10)	19			
<b>Total</b>		<u>4,343</u>					

\* Investments in consolidated companies do not include headquarter companies wholly owned by DIC. The data presented above include investments through wholly owned headquarter companies of DIC. The scope of the investment in consolidated companies is calculated as the net total of all assets, less total liabilities, including goodwill, based on the consolidated financial statements attributed to the owners of the Company.

(1) In case of the sale of some of the existing shares in consolidated companies, without discontinuing the Company's consolidation, in its financial statements, of the financial statements of the companies in which the transactions are executed (sales to non-controlling interests), these capital reserves will be charged to the capital reserve with respect to transactions with non-controlling interests. In case of realization of the investment in associate companies, or in case of realization of the investment in consolidated companies, as a result of which the Company discontinues the consolidation of their financial statements in its financial statements, these capital reserves will be charged to profit and loss or to retained earnings.

(2) The market value includes the holding of Cellcom options. Cellcom is also listed in the United States. The market value of the shares, according to the closing price for trading in the United States (NYSE) on March 31, 2019, plus the value of the options according to the price in Israel - NIS 670 million (NYSE).

(3) The Company and some of its investee companies are subject to legal restrictions with respect to the performance of new investments or the increase of new investments in investee companies, in certain cases. Additionally, various legal provisions and some of the terms of the licenses in the telecommunications segment, which were given to Cellcom, include prohibitions against cross ownership, which may restrict the Company's ability to leverage business opportunities for new investments, or to increase existing investments in this segment.

(4) The Company's investments in investee companies include, inter alia, companies regarding which the sale of their shares is subject to certain restrictions. Regarding Cellcom - DIC is especially subject to a restriction on its ability to sell some of its shares in Cellcom to non-Israeli entities. In this regard, see Note 3.F.5. to the Annual Financial Statements.

(5) See Note 3.F.1. to the Annual Financial Statements in connection with the implications of the legislation to promote competition and reduce market concentration on the Company's ability to control reporting corporations.

## Note 3 - Investee Companies (Cont.)

### D. Data regarding associate companies and joint ventures

#### 1. Attachment of the reports of a material associate company

The Company is attaching to these condensed financial statements the financial statements as at March 31, 2019 of IDBG, which is a material investee company under the joint control of Property & Building and IDB Development, and which is accounted by the equity method.

#### 2. Summary information regarding material associate companies

This section includes details regarding associate companies which fulfill one or more of the following tests:

- The Company's share in the investment amount in the associate company (through concatenation) exceeds 10% of the capital attributed to the owners of the Company in the relevant consolidated statement of financial position;
- The Company's share in the results of the associate company (through concatenation) exceeds 10% (in absolute values) of the representative annual profit during the relevant period, as specified in Note 1.D.4. above. to the Annual Financial Statements, and weighted according to the relative share of the evaluated period.

	As at March 31 2019 <u>(Unaudited)</u>	As at March 31 2018 <u>(Unaudited)</u>	As at December 31 2018 <u>(Audited)</u>
	<u>NIS millions</u>		
<b>Shufersal</b> <sup>(a)</sup>			
Current assets	3,205	3,466	2,541
Non-current assets	<u>8,624</u>	<u>4,834</u>	<u>5,164</u>
Total assets	<u>11,829</u>	<u>8,300</u>	<u>7,705</u>
Current liabilities	3,787	3,762	3,073
Non-current liabilities	<u>6,311</u>	<u>2,803</u>	<u>2,676</u>
Total liabilities	<u>10,098</u>	<u>6,565</u>	<u>5,749</u>

<sup>(a)</sup> Shufersal's field of activity is retail, its country of incorporation is Israel, its business operations are in Israel, and the Group's rate of ownership in its capital and voting rights as at the date of the financial statements is 26.0%.

	For the three months ended March 31		For the year ended December 31
	2019	2018	2018
	<u>(Unaudited)</u>		<u>(Audited)</u>
<b>Shufersal</b>			
Revenues and rent	3,149	3,169	12,847
Income for the period	48	67	265
Other comprehensive income	<u>7</u>	<u>7</u>	<u>-</u>
Total comprehensive income for the period	<u>55</u>	<u>74</u>	<u>265</u>

**Note 3 - Investee Companies (Cont.)**

**D. Data regarding associate companies and joint ventures (Cont.)**

**3. Summary information regarding material joint ventures**

This section includes details regarding joint ventures which fulfill one or more of the following tests:

- The Company's share in the total investment in the joint venture (through concatenation) exceeds 10% of the capital attributable to the owners of the Company in the relevant consolidated statement of financial position;
- The Company's share in the results of the joint venture (through concatenation) exceeds 10% (in absolute values) of the representative annual profit during the relevant period, as specified in Note 1.D.4. above. to the Annual Financial Statements, and weighted according to the relative share of the evaluated period.

	As at March 31 2019	As at March 31 2018	As at December 31, 2018
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions		
<b>IDB Group USA Investments Inc. <sup>(a),(b)</sup></b>			
Cash and cash equivalents	15	31	17
Total current assets	20	48	97
Total non-current assets	996	1,011	965
Current financial liabilities (excluding trade payables and other payables)	(237)	(561)	(392)
Total current liabilities	(261)	(579)	(419)
Total non-current financial liabilities <sup>(c)</sup>	(755)	(513)	(898)
<b>Mehadrin Ltd. ("Mehadrin") <sup>(d)</sup></b>			
Cash and cash equivalents	194	298	80
Total current assets	692	815	542
Total non-current assets	903	718	764
Current financial liabilities (excluding trade payables, other payables and provisions)	(390)	(217)	(397)
Total current liabilities	(767)	(624)	(686)
Total non-current financial liabilities (excluding trade payables, other payables and provisions)	(28)	(261)	(28)
Total non-current liabilities	(218)	(314)	(76)

<sup>(a)</sup> IDBG holds rights to a commercial and office center (which is under construction in stages), in Las Vegas. Its country of incorporation is the United States, its business operations are in the United States, and the Group's stake in its equity and voting rights is 50% (held by Property & Building).

<sup>(b)</sup> Assets and liabilities were translated according to the representative exchange rate as at the date of the relevant statement of financial position.

<sup>(c)</sup> Primarily includes shareholder's loans which were given to the joint venture.

<sup>(d)</sup> Mehadrin's field of activity is agriculture, its country of incorporation is Israel, its business operations are in Israel, and the Group's rate of ownership in its capital and voting rights is 45.4% (held by Property & Building).

	For the three months ended March 31		For the year ended December 31
	2019	2018	2018
	(Unaudited)		(Audited)
	NIS millions		

**IDB Group USA Investments Inc. <sup>(a)</sup>**

Income	10	10	42
Interest expenses *	(12)	(35)	(161)
Loss for the period from continuing operations and total comprehensive loss for the period*	(16)	(34)	(247)
* Includes interest expenses in respect of a shareholder's loan in the amount of	2	(29)	(134)

**Mehadrin**

Income	530	556	1,331
Depreciation and amortization	(10)	(10)	(38)
Interest income	2	4	6
Interest expenses	(6)	(9)	(21)
Tax on income expenses	(19)	(17)	(9)
Income for the period from continuing operations	67	69	35
Other comprehensive income (loss)	(2)	1	1
Total comprehensive income	65	70	36

(A) Income and profit or loss were translated according to average exchange rates during the relevant period.



**Note 4 - Events During the Reporting Period**

- A. Further to that stated in Note 13.B. to the Annual Financial Statements, regarding the plan for the self-purchase of DIC shares, in January and February 2019, DIC acquired 10 million DIC shares, at a total cost of NIS 96 million. The cost of the aforementioned shares was, in the first quarter of 2019, in the Company's statement of changes in equity, as treasury shares. The rate of public holdings, not including interested party holdings, as at proximate to the publication date of the financial statements, is approximately 15.9%.
- B. On January 17, 2019, DIC's Board of Directors resolved to perform a dividend distribution in cash in the amount of NIS 0.275 per share, reflecting a total of approximately NIS 40 million, as well as a payment in kind dividend of 0.585 par value, per share, of IDB Development's debentures (Series I), reflecting a total of NIS 64 million, according to the market value of the debentures (Series I) on the distribution date. The total amount of the distributed dividend was NIS 104 million, which was paid on February 3, 2019. For details regarding a claim and a motion to approve it as a derivative claim, on the grounds of the performance of an allegedly prohibited distribution, with respect to the dividend distribution and self-purchases referenced in section A above, see Note 5.B.1. below.
- C. On January 17, 2019, the Board of Directors of DIC approved a plan for the self-purchase of its debentures (Series F and Series J), until the end of 2019, at a total cost of up to NIS 150 million. The aforementioned debentures will be acquired in accordance with market opportunities, according to the dates, prices and scopes which will be determined by DIC management. In the first quarter of 2019, DIC acquired its debentures (Series F and Series J), for a total cost of NIS 109 million. As a result of the acquisition, DIC recorded, in the financial statements for the first quarter of 2019, profit from the prepayment of debentures, in the amount of NIS 17 million.

**Note 5 – Claims and Contingent Liabilities**

- A. For details regarding claims and contingent liabilities against the Company and its investee companies, and derivative claims on behalf of the Company, which were pending as at December 31, 2018, see Note 21 to the Annual Financial Statements.
- B. **Claims and contingent liabilities which are pending against the Company and its investee companies as at March 31, 2019, and material changes therein during the first quarter of 2019 and after the date of the statement of financial position:**  
The following claims are presented at amounts that are correct as at the date of their filing, unless noted otherwise.

**1. Claims and Contingent Liabilities Against DIC and Derivative Claim**

- A. The financial statements of DIC as at March 31, 2019 include provisions with respect to legal claims against DIC in the total amount of NIS 7 million, while the original amount of the claims with respect to them amounts to NIS 93 million.
- B. In May 2019, DIC received a claim and a motion to approve it as a derivative claim (jointly: the "Motion"), which had been filed with the District Court of Tel Aviv-Yafo (the "Court"), against Dolphin IL; against directors who hold office in DIC (the "Respondents"); and against DIC (as a formal respondent), by a petitioner claiming to hold debentures of DIC (Series J), on the grounds of performance of a prohibited distribution, with respect to a dividend distribution in cash in the amount of approximately NIS 40 million, and a payment in kind dividend (debentures (Series I) of IDB Development) in the amount of approximately NIS 64 million, which was performed by DIC in February 2019 (jointly: the "Distribution"), and regarding self-purchases of shares which were performed by DIC (from the date of the resolution regarding the distribution) in the amount of approximately NIS 36 million, in accordance with a purchase plan, which was approved by DIC's board of directors in January 2019 (the "Self-Purchases"). For additional details regarding the distribution and the self-purchases, see Notes 4.A. and 4.B. above. In the motion, the Court was requested, inter alia, to declare and to determine that the distribution and the self-purchases did not fulfill the profit test (a test which constitutes a condition for a distribution in accordance with section 302 of the Companies Law, 5759-1999), and that they constitute a prohibited distribution, and to order the respondents to compensate DIC for the damages which it has incurred due to the prohibited distribution, with the damages allegedly caused by the respondents being estimated at a total of NIS 140 million. The Court is also requested to order Dolphin IL to repay to DIC the dividend amount which it received in the distribution, in the amount of NIS 85 million (in accordance with its rate of holding in DIC).

**Note 5 – Claims and Contingent Liabilities (Cont.)**

**B. Claims and contingent liabilities which are pending against the Company and its investee companies as at March 31, 2019, and material changes therein during the first quarter of 2019 and after the date of the statement of financial position (Cont.)**

2. **Claims against Cellcom**

A. Presented below is a description of the pending claims against Cellcom:

Balance of the provision	Claim amounts
NIS millions	
63	16,596 <sup>(1),(2)</sup>

<sup>(1)</sup> Including claims against Cellcom and additional defendants in the amount of NIS 453 million, in which an amount claimed separately from Cellcom was not specified.

<sup>(2)</sup> There are additional claims against Cellcom, with respect to which the claim amount was not specified, insofar as they will be approved as class actions, to which Cellcom has additional exposure.

B. Presented below are details regarding the amount and quantity of contingent liabilities against Cellcom which are in effect as at March 31, 2019, distributed by claim amount:

Claim amount	Number of claims	Claim amounts
		NIS millions
Consumer claims - up to NIS 100 million	13	497
Consumer claims - NIS 100 million to NIS 500 million	2	555
Consumer claims - over NIS 1 billion	1	15,000
Consumer claims in which the claim amount was not specified	16	-
Consumer claims against Cellcom and additional defendants in which the amount claimed separately from Cellcom was not specified	5	453
Consumer claims against Cellcom and additional defendants in which the amount claimed separately from Cellcom was specified	1	3
Consumer claims in which the amount claimed from Cellcom and additional defendants was not specified	6	-
Non-consumer claims - Up to NIS 100 million	25	88
Total	69	16,596

C. **Details regarding claims subsequent to the date of the statement of financial position**

Subsequent to the date of the statement of financial position, a claim and a motion to approve it as a class action were filed with the Court against Cellcom, in an amount which was estimated by the plaintiffs as a total of NIS 10 million, as well as a claim and a motion to approve it as a class action against Cellcom in which the claim amount was not specified, and a claim and a motion to approve it as a class action against Cellcom and additional defendants, in an amount which was estimated by the plaintiffs as at least tens of millions of NIS, against all of the defendants. At this preliminary stage, it is not possible to estimate their chances of success.

Additionally, a claim and a motion to approve it as a class action concluded, which had been filed against Cellcom in a total amount which was estimated by the plaintiffs as a total of NIS 43 million, as well as a claim and a motion to approve it as a class action against Cellcom, in which the claim amount was not specified.



**Note 5 – Claims and Contingent Liabilities (Cont.)**

**B. Claims and contingent liabilities which are pending against the Company and its investee companies as at March 31, 2019, and material changes therein during the first quarter of 2019 and after the date of the statement of financial position (Cont.)**

**3. Claims against Property & Building**

A. Presented below is a description of pending claims against Property & Building:

Balance of the provision	Total additional exposure	Total
NIS millions		
1	40	41

B. Presented below are details regarding the quantity and amount of Property & Building's contingent liabilities as at March 31, 2019, distributed by claim amount:

Claim amount	Number of claims	Claim amounts
		NIS millions
Up to NIS 100 million	40	41

**C. Details regarding a claim subsequent to the date of the statement of financial position**

Subsequent to the date of the statement of financial position, a claim was filed against Ispro The Israeli Properties Rental Corporation Ltd., and against Gav-Yam Bayside Land Corporation Ltd., companies controlled by Property & Building, in the amount of NIS 31 million. The defendants believe that the assertions and requests specified in the claim are unfounded. At this preliminary stage, it is not possible to estimate the claim's chances.

**4. Claims against Shufersal**

A. Presented below is a description of claims pending against Shufersal:

Balance of the provision	Total additional exposure	Total exposure with respect to claims whose chances cannot yet be estimated	Total
NIS millions			
42	925 <sup>(1)</sup>	749 <sup>(2)</sup>	1,716 <sup>(3)</sup>

(1) Includes claims against Shufersal and additional defendants, in the amount of NIS 29 million, in which an amount separately claimed from Shufersal was not specified.

(2) Includes claims against Shufersal and additional defendants in the amount of NIS 234 million, in which an amount claimed separately from Shufersal was not specified.

(3) There are additional claims against Shufersal, with respect to which the claim amount was not specified, insofar as they will be approved as class actions, to which Shufersal has additional exposure.

B. Presented below are details regarding the quantity and amount of Shufersal's contingent liabilities which are in effect as at March 31, 2019, distributed by claim amount:

Claim amount	Number of Claims	Claim amounts
		NIS millions
Up to NIS 100 million <sup>(1)</sup>	725 <sup>(1)</sup>	517 <sup>(1)</sup>
NIS 100 million to NIS 500 million	3	937
Claims in which the claim amount was not specified	7	-
Claim against Shufersal and additional defendants in which the claim amount was not specified	1	-
Claims against Shufersal and additional defendants in which the amount claimed separately from Shufersal was not specified	7	262
Total	743	1,716

(1) Out of the aforementioned amounts, there are 604 customer tort claims, at a claim scope of NIS 28 million.

**Note 5 – Claims and Contingent Liabilities (Cont.)**

**B. Claims and contingent liabilities which are pending against the Company and its investee companies as at March 31, 2019, and material changes therein during the first quarter of 2019 and after the date of the statement of financial position (Cont.)**

**4. Claims against Shufersal (Cont.)**

**C. Details regarding claims subsequent to the date of the statement of financial position**

Subsequent to the date of the statement of financial position, 2 motions to approve consumer claims as class actions were filed against Shufersal, with no amount stated. Additionally, a motion to approve a consumer claim as a class action was filed in the amount of NIS 1 million. It is not possible to estimate the claim's chances at this preliminary stage.

Additionally, two motions to approve a consumer claims as class actions against Shufersal, in the amount of NIS 38 million, were dismissed and withdrawn with Court approval. Additionally, two motions to approve consumer claims as class actions against Shufersal and additional defendants, in which the amount attributed to Shufersal is NIS 71 million, were dismissed and withdrawn with the court's approval.

**Note 6 - Financial Instruments**

**A. Fair value of financial instruments for disclosure purposes only**

The book value of certain financial assets and liabilities, including cash and cash equivalents, trade receivables, other receivables and debit balances, loans and short term deposits, other investments, loans and long term debit balances, derivatives, loans and short term credit, liabilities in respect of construction, other liabilities, other payables and credit balances, and trade payables, correspond to or approximate their fair value.

The fair value of the other financial liabilities and their book values, as presented in the statement of financial position, are as follows:

	As at March 31, 2019		As at March 31, 2018		As at December 31, 2018	
	(Unaudited)				(Audited)	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
	NIS millions					
<b>Financial liabilities</b>						
Debentures <sup>(a),(b)</sup>	16,784	17,052	18,643	20,172	17,266	17,226
Long term loans from banks and others <sup>(a),(b)</sup>	2,483	2,525	2,838	2,933	2,391	2,420
	<u>19,267</u>	<u>19,577</u>	<u>21,481</u>	<u>23,105</u>	<u>19,657</u>	<u>19,646</u>

<sup>(a)</sup> Book value including current maturities and accrued interest. Fair value as at the cutoff date includes principal and interest which were paid after the cutoff date, and whose ex date occurred before.

<sup>(b)</sup> The fair value of debentures traded on the stock exchange was estimated based on their quoted price, and the interest rate with respect to them reflects the yield to maturity embodied in the aforementioned quoted price. The fair value of long term loans from banks and lease liabilities is estimated using the future cash flow discounting method, in respect of the principal and interest components in loans and payments of lease liabilities, which are discounted according to the market interest rate as at the measuring date.

**Note 6 - Financial Instruments (Cont.)**

**B. Fair value hierarchy of financial instruments measured at fair value**

The various levels were defined in the following manner:

Level 1 – Quoted (non-adjusted) prices in an active market for identical instruments.

Level 2 – Directly or indirectly observable data, which are not included in Level 1 above.

Level 3 – Data which are not based on observable market data.

The fair value of financial assets measured at fair value is determined with reference to their quoted closing bid price as at the date of the statement of financial position, and in the absence of such a quoted price - using other conventionally accepted valuation methods, in consideration of the majority of observable market inputs (such as use of the interest curve).

**Financial instruments measured at fair value level 2**

	As at March 31, 2019	As at March 31, 2018	As at December 31, 2018
	(Unaudited)		(Audited)
	NIS millions		
Financial assets	92	69	61
Financial liabilities	(1)	(22)	(1)

Financial instruments measured at fair value level 2 include, inter alia:

- Forward contracts whose fair value is estimated based on quotes by banks / brokers or by discounting the difference between the forward price specified in the contract and the current forward price in respect of the remainder to maturity of the contract period, while using appropriate market interest rates for similar instruments, includes the required adjustments in respect of the parties' credit risks, when appropriate.
- Options on foreign currency whose fair was determined according to the Black-Scholes model.

The probability of the quotes is evaluated by discounting the estimated future cash flows, based on the conditions and the period to redemption of each contract, and while using the market interest rates of a similar instrument on the measuring date.

**Financial instruments measured at fair value level 3**

The Group's remaining financial instruments are measured at fair value level 1, except as specified in the following tables:

	For the three months ended March 31, 2019			
	(Unaudited)			
	Financial assets measured at fair value through profit or loss			Financial liabilities measured at fair value through profit or loss
	Investments and derivatives	Loans to affiliated companies <sup>(b)</sup>	total	
	NIS millions			
Balance as at January 1, 2019	179	-	179	(4)
Initial measurement at fair value due to the initial adoption of the amendment to IAS 28	-	315	315	-
Total income (loss) recognized:				
Under profit and loss <sup>(a)</sup>	(17)	(10)	(27)	-
Under other comprehensive income (in the item for the reserves from translation differences)	(3)	(10)	(13)	-
Redemptions	-	(3)	(3)	-
Transfer to level 3	9	-	9	-
Balance as at March 31, 2019	<sup>(1)</sup> 168	292	460	(4)
<sup>(a)</sup> Total profit for the period included under profit and loss with respect to held assets as at March 31, 2019:				
Net loss from realization and increase (decrease) in the value of investments and assets	(17)	-	(17)	
The Company's share in the net profit (loss) of investee companies accounted by the equity method, net	-	(10)	(10)	

(b) See also note 2.E.2. above.

**Note 6 - Financial Instruments (Cont.)**

**B. Fair value hierarchy of financial instruments measured at fair value (Cont.)**

**Financial instruments measured at fair value level 3 (Cont.)**

	For the three months ended March 31, 2018	
	(Unaudited)	
	Financial assets measured at fair value through profit or loss	Financial liabilities measured at fair value through profit or loss
	NIS millions	
Balance as at January 1, 2018	179	(3)
Total income (loss) recognized:		
Under profit and loss <sup>(a)</sup>	1	-
Under other comprehensive income (in the item for the reserves from translation differences)	1	-
Investment	1	-
Balance as at March 31, 2018	<sup>(1)</sup> 182	(3)
<sup>(a)</sup> Total profit for the period included under profit and loss with respect to held assets as at March 31, 2018:		
Profit (loss), net, from realization and increase (decrease) in the value of investments and assets	1	

	For the year ended December 31, 2018	
	(Audited)	
	Financial assets measured at fair value through profit or loss	Financial liabilities measured at fair value through profit or loss
	NIS millions	
Balance as at January 1, 2018	179	(3)
Total income (loss) recognized:		
Under profit and loss <sup>(a)</sup>	<sup>(b)</sup> (5)	(1)
Under other comprehensive income (in the item for the reserves from translation differences)	6	-
Investment	12	-
Redemptions	(4)	-
Transfers to level 3	7	-
Deconsolidation <sup>(c)</sup>	(16)	-
Balance as at December 31, 2018	<sup>(1)</sup> 179	(4)
<sup>(a)</sup> Total income (loss) for the period included under the income statement with respect to held assets and liabilities as at December 31, 2018:		
Financing income		-
Profit (loss), net, from realization and increase (decrease) in the value of investments and assets	(5)	

<sup>(b)</sup> Not including income from dividends in the amount of NIS 5 million.

<sup>(c)</sup> Deconsolidation of Shufersal, see Note 3.A.3.B above.

- (1) The Group holds several private companies, where the fair value of the investment in them was estimated using the following valuation methods:
- The cash flow discounting method was applied with respect to the ability of the companies under valuation to estimate their future cash flows.
  - Transactions method - according to this method, the value of the Group's investments in the companies which form the subject of the valuation was estimated based on a price that was determined in recent transactions with their securities, while performing relevant adjustments.
  - Option pricing model - an option pricing model which is based on the Black-Scholes model or on the binomial model. This method is based on the assumption that the securities of an entity may be regarded as call options for the value of the entire entity.
  - The value of investments in venture capital funds which are not registered for trading is determined based on the Group's share in the capital funds based on their financial statements, which are based on fair value or valuations of their investments.

## Note 7 - Sales and Services

	For the three months ended March 31		For the year ended December 31
	2019	2018 <sup>(1)</sup>	2018
	(Unaudited)		(Audited)
	NIS millions		
Performance of works and services, primarily from communication services	690	713	2,843
Sale of communication equipment	250	232	904
Building rentals	232	215	901
Sale of apartments and real estate	97	144	517
Sale of manufactured products	2	4	45
Income from management and consulting fees of an investment house	8	13	49
	<u>1,279</u>	<u>1,321</u>	<u>5,259</u>

(1) Restated due to the presentation of Shufersal under discontinued operations; see Note 3.A.3.B. above.

## Note 8 - Operating Segments

The segmental division basis and the measurement basis used for segmental profit and loss is identical to that presented in Note 31 to the Annual Financial Statements, regarding operating segment.

Presented below are details regarding the operating segments and the correspondence between the segmental data and the consolidated report in accordance with IFRS 8:

### A. Segmental results

	Cellcom	Property & Building	Shufersal	Other (Elron)	Adjustments for the consolidation	Consolidated
	NIS millions					
<b>For the three month period ended March 31, 2019 (unaudited)</b>						
Sales and services	<u>928</u>	<u>329</u>	<u>3,149</u>	<u>-</u>	<u>(3,127)</u>	<u>1,279</u>
Segmental results - attributable to the owners of the Company	<u>(7)</u>	<u>37</u>	<u>9</u>	<u>(11)</u>	<u>(59)</u>	<u>(31)</u>
<b>For the three month period ended March 31, 2018 (unaudited)</b>						
Sales and services	<u>933</u>	<u>365</u>	<sup>(1)</sup> <u>3,169</u>	<sup>(3)</sup> <u>-</u>	<sup>(2)</sup> <u>(3,146)</u>	<sup>(2)</sup> <u>1,321</u>
Segmental results - attributable to the owners of the Company	<u>(265)</u>	<u>33</u>	<sup>(1)</sup> <u>28</u>	<sup>(3)</sup> <u>(9)</u>	<u>(48)</u>	<u>(261)</u>
<b>For the year ended December 31, 2018 (audited)</b>						
Sales and services	<u>3,688</u>	<u>1,426</u>	<sup>(1)</sup> <u>12,847</u>	<u>-</u>	<u>(12,702)</u>	<u>5,259</u>
Segmental results - attributable to the owners of the Company	<u>(587)</u>	<u>66</u>	<sup>(1)</sup> <u>1,355</u>	<u>(29)</u>	<u>(266)</u>	<u>539</u>

<sup>(1)</sup> Shufersal's operating results are presented in the statements of income until the date of loss of control in June 2018, under discontinued operations; see Note 3.A.3.B. above.

<sup>(2)</sup> Restated due to the presentation of the Shufersal operation under discontinued operations, see Note 3.A.3.B. above.

<sup>(3)</sup> In the first quarter of 2018, Elron was a reportable segment.

## Note 8 - Operating Segments (Cont.)

### A. Segmental results (Cont.)

Composition of the adjustments to the sales and services item in the consolidated report:

	For the three months ended March 31		For the year ended December 31
	2019	2018	2018
	(Unaudited)		(Audited)
	NIS millions		
Reversal of amounts with respect to the Shufersal operation	(3,149)	<sup>(1)</sup> (3,169)	<sup>(1)</sup> (12,847)
Other adjustments	22	23	145
	<u>(3,127)</u>	<u>(3,146)</u>	<u>(12,702)</u>

(1) The Shufersal operation was presented, until the date of loss of control in June 2018, under discontinued operations, see Note 3.A.3.B. above.

Composition of the adjustments to the segmental results attributed to the owners of the Company in the consolidated report:

	For the three months ended March 31		For the year ended December 31
	2019	2018	2018
	(Unaudited)		(Audited)
	NIS millions		
Inclusion of the results of DIC headquarters (primarily general and administrative, financing and taxes)	(42)	(57)	(261)
Other adjustments	(17)	9	(5)
	<u>(59)</u>	<u>(48)</u>	<u>(266)</u>

## Note 8 - Operating Segments (Cont.)

### B. Segmental assets

	Cellcom	Property & Building	Shufersal	Other (Elron)	Adjustments for the consolidation	Consolidated
NIS millions						
As at March 31, 2019 (unaudited)	7,362	16,772	11,829	415	(7,132)	29,246
As at March 31, 2018 (unaudited)	6,125	16,213	8,300	458 <sup>(1)</sup>	4,107	35,203
As at December 31, 2018 (Audited)	6,749	17,151	7,705	450	(2,656)	29,399

(1) In the first quarter of 2018, Elron was a reportable segment.

Composition of the adjustments to the segmental assets in the consolidated report:

	As at March 31		As at
	2019	2018	December 31
	(Unaudited)		2018
	(Unaudited)		(Audited)
NIS millions			
Reversal of amounts with respect to the Shufersal segment, which is classified in the financial statements as an associate company	(11,829)	-	(7,705)
Inclusion of the investment amount in associate companies based on their book value, as included in the financial statements	1,357	21	1,387
Inclusion of adjustments to fair value of assets of subsidiaries and goodwill with respect to them in DIC	1,166	2,216	1,166
Inclusion of other assets of DIC headquarters	1,994	1,792	2,309
Other adjustments	180	78	187
	<u>(7,132)</u>	<u>4,107</u>	<u>(2,656)</u>

### C. Segmental liabilities

	Cellcom	Property & Building	Shufersal	Other (Elron)	Adjustments for the consolidation	Consolidated
NIS millions						
As at March 31, 2019 (unaudited)	5,701	13,221	10,098	39	(5,472)	23,587
As at March 31, 2018 (unaudited)	4,711	12,573	6,565	<sup>(1)</sup> 35	5,179	29,063
As at December 31, 2018 (Audited)	5,072	13,173	5,749	35	(971)	23,058

(1) In the first quarter of 2018, Elron was a reportable segment.

Composition of the adjustments to the segmental liabilities in the consolidated report:

	As at March 31		As at
	2019	2018	December 31
	(Unaudited)		2018
	(Unaudited)		(Audited)
NIS millions			
Reversal of amounts with respect to the Shufersal segment, which is classified in the financial statements as an associate company	(10,098)	-	(5,749)
Inclusion of the liabilities of DIC headquarters	4,546	5,029	4,621
Inclusion of adjustments to the fair value of liabilities of subsidiaries in DIC	53	235	54
Other adjustments	27	(85)	103
	<u>(5,472)</u>	<u>5,179</u>	<u>(971)</u>

## **Note 9 - Events Subsequent to the Date of the Statement of Financial Position**

- A. In April 2019, Cellcom repaid a loan from an Israeli bank through a prepayment in a total amount of NIS 112 million, plus accrued interest until the repayment date. For additional details, see Note 14.D.1.E. to the financial statements.
- B. In May 2019, Property & Building issued NIS 516 million par value of debentures from its existing Series I, by way of a series extension, for a total gross consideration of NIS 519 million, which reflects an effective interest rate of 4.2% per year. For details regarding the terms of the debentures, see Note 14.A.1.(A).2. to the Annual Financial Statements.
- C. Dividend distributions:  
In March 2019, Shufersal and Property & Building announced dividend distributions in cash. Dividend amounts which were received subsequent to the date of the statement of financial position, as specified below:

Company	Date of the resolution	Payment date	Total amount	DIC share
			NIS millions	
Shufersal	March 2019	April 2019	160	42
Property & Building	March 2019	April 2019	114	78
				120

- D. Further to that stated in Note 30.B.2.A. to the Annual Financial Statements, regarding the Company's engagement in officers' liability insurance policies with Clal Insurance Company Ltd., with the support of reinsurers at a rate of 100%, for the period from April 1, 2019 up to and including March 31, 2020 (the "Insurance Period"), in accordance with the 2017 framework decision (the "2017 Framework Decision", as defined in the aforementioned note), on April 24, 2019, the Company's board of directors approved (after approval for the matter was received from the Company's compensation committee and audit committee), in accordance with the provisions of the Companies Regulations (Easements Regarding Interested Party Transactions), 5760-2000, the extension of the framework transaction by four additional months, until July 31, 2020, in order to allow the Company to obtain an insurance policy in accordance with the 2017 Framework Decision, for a period of 16 months, beginning on April 1, 2019, instead of the insurance period (of 12 months only). The total premiums which the Company will pay with respect to the aforementioned policies amounts to approximately USD 790 thousand (including 10% fronting fees for Clal Insurance).
- E. Further to that stated in Note 30.B.1.B. to the Annual Financial Statements, on April 30, 2019, the general meeting of the Company's shareholders approved the extension of the Company's engagement, with IDB Development, in a cost distribution agreement (services agreement), for a period of three additional years, from April 1, 2019 to March 31, 2022, under identical conditions as the services agreement specified in the aforementioned note.
- F. Further to that stated in Note 30.B.2.B. to the Annual Financial Statements, on April 30, 2019, the general meeting of the Company's shareholders re-approved the provision of letters of indemnity to corporate officers of the Company who are among the Company's controlling shareholders, as they stand from time to time, and/or their relatives, who currently hold office and/or who may hold office in the Company from time to time, and to corporate officers in the Company regarding whom the Company's corporate officers may be considered as having a personal interest in the provision of letters of indemnity to them, who hold office and/or who may hold office in the Company from time to time, for an additional period of three additional years, of an identical wording as that of the Company's current letter of indemnity, beginning on May 23, 2019.
- G. In May 2019, DIC published a shelf prospectus based on its financial statements as at December 31, 2018, according to which DIC will be entitled to offer to the public, inter alia, shares, debentures convertible into shares, non-convertible debentures, warrants exercisable into shares and into debentures, and marketable securities.
- H. On May 30, 2019, the Company's Board of Directors resolved to approve the performance of a full tender offer by the Company, for approximately 1.96 million shares of Property & Building, in accordance with a tender offer specification which will be published, for a total consideration of approximately NIS 654 million, in a manner whereby, subject to the completion of the tender offer, the Company will hold the entire issued share capital of Property & Building. Based on the shareholders' equity of Property & Building as of March 31, 2019, and insofar as the tender offer is accepted in its entirety, the Company is expected to record a decrease in shareholders' equity in the amount of NIS 137 million. The aforementioned decrease will be updated in accordance with changes in the shareholders' equity of Property & Building as of March 31, 2019, and until the completion date of the tender offer, and in accordance with the acceptance of the tender offer



DIC

**Discount Investment Corporation Ltd**

**Financial statements  
of a material associated company**

**IDB GROUP USA INVESTMENTS INC.**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2019**

**UNAUDITED**

**IN U.S DOLLARS**

**I N D E X**

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## **AUDITORS' REVIEW REPORT**

**to the Shareholders of**

**IDB GROUP USA INVESTMENTS, INC.**

### **Introduction**

We have reviewed the accompanying financial information of IDB Group USA Investments, Inc. ("the Company"), which comprises the condensed consolidated statement of financial position as of March 31, 2019 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three months then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim financial information for this period in accordance with IAS 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of review**

We conducted our review in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Tel-Aviv, Israel  
May 28 , 2019

**KOST FORER GABBAY & KASIERER**  
A Member of Ernst & Young Global

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

U.S. dollars in thousands

	March 31		December 31
	2019	2018	2018
	Unaudited		Audited
<b>ASSETS</b>			
CURRENT ASSETS:			
Cash and cash equivalents	4,140	8,775	4,652
Restricted cash	-	2,505	1,401
Receivables and prepayments	1,474	2,323	1,609
Land held for sale	-	-	18,000
Total current assets	5,614	13,603	25,662
NON-CURRENT ASSETS:			
Restricted cash	10,315	-	10,000
Investment property	248,000	270,651	231,650
Land inventory	14,000	14,000	14,000
Other assets	1,854	3,056	1,648
Total non-current assets	274,169	287,707	257,298
Total assets	279,783	301,310	282,960
<b>LIABILITIES</b>			
CURRENT LIABILITIES:			
Loans from bank and others	-	100,789	41,400
Loans from shareholder	65,192	58,859	63,120
Accounts payable and accrued liabilities	6,612	5,275	7,605
Total current liabilities	71,804	164,923	112,125
NON-CURRENT LIABILITIES:			
Loans from shareholders	95,781	146,052	170,410
Loans from related parties	800	-	-
Loans from bank and others	111,398	-	69,327
Total non-current liabilities	207,979	146,052	239,737
Total liabilities	279,783	310,975	351,862
<b>Equity attributable to equity owners of the Company</b>			
Paid-in capital	88,000	88,000	88,000
Capital reserve from transaction with controlling shareholders	1,837,311	1,764,086	1,764,086
Capital reserve from transaction with non-controlling interest	(190)	-	(190)
Accumulated deficit	(1,925,121)	(1,861,561)	(1,920,798)
Non-controlling interests	-	(9,475)	(68,902)
	-	(190)	-
Total equity	-	(9,665)	(68,902)
Total liabilities and equity	279,783	301,310	282,960

The accompanying notes are an integral part of the financial statements.

May 28, 2019

Date of approval of the  
financial statementsOREN HILLINGER  
ManagerGIL KOTLER  
Manager

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

U.S. dollars in thousands

	Three months ended		Year ended
	March 31		December 31
	2019	2018	2018
	<u>Unaudited</u>		<u>Audited</u>
<b>REVENUES</b>			
Rental revenue	<u>2,801</u>	<u>2,950</u>	<u>11,747</u>
<b>EXPENSES</b>			
Rental property expenses	1,488	1,910	7,038
General and administrative expenses	512	749	4,546
Valuation loss on investment property	1,782	-	24,185
Financing income	(28)	(20)	(83)
Financing expenses on shareholders loans	5,060	8,110	36,728
Revaluation of shareholders loans measured in fair value	(4,392)	-	-
Financing expenses to others	<u>2,702</u>	<u>1,866</u>	<u>8,235</u>
Total expenses	<u>7,124</u>	<u>12,615</u>	<u>80,649</u>
Net loss and total comprehensive loss for the period attributable to Equity owners of the Company	<u>(4,323)</u>	<u>(9,665)</u>	<u>(68,902)</u>

The accompanying notes are an integral part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

U.S. dollars in thousands

	Attributable to equity owners of the Company				
	Paid-in capital	Capital reserve from transactions with controlling shareholders	Capital reserve from transactions with non-controlling interest	Accumulated deficit	Total
Balance as of January 1, 2019 (audited)	88,000	1,764,086	(190)	(1,920,798)	(68,902)
Capital reserve from transactions with controlling shareholders - see Note 5	-	73,225	-	-	73,225
Total comprehensive loss for the period	-	-	-	(4,323)	(4,323)
Balance as of March 31, 2019 (unaudited)	<u>88,000</u>	<u>1,837,311</u>	<u>(190)</u>	<u>(1,925,121)</u>	<u>-</u>

	Attributable to equity owners of the Company					
	Paid-in capital	Capital reserve from transactions with controlling shareholders	Accumulated deficit	Total	Non-controlling interests	Total equity
Balance as of January 1, 2018 (audited)	88,000	1,269,418	(1,851,896)	(494,478)	(190)	(494,668)
Capital reserve from transactions with controlling shareholders	-	494,668	-	494,668	-	494,668
Total comprehensive loss for the period	-	-	(9,665)	(9,665)	-	(9,665)
Balance as of March 31, 2018 (unaudited)	<u>88,000</u>	<u>1,764,086</u>	<u>(1,861,561)</u>	<u>(9,475)</u>	<u>(190)</u>	<u>(9,665)</u>

	Attributable to equity owners of the Company						
	Paid-in capital	Capital reserve from transactions with controlling shareholders	Capital reserve from transactions with non-controlling interest	Accumulated deficit	Total	Non-controlling interests	Total equity
Balance as of January 1, 2018	88,000	1,269,418	-	(1,851,896)	(494,478)	(190)	(494,668)
Capital reserve due to loss of control in subsidiary	-	-	(190)	-	(190)	190	-
Capital reserve from transactions with controlling shareholders	-	494,668	-	-	494,668	-	494,668
Total comprehensive loss for the year	-	-	-	(68,902)	(68,902)	-	(68,902)
Balance as of December 31, 2018	<u>88,000</u>	<u>1,764,086</u>	<u>(190)</u>	<u>(1,920,798)</u>	<u>(68,902)</u>	<u>-</u>	<u>(68,902)</u>

The accompanying notes are an integral part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

U.S. dollars in thousands

	<b>Three months ended</b>		<b>Year ended</b>
	<b>March 31</b>		<b>December 31</b>
	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>Unaudited</b>		<b>Audited</b>
<b><u>Cash flows from operating activities:</u></b>			
Net loss	(4,323)	(9,665)	(68,902)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	22	23	94
Bad debt expense	34	1	1,093
Valuation and other losses	1,782	-	24,185
Financing expense, net	3,342	9,956	44,880
Changes in operating assets and liabilities:			
Change in deferred rent receivable	175	171	39
Tenant receivables	115	(222)	77
Accounts payable and accrued liabilities	(1,016)	913	1,238
Other assets	(230)	52	(416)
<b>Net cash provided by (used in) operating activities</b>	<b>(99)</b>	<b>1,229</b>	<b>2,288</b>
<b>Net cash used in investing activities (see below)</b>	<b>(308)</b>	<b>(632)</b>	<b>(2,466)</b>
<b>Net cash used in financing activities (see below)</b>	<b>(105)</b>	<b>(2,756)</b>	<b>(6,104)</b>
<b>Net change in cash and cash equivalents</b>	<b>(512)</b>	<b>(2,159)</b>	<b>(6,282)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>4,652</b>	<b>10,934</b>	<b>10,934</b>
<b>Cash and cash equivalents, end of period</b>	<b>4,140</b>	<b>8,775</b>	<b>4,652</b>
<b><u>Cash flows from investing activities</u></b>			
Investment in real estate and other assets	(308)	(632)	(2,466)
<b><u>Cash flows from financing activities</u></b>			
Proceeds from banks, net of expenses	-	-	59,327
Repayment of loan	-	-	(59,550)
Payment of interest and financing fees	(1,791)	(1,685)	(7,314)
Decrease (increase) in restricted cash	886	(1,071)	1,433
Loans from related parties	800	-	-
<b>Net cash used in financing activities</b>	<b>(105)</b>	<b>(2,756)</b>	<b>(6,104)</b>
<b>Supplemental noncash disclosures</b>			
Capital reserve from transactions with shareholders	73,225	494,668	494,668
Proceeds of loan deposited into restricted account	-	-	10,000

The accompanying notes are an integral part of these financial statements.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 1:- GENERAL**

IDB Group USA Investments Inc. ("the Company" or "IDBG") is a company domiciled in the United States. The Company was incorporated in 2005 and is held in equal parts by Property & Building Corporation Ltd. ("PBC") and IDB Development Corporation Ltd. ("IDBD"), for the purpose of investing in real estate projects in the USA.

These financial statements have been prepared in a condensed format as of March 31, 2019 and for the three months period then ended ("interim financial statements"). These financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2018 and for the year then ended and the accompanying notes ("annual financial statements").

As of March 31, 2019, the Company has negative working capital in approximately \$66 million. The negative working capital derives from shareholder loan of \$65 million (PBC credit facility described in Note 9(a) to the annual financial statements) payable in September 2019.

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES**

The interim consolidated financial statements for the three months ended March 31, 2019 have been prepared in accordance with IAS 34, "Interim Financial Reporting". The significant accounting policies and methods of computation adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the annual financial statements, except as follows:

In January 2016, the IASB issued IFRS 16, "Leases" ("the new Standard"). According to the new Standard, a lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

- Lessees are required to recognize an asset and a corresponding liability in the statement of financial position in respect of all leases (except in certain cases) similar to the accounting treatment of finance leases according to the existing IAS 17, "Leases".
- Lessees are required to initially recognize a lease liability for the obligation to make lease payments and a corresponding right-of-use asset. Lessees will also recognize interest and depreciation expenses separately.
- The accounting treatment by lessors remains substantially unchanged, namely classification of a lease as a finance lease or an operating lease.

The Company applied IFRS 16 as of January 1, 2019.

The adoption of IFRS 16 did not have a material effect on the financial statements.



**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**


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**NOTE 3:- INVESTMENT PROPERTY**

The Company, through its subsidiary Great Wash Park LLC (“GW”), owns the Tivoli project comprising approximately 868,000 square feet of retail, restaurant, office and hotel space (the "Project").

The first two phases, in a space of approximately 670,000 square feet were completed and comprising of approximately 337,000 square feet of office, and approximately 333,000 square feet of retail. Occupancy rate as of the end of March 31, 2019 is 71%. The third phase of the Project remains under planning for development with no construction date specified at this time.

The Company obtained an independent third party appraisal of its investment property as of March 31, 2019. The valuation was performed mainly by discounting the future cash flows anticipated to be derived from the project. The discount rate used by the independent appraisers was 8.5%, and was selected based on the type of property and its intended use, its location and the quality of the lessees. The capitalization rate used was 6.5%. The valuation concluded that the fair value of the property as of March 31, 2019 to be \$248 million. (June 30, 2018 - \$249 million), including \$18 million in respect of a parcel of land adjacent to the Project – see below.

Further to that stated in note 7(a) to the annual financial statements regarding a PSA to sale residential land, adjacent to the Tivoli project, due to non-existence of contingent term, the agreement was canceled and the land was classified as investment property.

Investment property is under level 3 fair value hierarchy.

Movement:

	<b>U.S. dollars in thousands</b>
Balance as of January 1, 2019	231,650
Investments	132
Fair value adjustments (unrealized loss)	(1,782)
Classification from land held for sale	18,000
Balance as of March 31, 2019	<u>248,000</u>

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 4:- LOANS FROM BANK AND OTHERS**Loan from bank

GW has a loan from a local bank in the USA ("Lender"), whose balance as of the reporting date is USD 70 million. The loan agreement was signed in December 2018 for a period of three years ending On January 1, 2022, at fixed annual interest of 5.75%, in parallel with a contract with the Company in addition to the loan agreement detailed below. The project is fully pledged in favour of the Lender with a first degree lien. Upon the closing, lender funded proceeds in the amount of \$10 million into a block accounted maintained by the Company to be used for TI needs.

In connection with the loan, the Company has undertaken to comply with a covenant of LTV (as defined) of no more than 40%. The calculated LTV as of March 31, 2019 is 28%. In addition, as from December 31, 2020, the company shall maintain a minimum DSCR (as defined).

Loan from Israeli financial institution

On January 6, 2019 IDBG signed on an addendum to the loan agreement dated January 3, 2017 from an Israeli financing institution ("the Lender") for \$ 41.4 million ("Loan Agreement") as detailed below.

The Loan Agreement

1. The loan fund, which will be repaid in a single bullet payment at the end of 24 months, stands at NIS 153 million (instead of a dollar loan), with fixed annual interest of 5.93% ("Loan Interest"), which will be paid every three months; the loan will be used to finance the Tivoli Project and to finance any action and/or related purpose to the construction and leasing of the Project.
2. Collateral provided to the Lender is as follows: a single first degree lien on all the rights of the Company in GW; a first degree mortgage on the Company real estate with an area of 8 acres intended for residential purposes in Las Vegas, USA; a single, floating first degree lien on all the assets, monies, property and rights of any sort that the Company currently has and that it will have in the future; a lien on the rights of the Company to the Company bank account; joint and several guarantees to be posted by PBC and IDBD on the full secured amounts ("the Collateral"), accompanied by commitments by PBC and IDBD not transfer their holdings in the Company to third parties in a manner not in accordance with the provisions of the Loan Agreement. In case of default, the Lender is entitled to realize any of the Collateral in the order it determines.
3. The Loan Agreement includes standard representations sections, causes for immediate repayment, provisions for early repayment and indemnification sections in favor of the Lender, as is usual in transactions of this type.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 4:- LOANS FROM BANK AND OTHERS (cont'd)**

4. The Company's commitment to the Lender takes precedence over its undertakings of repayment of shareholder loans, made available to it by PBC and IDBD, including under an agreement for the provision of credit by PBC in the amount of USD 50 million (see note 9a to the annual financial statements).

The Guarantors

1. Each of the guarantors, jointly and severally, will provide the Lender a continuous guarantee to assure payment of all amounts to which the Lender is and/or will be entitled from the Company in respect of the Loan Agreement, and which shall remain valid until payment of all the loan amounts or until confirmation by the Lender of the letter of guarantee.
2. The Lender will be entitled to make a demand for payment of the Collateral in each of the following cases: (1) if the Company does not make full and exact payment of any of the payments under the Loan Agreement on due date; and/or (2) in the event that the loan must be repaid immediately in accordance with the causes and terms prescribed in the Loan Agreement.

Indemnification agreement

1. PBC and IDBD have entered into an automatic indemnification agreement that provides that in the event that Collateral will be realized unequally (namely, the Lender will collect from one of the parties an amount greater than its proportional share in the Company), the party that paid more than its proportional share in realization of the Collateral will be entitled to recourse to the other party and preference in receiving the balance from IDBG receipts, so that it will be compensated for any aforementioned overpayment, such that the Collateral liability of each of IDBD and PBC according to the guarantees shall be limited to the share of each in the Company ("the Indemnification Agreement").
2. In the event that one of the parties will in practice pay a greater proportion to the Lender than its share in the said Collateral ("the Surplus Amount"), the party that paid the amount that is lower than its share will indemnify the first party in the Surplus Amount, within seven (7) days from the date of first demand by the first party, and for any damages or expense that will be caused through payment of the Surplus Amount. From the date of creation of the Surplus Amount until its full payment, the Surplus Amount will bear annual interest at the interest rate of the Loan plus 3%.
3. In addition, in the event of a distribution or repayment of shareholders' loans (or any other debt) that the Company will make to its shareholders, the party that bore the Surplus Amount will have preferential benefit, such that the payments to the party that did not pay its share will be less than the payments to the party that did pay its share, up to the amount of the share of the party that had not paid it. The said preference will be lower than the amount of the financing credit facility that PBC provided to the Company (see Note 9a to the annual financial statements).

In connection with the loan, the Company has undertaken to comply with a covenant of LTV (as defined) of no more than 50%. The calculated LTV as of March 31, 2019 is 45%.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 5:- LOANS FROM SHAREHOLDERS**

PBC and IDBD provided loans to the Company for the purpose of financing projects. Until December 31 2009, the loans bore annual interest of 12%. Since January 1 2010, loans received in 2005-2007 bear interest of LIBOR plus a margin of 8.63%. Loans received in 2008 and thereafter do not bear interest.

In January 2019, PBC and IDBD decided to reduce the accrued interest on the said loans and part of the principal of the loans, excluding a loan principal of approximately \$100 million (“the adjusted principal”).

The difference between the book value of the loan and the adjusted principal was recognized as a capital reserve from transactions with controlling shareholders in the amount of approximately \$73 million.

Subsequently, the Company has decided to designate the said loans as a liability measured through profit and loss. As of March 31, 2019 the loans fair value was estimated for approximately \$96 million. As a result, the Company recorded finance income of approximately \$4 million in the first quarter of 2019.

The repayment date of the loans is December 31, 2034. The loans are presented in the non-current liabilities.

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28 במאי 2019

לכבוד  
הדירקטוריון של  
IDB Group USA Investments, Inc ("החברה")

א.ג.נ,

הנדון: מכתב הסכמה בקשר לתשקיף מדף של חברת השקעות דיסקונט בע"מ (להלן - "דסקש") מחודש מאי 2019

הננו להודיעכם כי אנו מסכימים להכללה (לרבות בדרך של הפנייה) של דוח סקירה שלנו מיום 28 במאי 2019 על מידע כספי תמציתי מאוחד של החברה ליום 31 במרס 2019 בדוח הצעת מדף שתפרסם דסקש, ככל שתפרסם, מכח תשקיף המדף של דסקש מחודש מאי 2019.

בכבוד רב,

קוסט פורר גבאי את קסירר  
רואי חשבון

DIC

# Discount Investment Corporation Ltd

**Interim Financial Statements March 31, 2019**

**Part 4 - Data from the Interim Consolidated Financial  
Statements Attributed to the Company Itself [in Hebrew]**

**חברת השקעות דיסקונט בע"מ**

**תמצית מידע כספי נפרד ביניים של החברה**

**ליום 31 במרס 2019**

**(בלתי מבוקר)**

**נתונים כספיים מתוך הדוחות הכספיים ביניים מאוחדים  
המיוחסים לתאגיד עצמו**

**[תקנה 38ד' לתקנות ניירות ערך (דוחות תקופתיים ומיידים), התש"ל-1970]**

## חברת השקעות דיסקונט בע"מ

### חלק ד' - תמצית מידע כספי נפרד ביניים של החברה

עמוד

חלק ד' - נתונים כספיים מתוך הדוחות הכספיים ביניים מאוחדים  
המיוחסים לתאגיד עצמו

1	<a href="#">דוח סקירה של רואה החשבון המבקר</a>
2	<a href="#">תמצית נתונים על המצב הכספי ביניים המיוחסים לחברה עצמה</a>
3	<a href="#">תמצית נתוני רווח והפסד ורווח כולל ביניים המיוחסים לחברה עצמה</a>
4	<a href="#">תמצית נתונים על תזרימי המזומנים ביניים המיוחסים לחברה עצמה</a>
	<b>מידע נוסף</b>
5	1 - <a href="#">אופן עריכת המידע הנוסף</a>
5-6	2 - <a href="#">השקעות בחברות מוחזקות</a>
6	3 - <a href="#">תביעות והתחייבויות תלויות</a>
6	4 - <a href="#">ארועים בתקופת הדוח</a>
7	5 - <a href="#">ארועים לאחר תקופת הדוח</a>





לכבוד  
בעלי המניות של  
חברת השקעות דיסקונט בערבון מוגבל  
המגדל המשולש, מרכז עזריאלי 3  
תל-אביב

א.ג.נ.,

הנדון: דוח מיוחד של רואה החשבון המבקר על מידע כספי נפרד ביניים לפי תקנה 38ד' לתקנות ניירות ערך  
(דוחות תקופתיים ומידיים) התש"ל-1970

#### מבוא

סקרנו את המידע הכספי הביניים הנפרד המובא לפי תקנה 38ד' לתקנות ניירות ערך (דוחות תקופתיים ומידיים), התש"ל-1970 של חברת השקעות דיסקונט בערבון מוגבל (להלן - החברה), ליום 31 במרס 2019 ולתקופה של שלושה חודשים שהסתיימה באותו תאריך. המידע הכספי הביניים הנפרד הינו באחריות הדירקטוריון וההנהלה של החברה. אחריותנו היא להביע מסקנה על המידע הכספי הביניים הנפרד לתקופת ביניים זו בהתבסס על סקירתנו.

לא סקרנו את המידע הכספי הביניים הנפרד מתוך הדוחות הכספיים של חברות מוחזקות אשר סך נכסיהן בניכוי סך התחייבויותיהן, נטו הסתכם לסך של 577 מיליוני ש"ח ליום 31 במרס 2019, ואשר חלק החברה ברווחי חברות מוחזקות אלו הסתכם לסך של 0.2 מיליוני ש"ח לתקופה של שלושה חודשים שהסתיימה באותו תאריך. הדוחות הכספיים של אותן חברות נסקרו על ידי רואי חשבון אחרים שדוחותיהם הומצאו לנו ומסקנתנו, ככל שהיא מתייחסת לדוחות הכספיים בגין אותן חברות, מבוססת על דוחות הסקירה של רואי החשבון האחרים.

#### היקף הסקירה

ערכנו את סקירתנו בהתאם לתקן סקירה 1 של לשכת רואי חשבון בישראל "סקירה של מידע כספי לתקופות ביניים הנערכת על ידי רואה החשבון המבקר של היישות". סקירה של מידע כספי נפרד לתקופות ביניים מורכבת מברורים, בעיקר עם אנשים האחראים לעניינים הכספיים והחשבונאיים, ומיישום של נהלי סקירה אנליטיים ואחרים. סקירה הינה מצומצמת בהיקפה במידה ניכרת מאשר ביקורת הנערכת בהתאם לתקני ביקורת מקובלים בישראל ולפיכך אינה מאפשרת לנו להשיג ביטחון שניודע לכל העניינים המשמעותיים שהיו יכולים להיות מזהים בביקורת. בהתאם לכך, אין אנו מחוים חוות דעת של ביקורת.

#### מסקנה

בהתבסס על סקירתנו, ועל דוחות הסקירה של רואי חשבון אחרים, לא בא לתשומת ליבנו דבר הגורם לנו לסבור שהמידע הכספי הביניים הנפרד הנ"ל אינו ערוך, מכל הבחינות המהותיות, בהתאם להוראות תקנה 38ד' לתקנות ניירות ערך (דוחות תקופתיים ומידיים), התש"ל - 1970.

קסלמן וקסלמן  
רואי חשבון  
פירמה חברה ב- PricewaterhouseCoopers International Limited

תל-אביב,  
30 במאי 2019

## תמצית נתונים על המצב הכספי ביניים המיוחסים לחברה עצמה ליום

31 בדצמבר 2018	31 במרס 2018	31 במרס 2019	מידע נוסף	
(מבוקר) ש"ח	(בלתי מבוקר) ל"ג	(בלתי מבוקר) מ"ג		
4,792	4,938	4,484	2	<b>נכסים שאינם שוטפים</b>
39	35	40		השקעה בחברות מוחזקות
-	-	1		השקעות אחרות
4,831	4,973	4,525		נכסי זכויות שימוש
635	497	582		<b>נכסים שוטפים</b>
6	10	7		השקעות שוטפות
-	144	120		חייבים ויתרות חובה
1,446	872	1,162		דיבידנד לקבל
2,087	1,523	1,871		מזומנים ושווי מזומנים
6,918	6,496	6,396		<b>סך הכל נכסים</b>
810	809	810		<b>הון</b>
4,366	4,251	4,222		הון מניות
(2,859)	(3,662)	(3,164)		קרנות הון
2,317	1,398	1,868		יתרת הפסד
4,262	4,669	4,134		סך הכל הון
-	-	1		<b>התחייבויות שאינן שוטפות</b>
1	2	1		אגרות חוב
4,263	4,671	4,136		התחייבויות בגין חכירות
317	323	313		הטבות לעובדים
-	23	-		<b>התחייבויות שוטפות</b>
21	81	79		חלויות שוטפות של אגרות חוב
338	427	392		חלויות שוטפות של הלואות מתאגידים בנקאיים
6,918	6,496	6,396		זכאים ויתרות זכות
				<b>סך הכל הון והתחייבויות</b>

גיל קוטלר  
סמנכ"ל כספים

שולם לפידות  
מנכ"ל

אדוארדו אלשטיין  
יו"ר הדירקטוריון

תאריך אישור המידע הכספי הנפרד: 30 במאי 2019

המידע הנוסף המצורף לתמצית המידע הכספי הנפרד ביניים מהווה חלק בלתי נפרד ממנו.

**תמצית נתוני רווח והפסד ורווח כולל ביניים המיוחסים לחברה עצמה**

**רווח והפסד:**

לשנה שהסתיימה ביום 31 בדצמבר 2018	לשלושה חודשים שהסתיימו ביום 31 במרס	
	2018	2019
(מבוקר)	(בלתי מבוקר)	
מיליוני ש"ח		
-	-	5
28	-	1
58	7	39
86	7	45
510	(1)228	-
43	11	9
294	57	67
847	296	76
(761)	(289)	(31)
1,300	(1)28	-
539	(261)	(31)

**הכנסות**

חלק החברה ברווח הנקי של חברות מוחזקות, נטו רווח ממימוש ועליית ערך השקעות ונכסים ודיבידנדים הכנסות מימון

**הוצאות**

חלק החברה בהפסד של חברות מוחזקות, נטו הוצאות הנהלה וכלליות הוצאות מימון

**הפסד מפעילות נמשכת**

רווח מפעילות מופסקת, לאחר מס

**רווח נקי (הפסד) לתקופה המיוחס לבעלים של החברה**

**רווח והפסד כולל:**

לשנה שהסתיימה ביום 31 בדצמבר 2018	לשלושה חודשים שהסתיימו ביום 31 במרס	
	2018	2019
(מבוקר)	(בלתי מבוקר)	
מיליוני ש"ח		
539	(261)	(31)
41	-	-
120	21	(48)
161	21	(48)
700	(240)	(79)
(600)	(1)269	(79)
1,300	(1)29	-
700	(240)	(79)

**רווח נקי (הפסד) לתקופה המיוחס לבעלים של החברה**

**מרכיבים של רווח כולל אחר**

רווח כולל אחר בגין חברות מוחזקות

**פריטי רווח (הפסד) כולל אחר שלאחר ההכרה לראשונה במסגרת הרווח הכולל, הועברו או יועברו לרווח והפסד, נטו ממו רווח (הפסד) כולל אחר בגין חברות מוחזקות רווח (הפסד) כולל אחר לתקופה, נטו ממו**

**סך הכל רווח (הפסד) כולל לתקופה**

**רווח (הפסד) כולל לתקופה המיוחס לבעלים של החברה**

**נובע מ:**

פעילויות נמשכות פעילויות מופסקת

**סך הכל רווח (הפסד) כולל לתקופה**

(1) הוצג מחדש בשל הצגת פעילות שופרסל במסגרת פעילות מופסקת. הרווח מפעילות מופסקת כולל, בין היתר, את חלק החברה בתוצאות של שופרסל דרך חברה בת בבעלות מלאה.

המידע הנוסף המצורף לתמצית המידע הכספי הנפרד ביניים מהווה חלק בלתי נפרד ממנו.

**תמצית נתונים על תזרימי המזומנים ביניים המיוחסים לחברה עצמה**

לשנה שהסתיימה ביום 31 בדצמבר 2018 (מבוקר)	לשלושה חודשים שהסתיימו ביום 31 במרס	
	2018	2019
ח	ו	מ
539	(261)	(31)
(1,300)	(1)(28)	-
(761)	(289)	(31)
510	(1)228	(5)
86	-	1
(28)	-	(1)
236	50	28
4	1	1
808	279	24
88	84	-
(1)	(1)	2
87	83	2
134	73	(5)
80	-	-
214	73	(5)
(190)	(21)	5
413	-	-
(3)	(1)	-
28	5	6
248	(17)	11
848	-	-
1,096	(17)	11
(255)	(16)	-
-	-	(2)(40)
(19)	-	(96)
(607)	(228)	(109)
(2)	(2)	-
(3)	(3)	-
(86)	-	(26)
9	-	-
(963)	(249)	(271)
(963)	(249)	(271)
347	(193)	(265)
40	6	(19)
1,059	1,059	1,446
1,446	872	1,162

**תזרימי מזומנים מפעולות שוטפות**

רווח נקי (הפסד) לתקופה המיוחס לבעלים של החברה  
רווח נקי מפעילות מופסקת, לאחר מס  
הפסד מפעילויות נמשכות

**התאמות**

חלק החברה בהפסד (ברווח) של חברות מוחזקות, נטו  
דיבידנדים שנתקבלו (כולל מהשקעות אחרות)  
רווח ממימוש ועליית ערך השקעות, נכסים ודיבידנדים  
הוצאות מימון, נטו  
תשלום מבוסס מניות

ירידה בחייבים ויתרות חובה (כולל סכומים לזמן ארוך)  
עליה (ירידה) בזכאים, יתרות זכות ואחרות

מזומנים נטו שנבעו (ששימשו) מפעולות שוטפות נמשכות  
מזומנים נטו שנבעו מפעולות שוטפות מופסקות (ראה מידע נוסף 2.1. להלן)  
מזומנים נטו שנבעו (ששימשו) מפעולות שוטפות

**תזרימי מזומנים מפעולות השקעה**

השקעות שוטפות, נטו  
תמורה ממימוש חברה כלולה  
השקעות שאינן שוטפות  
ריבית שנתקבלה  
מזומנים נטו (ששימשו לפעולות) שנבעו מפעולות השקעה שוטפות נמשכות  
מזומנים נטו שנבעו מפעילות השקעה שוטפת מופסקת (ראה מידע נוסף 2.2. להלן)

מזומנים נטו שנבעו (ששימשו) מפעולות השקעה

**תזרימי מזומנים לפעולות מימון**

ריבית ששולמה  
דיבידנד ששולם  
רכישת מניות באוצר  
פרעון אגרות חוב והלוואות מתאגידים בנקאיים  
פרעון אגרות חוב לחברה בת  
תשלום בגין סילוק נגזרים  
רכישת מניות בחברות בת מבעלי זכויות שאינן מקנות שליטה  
תמורה ממימוש כתבי אופציה למניות  
מזומנים נטו ששימשו לפעולות מימון נמשכות  
מזומנים נטו ששימשו לפעילות מימון

עליה (ירידה) במזומנים שווי מזומנים  
השפעת תנודות בשער החליפין על יתרות מזומנים ושווי מזומנים  
יתרת מזומנים ושווי מזומנים לתחילת התקופה  
יתרת מזומנים ושווי מזומנים לסוף התקופה

(1) הוצג מחדש בשל הצגת שופרסל במסגרת פעילות מופסקת.

(2) ראה מידע נוסף 4.א. להלן בדבר חלוקת אגרות חוב (סדרה ט') של אי די בי פתוח כדיבידנד בעין בסך 64 מיליון ש"ח.

המידע הנוסף המצורף לתמצית המידע הכספי הנפרד ביניים מהווה חלק בלתי נפרד ממנו.

**מידע נוסף**

**1. אופן עריכת המידע הנוסף**

המידע הכספי הנפרד ביניים שלהלן מוצג בהתאם לתקנה 38ד' לתקנות ניירות ערך (דוחות תקופתיים ומיידים), התשל"ל-1970. יש לקרוא את המידע הכספי ביניים הנפרד ביחד עם הדוחות הכספיים המאוחדים ביניים של החברה ליום 31 במרס 2019 ("הדוחות הכספיים") וביחד עם הדוחות הכספיים המאוחדים והמידע הכספי הנפרד של החברה ליום ולשנה שהסתיימה ביום 31 בדצמבר 2018, המוצגים בחלק ג' ובחלק ד' של הדוח התקופתי של החברה לשנת 2018, שאושר על ידי דירקטוריון החברה ביום 19 במרס 2019. לצורך הצגת הנתונים והמידע שלהלן יושמו עיקרי המדיניות החשבונאית שפורטו בבאור 2 לדוחות הכספיים, לרבות האופן בו סווגו הנתונים הכספיים במסגרת הדוחות הכספיים, בשינויים המתחייבים מהאמור בהוראות התקנה האמורה, למעט יישום לראשונה של תקן IFRS 16 ותיקון לתקן IAS 28. לפרטים ראה מידע נוסף א.1. ו-א.2. להלן, בהתאמה.

בסעיף זה - "חברות מוחזקות" משמען כהגדרתן בבאור 1.ג. לדוחות הכספיים של החברה לשנה שהסתיימה ביום 31 בדצמבר 2018, אשר אושרו ביום 19 במרס 2019 ("הדוחות הכספיים השנתיים").

**הצגת עסקאות שבוטלו בדוחות המאוחדים**

יתרות, עסקאות ותזרימי מזומנים הדדיים בין החברה לחברות בת שלה בוטלו במסגרת הכנת הדוחות הכספיים של החברה, ואילו במסגרת המידע הכספי נפרד ביניים של החברה לא בוטלו עסקאות כאמור, ולפיכך:

- הנתונים על המצב הכספי כוללים יתרות בגין חברות בת של החברה אשר בוטלו בדוחות הכספיים;
- נתוני רווח והפסד כוללים הכנסות (הוצאות) של החברה, הנובעות מעסקאות עם חברות בת של החברה, אשר בוטלו בדוחות הכספיים;
- הנתונים על תזרימי המזומנים כוללים תזרימי מזומנים בין החברה לחברות בת, אשר בוטלו בדוחות הכספיים.

**א. יישום לראשונה של תקנים חדשים**

**1. תקן IFRS 16, חכירות**

בהמשך לאמור בבאור 2.ה.1. לדוחות הכספיים בדבר תקן IFRS 16 חכירות, הקבוצה יישמה את תקן IFRS 16 באופן רטרואספקטיבי החל מיום 1 בינואר 2019, ללא תיקון של מספרי השוואה, תוך התאמת יתרת העודפים. ליישום התקן לא היתה השפעה מהותית על המידע הכספי הנפרד ליום 1 בינואר 2019.

**2. תיקון לתקן חשבונאות בינלאומי 28 "השקעות בחברות כלולות ובעסקאות משותפות" (התיקון ל- IAS 28)**

בהמשך לאמור בבאור 2.ה.2. לדוחות הכספיים בדבר תיקון לתקן חשבונאות בינלאומי 28 "השקעות בחברות כלולות ובעסקאות משותפות", הקבוצה יישמה את התיקון לתקן באופן רטרואספקטיבי החל מיום 1 בינואר 2019.

ההשפעה על המידע הכספי הנפרד ליום 1 בינואר 2019 הינה קיטון בהשקעות בחברות מוחזקות בסך של 171 מיליון ש"ח כנגד קיטון בעודפים (גיידול ביתרת ההפסד) בסך של 171 מיליון ש"ח.

**2. השקעות בחברות מוחזקות**

א. בחודש ינואר 2019 רכשה כור, חברת בת בבעלות מלאה של החברה, כ-0.2% מהון המניות המונפק של סלקום בעלות של 4 מיליון ש"ח. כתוצאה מהרכישה החברה רשמה ברבעון הראשון של שנת 2019 קיטון בהון המיוחס לבעלים של החברה בסך 1 מיליון ש"ח.

ב. במהלך החודשים ינואר ופברואר 2019 רכשה החברה כ-1.4% מהון המניות המונפק של נכסים ובניין בעלות כוללת של 26 מיליון ש"ח. כתוצאה מהרכישה החברה רשמה ברבעון הראשון של שנת 2019 קיטון בהון המיוחס לבעלים של החברה בסך 1 מיליון ש"ח.

ג. לפרטים בדבר שינויים נוספים שחלו בחברות מוחזקות, ראה באור 3 לדוחות הכספיים.

ד. לפרטים בדבר השווי המאזני בספרי החברה ושווי שוק של החברות המוחזקות העיקריות, ראה באור 3.ג. לדוחות הכספיים.

ה. לפרטים בדבר דרישת הוראות חוק הריכוזיות לשנת 2019, ראה באור 1.ו.3. לדוחות הכספיים השנתיים. דסק"ש ממשיכה לבחון חלופות שונות להתמודדות עם הדרישה לשנת 2019. לפרטים נוספים ולהשלכות חוק הריכוזיות על החזקות מסוימות של החברה, אשר לגביהן נדרשת עמידה בתנאי החוק לכל המאוחר עד חודש דצמבר 2019 ולאי הודאות הכרוכה בכך, ראה באור 3.ב. לדוחות הכספיים.

**מידע נוסף (המשך)**  
**2. השקעות בחברות מוחזקות (המשך)**

1. להלן פירוט חלוקות דיבידנד במזומן שקיבלה החברה מחברות מוחזקות:

לשנה שהסתיימה ביום 31 בדצמבר 2018 (מבוקר)	לשלושה חודשים שהסתיימו ביום 31 במרס		שופרסל בע"מ די אי סי הלוואות בע"מ חברה לנכסים ולבניין בע"מ
	2018	2019	
	(בלתי מבוקר)		
	מיליוני ש"ח		
(1)80	-	-	
20	-	-	
64	-	-	
164	-	-	

(1) מוצג בתזרים מזומנים בפעילות מופסקת.

**3. תביעות והתחייבויות תלויות**

למידע בדבר שינויים שחלו בתביעות נגד החברה וחברות מוחזקות שלה ובהתחייבויות תלויות, ראה באור 5 לדוחות הכספיים.

**4. ארועים בתקופת הדוח**

- א. ביום 17 בינואר 2019 החליט דירקטוריון החברה על חלוקת דיבידנד במזומן בסכום של 0.275 ש"ח למניה, המשקף סכום של 40 מיליון ש"ח, וחלוקת דיבידנד בעין של 0.585 ערך נקוב אגרות חוב (סדרה ט') של אי די בי פתוח למניה, המשקף סכום של 64 מיליון ש"ח וזאת בהתאם לשווין בבורסה של אגרות חוב (סדרה ט') במועד החלוקה. סך הכל דיבידנד שחולק הינו בסכום של 104 מיליון ש"ח, אשר שולם ביום 3 בפברואר 2019.
- ב. בהמשך לאמור בבאור 13.ב. לדוחות הכספיים השנתיים בדבר תכנית לרכישה עצמית של מניות החברה, במהלך החודשים ינואר ופברואר 2019 רכשה החברה 10 מיליון מניות של החברה בעלות כוללת של 96 מיליון ש"ח. לפרטים נוספים ראה באור 4.א. לדוחות הכספיים.
- ג. ביום 17 בינואר 2019 אישר דירקטוריון החברה תכנית לרכישה עצמית של אגרות חוב (סדרה ו' וסדרה י') שלה, עד לסוף שנת 2019, בעלות כוללת של עד 150 מיליון ש"ח. רכישות אגרות החוב כאמור תבוצענה בהתאם להזדמנויות בשוק, במועדים, במחירים ובהיקפים, כפי שייקבע על ידי הנהלת החברה. במהלך הרבעון הראשון של שנת 2019 רכשה החברה אגרות חוב שלה (סדרה ו' וסדרה י') בתמורה כוללת בסך 109 מיליון ש"ח, כתוצאה מהרכישה החברה רשמה בדוחות הכספיים לרבעון הראשון של שנת 2019 רווח מפדיון מוקדם של אגרות חוב בסך 17 מיליון ש"ח.

## מידע נוסף (המשך)

### 5. ארועים לאחר תקופת הדוח

א. להלן פרוט בדבר תשלומי דיבידנד, על ידי חברות מוחזקות, לאחר תאריך הדוח על המצב הכספי:

חלק החברה	סכום החלוקה	מועד התשלום	מועד ההחלטה	חברה
מ"י ל"ו נ"י ש"ח				
42	160	אפריל 2019	מרס 2019	שופרסל בע"מ
78	114	אפריל 2019	מרס 2019	חברה לנכסים ולבניין בע"מ
120				

- ב. לפרטים אודות אישור דירקטוריון החברה, בחודש אפריל 2019, את הארכת התקשרות החברה בפוליסת אחריות נושאי משרה עם כלל חברה לביטוח בע"מ עד ליום 31 ביולי 2020, ראה באור 9.ד. לדוחות הכספיים.
- ג. לפרטים אודות אישור האסיפה הכללית של החברה את הארכת התקשרות החברה עם אי די בי פתוח, בהסכם חלוקת העלויות, בחודש מאי 2019, לתקופה של 3 שנים נוספות, החל מיום 1 באפריל 2019 ועד ליום 31 במרס 2022, בתנאים זהים לתנאיו של הסכם השירותים הקיים, ראה באור 9.ה. לדוחות הכספיים.
- ד. לפרטים אודות אישור מחדש של האסיפה הכללית של בעלי המניות של החברה למתן כתבי שיפוי לנושאי משרה, ראה באור 9.ו. לדוחות הכספיים.
- ה. בחודש מאי 2019 פרסמה דסק"ש תשקיף מדף על בסיס הדוחות הכספיים שלה ליום 31 בדצמבר 2018, במסגרתו תוכל דסק"ש להציע לציבור, בין היתר, מניות, אגרות חוב המירות למניות, אגרות חוב שאינן המירות, כתבי אופציה הניתנים למימוש למניות ולאגרות חוב וניירות ערך מסחריים.
- ו. לפרטים אודות אישור לביצועה של הצעת רכש מלאה למניות נכסים ובניין, ראה באור 9.ח. לדוחות הכספיים.