2020 INTERIM FINANCIAL STATEMENTS

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MARCH 31, 2020

DIC | DISCOUNT INVESTMENT CORPORATION

Discount Investment Corporation Ltd.

Financial Statements

March 31, 2020
(Unaudited)

* **The English version of this information as at March 31, 2020 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

Interim Financial Statements March 31, 2020

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

Board of Directors' Report Regarding the State of the Company's Affairs

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Report for the First Quarter of 2020

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, 2020, which reviews the Company's principal operations during the first quarter of 2020 (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, 2019 (the "Periodic Report"), and of the financial statements for 2019, 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[1], associate companies[2], and other investee companies over 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 1.5% 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, results of operations, 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 Company's cash flows also have been affected, and may continue being affected, by the raising and restructuring of debt.

[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 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 business results of the Company and its investee companies are affected, inter alia, by the condition of capital markets and by the economic condition of the Israeli and global markets. Changes of trends in capital markets in Israel and around the world may affect the values of assets and the prices of marketable securities which are held by the Company and by its investee companies, and may cause, in certain cases, amortization or the recording of losses, whether in the statement of income or in the statement of comprehensive income, due to the impairment of such holdings, and may affect their ability to generate appropriate proceeds and profits, whether those which are applied to the statement of income, or those which are applied directly to the Company's shareholders' equity, from the realization of their holdings. Additionally, trend changes, as stated above, may affect the ability to raise financing through private or public issuances of securities by the Company and the Company's investee companies, or to find financing sources or financing terms when these are required in order to finance their operating activities. The Company and its investee companies are also exposed to changes in interest rates, inflation, and exchange rates, and the Company's investee companies are also exposed to fluctuations in the prices of raw materials and in the demand for their products, which affect the business results of the aforementioned companies, and the value of their assets and liabilities.

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, 2020, as compared with market value, are presented in Note 3.B. 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.

- Market instability and economic downturn - Conditions of instability in capital markets around the world may occur due to a wide variety of local and global factors, such as economic crisis, political uncertainty, epidemics, emergency situations and inter-country conflicts. Such instability may be expressed in strong volatility of securities prices, and may result in an economic downturn, financial crisis and reduced ability to raise financing sources. A global economic downturn could also have a significantly adverse impact on the income and operating results of the Group's member companies.

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

1.1 **General (Cont.)**

- **Disclosure regarding the coronavirus crisis -** The outbreak of the novel coronavirus (COVID-19) (hereafter – the "Coronavirus") began in China in the first quarter of 2020, and has spread around the world, and causing concern and uncertainty. In the immediate term, stock and debenture markets were falling sharply, and there is concern of a decline in global economic activity. The outbreak may also affect consumption habits and volumes in various market sectors, and damage them severely (such as the telecommunication, commerce and services, and real estate sectors, in which the Company is engaged through its investee companies), which could affect, inter alia, Cellcom's roaming services, the provision of services to customers, service installations, operation and maintenance, supply, sale and pricing of products. Additionally, as part of the global effort to deal with the coronavirus outbreak, and the attempts to minimize its spread, countries around the world (with the recommendation of medical and public health entities) are adopting a policy of isolating people and even certain population groups which meet certain definitions (which are changing dynamically). Additionally, cross-border movement was restricted, air traffic was significantly reduced, and marine transport was also minimized. These factors could also have a significant impact on the availability of workforce and equipment in the fields of activity of the Group's member companies, could lead to deficient supply of raw materials and construction materials, and could result in delays in timetables for the performance of activities. The foregoing implications may also have negative effects on the liquidity of the Company and its investee companies, as well as their business position, credit rating, their ability to distribute dividends, and their ability to raise financing for their activity, insofar as any may be required, as well as the terms of such financing.

  In accordance with the trust deed for the debentures (Series J), the Company is subject to financial covenants pertaining to the rating of the Company's debentures, its net asset value, and its leverage ratio. These covenants constitute grounds for adjusting the interest rate only. Following the rating reduction of the Company's debentures on April 7, 2020, and the non-fulfillment of financial covenants as at March 31, 2020, the interest rate applicable the debentures (Series J) was increased, beginning on April 7, 2020, from 4.80% to 5.05%, and as from the financial statements' publication date from 5.05% to 5.80%, respectively. For additional details, see section 1.6.3.3 below.

  In the first quarter of 2020, due to the declines which were recorded in stock markets, the Group recorded loss with respect to the net change in the fair value of financial assets, net of tax, in the amount of NIS 143 million. DIC's share in the loss was NIS 108 million.

  Presented below are the effects of the coronavirus pandemic on the Company's primary holdings:

  Cellcom - Cellcom's results in the first quarter of 2020 reflect the negative effects of the coronavirus pandemic on its roaming services and on sales of end user equipment to customers, as well as its investment portfolio. Cellcom expects that its roaming services will continue being adversely affected by the coronavirus pandemic in 2020, and that sales of end user equipment to customers will continue suffering severely adverse effects in the second quarter of 2020 and thereafter, depending on the restrictions which may be imposed in connection with the coronavirus, if any, which could affect those sales.

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

1.1 General (Cont.)

Presented below are the effects of the coronavirus pandemic on the Company's primary holdings: (Cont.)

Property & Building - Property & Building's results in the first quarter of 2020 reflect the negative results of the coronavirus pandemic, mostly with respect to Property & Building's foreign activities, which mostly includes the HSBC Tower and the Tivoli project in Las Vegas (as specified below), and on its investment portfolio (as specified in section 1.10.2 below).

- HSBC Tower – as from March 15 2020, the HSBC Tower was closed in accordance with the regulations of the State of New York and New York City. The tower allows access and provides services to tenants who were defined as essential pursuant to the city's rules and regulations. During that period, occupancy in the tower remained at 98%. All office tenants paid their obligations in full in accordance with the lease agreements; tenants of commercial areas pay 50% of the rent and 100% of the expenses reimbursement. As of the date of this report, the collection rate in the tower in respect of April-June 2020 is 97% of the overall rent charged. New York City is currently in the process of reopening. The tower remained active and open for the "essential" businesses and to tenants who opt to work from their office, provided that occupancy rates at the offices are not higher than 50%.
- Tivoli project in Las Vegas - On March 24, 2020, the center was closed in accordance with the authorities' instructions. During the period of the center's closure, several restaurants operated in a limited framework, as well as essential services, such as banks and clinics. The center's management activity was reduced to the minimum required for the businesses which were operating in the center during that period, which led to savings of 36% in the center's current operating expenses during the relevant period.
  In accordance with the authorities' directives on May 9, 2020, and following a process of adjustment and re-organization, the center re-opened on May 15, 2020, subject to restrictions which were announced by the authorities.
  The occupancy rate in the project before the coronavirus crisis was around 73%. During the closure period, several lessees encountered difficulties, and some announced the discontinuation of their activity in the project. Several lessees also announced that they would not extend their lease agreements in the project, which are about to expire. At present, and in light of the foregoing, Property & Building's management estimates that the occupancy rate in the project will decline by around 9% (net of new contracts which were recently signed).
  Management is continuing to hold negotiations regarding the rental of additional areas in the project.
  It is noted that the bank accompanying the project cooperated with the management during the aforementioned period, and approved Property & Building's financing of the interest payments for the months May - July 2020 out of the reserve which was held in the project account at the bank, and not out of current cash flows, as required in the loan agreement. Discussions are also being held with the bank regarding an update or waiver of a financial covenant with respect to the debt service coverage ratio as at the end of 2020.
  At present, it is not possible to estimate the full effect of the coronavirus pandemic and the project's results in 2020; however, at this stage, Property & Building estimates that the damage will be limited to a few millions of USD, where despite the expected decline in NOI, the project's current cash flows, along with increased efficiency measures which have been implemented, will allow the project to maintain a positive cash balance.
- Residential construction segment in Israel Property & Building believes that at this stage there is no indication that the fair value of its remaining inventory of flats was impaired. This is, among other things, in view of the average selling prices in the period after the coronavirus pandemic started and in view of the fact that Property & Buildings continue to receive the expected proceeds from flat buyers .

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

1.1 General (Cont.)

Presented below are the effects of the coronavirus pandemic on the Company's primary holdings: (Cont.)

Property & Building believes that its financial stability and the condition of its assets, its cash balance and its cash flows from operating activities will enable it to continue funding its activity and meet its obligations.

Shufersal - Shufersal's results in the first quarter of 2020 reflected the effects of the coronavirus crisis, due to the restrictions which were imposed on movement, the lockdown and closure of food businesses, which led to an increase in the demand for food products and toiletries, a trend which affected the entire retail food segment in Israel, including Shufersal. Revenues in the retail segment in the first quarter of 2020 amounted to NIS 3,520 million, as compared with NIS 2,974 million in the corresponding period last year, where according to Shufersal's assessment, a total of approximately NIS 320 to 360 million from the aforementioned growth in revenue was attributed to the excess income in the period from March 15, 2020 to March 31, 2020 (the "Crisis Period of the Quarter").

Shufersal estimates that the trend of revenue growth in the retail segment (inter alia, due to the economic conditions which materialized, and the fact that businesses in the food segment have not yet fully reopened) continued during April 2020 as well (although at a lower growth rate than the growth in the crisis period of the quarter). According to Shufersal's estimate, revenue in the retail segment increased by around NIS 50 to 60 million in April 2020 (as compared with April 2019).

In the crisis period of the quarter, and in April 2020, around 1,000 Shufersal employees were required to self-isolate, for various periods of time, due to directives issued by the Ministry of Health, which increased Shufersal's expenses in an immaterial amount. In light of the foregoing, and in light of the increased demand for food due to the coronavirus crisis, Shufersal recruited around 3,500 temporary employees during the crisis period of the quarter, and as at the end of April 2020, Shufersal had reduced the total number of the aforementioned temporary employees in its workforce by around 1,000 temporary employees (it is noted that, proximate to the publication date of the report, Shufersal is continuing to reduce the number of temporary employees). In light of the foregoing, and in light of other circumstances (such as night shifts, increased shifts in order to meet demand), there was an increase of approximately NIS 28 million in payroll and manpower expenses during the crisis period of the quarter (an increase of a similar scope also occurred in Shufersal's payroll and manpower expenses in April 2020).

The potential damage that the coronavirus outbreak could cause to the global economy and growth, and the damage to the availability of workforce and the lack of equipment, depends on the speed and efficiency of efforts to minimize the spread of the virus throughout the world, and at this stage, the Company is unable to estimate the duration and intensity of the crisis, or all of its implications, if any, on the activities and results of the Company and the investee companies.

It is hereby clarified that the various estimates and assumptions specified in this paragraph above regarding the coronavirus outbreak and its possible effects constitutes forward looking information, as defined in the Securities Law, 5728-1968, whose materialization is uncertain, and which is not under the control of the Company and its investee companies. These estimates may not materialize, or may materialize in a significantly different way, inter alia, insofar as changes occur in the outbreak of the virus, and in the instructions issued by the relevant authorities in Israel and around the world.

- The Group's operations are affected by many other external factors (see sections 7 and 20 in Part A of the Periodic Report).
- The financial statements for the first quarter of 2020 of IDB Development Corporation Ltd. ("IDB Development") (which were approved on the approval date of the Company's financial statements), and the review report of its independent auditors, included a reference and drawing of attention to the existence of significant doubts regarding the ability of IDB Development to continue operating as a going concern.

  For details regarding the possible effects of IDB Development's situation on the Company and its investee companies, see section 3.2 in Part A of the Periodic Report.

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

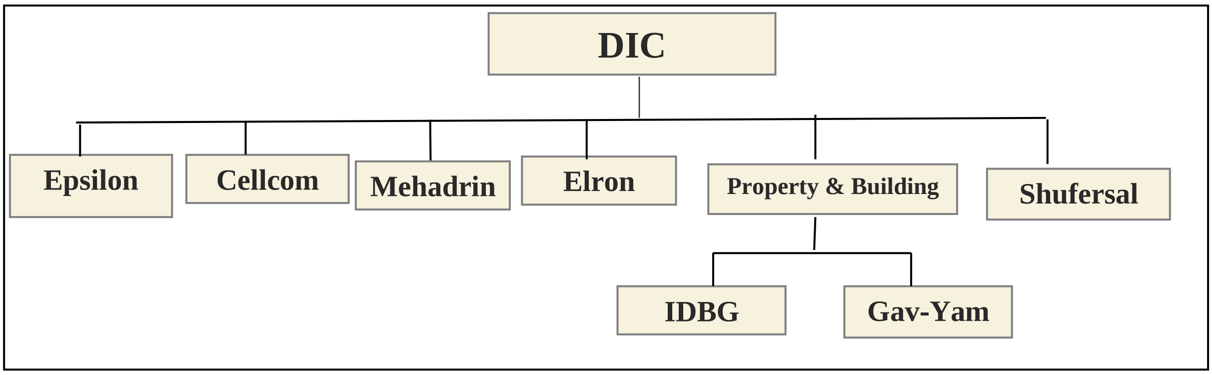
1.1 General (Cont.)

Significant events during the first quarter of 2020 and after the date of the statement of financial position:

- In the first quarter of 2020, DIC acquired approximately 8.8% of Mehadrin's issued share capital, for a total cost of NIS 39 million, such that its holding rate in Mehadrin increased to approximately 40.2%. The aforementioned acquisitions of Mehadrin shares resulted in DIC gaining control of Mehadrin. For additional details, see Note 3.A.2.A. to the financial statements.
- During the months May and June of 2020, subsequent to the date of the statement of financial position, DIC acquired approximately 1.1% of Mehadrin's issued share capital, at a total cost of NIS 4 million, such that its holding rate in Mehadrin increased to approximately 41.3%.
- On May 2020, subsequent to the date of the statement of financial position, Property & Building sold approximately 5% of Gav-Yam's issued share capital, such that its stake in Gav-Yam decreased from approximately 34.9% to approximately 29.9%. The gross consideration from the aforementioned sale amounted to a total of NIS 191 million. For additional details, see Note 8.I. to the financial statements.
- In June 2020, DIC exercised 3.8 million Cellcom options (Series 3), at a total cost of NIS 33 million. Due to the above, and due to the exercise of additional option instruments of Cellcom by parties other than DIC until shortly before the publication of the financial statements, DIC's stake in Cellcom's issued share capital increased to approximately 46.3%. For additional details, see Note 8.D. to the periodic report.
- In June 2020, DIC purchased app. 3.5% of the issued share capital of Property & Building at an overall cost of NIS 50 million. For further details, see Note 8.E to the financial statements.

As at March 31, 2020, the main consolidated companies directly held by the Company include Property & Building (68.8%), Cellcom (45.4% in capital, 47.7% in voting rights), Elron (61.1%) and Mehadrin (40.2%). Shufersal is a primary associate company (26.0%).

Presented below is a diagram specifying the Company's primary investees, for the purpose of this report, as at March 31, 2020[3]



[3] 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.)

1.2 Results in the first quarter of 2020

The Company finished the first quarter of 2020 with loss of NIS 198 million, as compared with loss of NIS 31 million in the corresponding period last year, and net profit of NIS 14 million in 2019.
For details regarding the main non-recurring profits (losses), see section 1.9.1 below.

1.3 Results of the Company's directly held investee companies and their contribution to the Company's results[4]

Segment	Rate of holding in capital As at March 31 2020	Data on the level of the Company: Profit (loss) For the three months ended March 31 2020	2019	Profit (loss) For the year 2019	Data on the level of the investee company[5]: Profit (loss) For the three months ended March 31 2020	2019	Profit (loss) For the year 2019
		NIS millions					
Cellcom	45.4%	(20)	(7)	[6] (564)	(43)	(16)	(107)
Property & Building	68.8%	(99)	37	[7]666	(144)	53	1,048
Shufersal	26.0%	20	9	56	90	48	269
Elron[8]	61.1%	(18)	(11)	(48)	(29)	(18)	(79)
Mehadrin	40.2%	[9]21	-[10]	[10]72	27	67	14
Others		(3)	(17)	(7)			
Total		(99)	11	175			
Administrative and financing, net (see section 1.4 below)		(99)	(42)	(161)			
Net profit (loss)		(198)	(31)	14			

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 517 million.

7 Includes profit from the loss of control of Gav-Yam in the amount of NIS 557 million.

8 The results of Elron are reported in USD and are presented in this table in NIS, based on a convenience translation according to the average exchange rates in the relevant periods.

9 The contribution to profit in the first quarter of 2020 includes net profit in the amount of NIS 12 million due to the rise to control of Mehadrin, and bargain profit with respect to the allocation of negative value to goodwill, as part of a paper regarding the allocation of the balance of the investment in Mehadrin, which was consolidated on March 9, 2020.

10 The contribution to profit in 2019 includes net profit in the amount of NIS 72 million due to the rise to control of Mehadrin, and a bargain purchase. Until the date of the distribution of Mehadrin shares as a payment in kind dividend in December 2019 by Property & Building, Mehadrin's contribution to profit was included under Property & Building's contribution.

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

1.4 Administrative and financing expenses, net

	First quarter Year 2020	First quarter Year 2019	Explanation of change
	NIS millions		
Management expenses, net	(8)	(9)	The decrease in net management expenses in the first quarter of 2020, as compared with the corresponding period last year, was primarily due to the decrease in payroll costs in the amount of NIS 1 million, and the decrease of NIS 1 million in donation expenses, which was partly offset by the recording of income due to the reversal of an excess provisions that was recorded in the first quarter of 2019.
Financing expenses, net	(91)	(33)	The increase in the first quarter of 2020, as compared with the corresponding quarter last year, was mainly due to: 1. In the first quarter of 2020, the Company recorded net loss in the amount of NIS 57 million with respect to revaluation and interest from the Company's marketable securities and liquid investments. Due to the sharp declines in markets as a result of the coronavirus pandemic, as specified in section 1.1 above, as compared with profit of NIS 11 million in the corresponding period last year. 2. In the first quarter of 2019, the Company recorded financing expenses in the amount of NIS 20 million, with respect to foreign currency differences on asset balances linked to the USD exchange rate, due to the decrease of the USD exchange rate at a rate of 3.1%. The effect of the USD exchange rate in the first quarter of 2020 was negligible; 3. Profit which was recorded in the first quarter of 2019, in the amount of NIS 17 million, from early redemption of the Company's debentures; 4. A decrease in net interest expenses in the amount of NIS 6 million, primarily due to the decrease in the Company's debt; 5. A decrease in net financing expenses, in the amount of NIS 2 million, with respect to linkage differentials on DIC's liabilities which are linked to the known CPI, mostly due to the CPI's lower decrease by 0.5% in the first quarter of 2020, as compared with the CPI's decrease by 0.3% in the corresponding period last year.
Total	**(99)**	**(42)**	

1.5 Main data regarding the Company's primary holdings (directly and indirectly)

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 June 25, 2020: [11]

Mix of holdings according to primary holdings:

Investee company		% of total holdings
1	Shufersal (commerce and services)	36%
2	Property & Building (real estate)	26%
3	Cellcom (telecommunication)(1)	26%
4	Elron (technology)	4%
5	Mehadrin (agriculture)	4%
All other holdings		4%
Total		**100%**

(1) Excluding the impact of the exercise of the Cellcom options on June 29 2020. For more information, see Note 8.D. to the financial statements.

[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 as at the calculation date 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 figures presented in the table are rounded.

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

1.6.1 Summary balance sheet data

	Company		Consolidated	
	As at March 31			
	2020	2019	2020	2019
	NIS millions			
Current assets	765	1,871	7,944	8,579
Total assets	5,395	6,396	20,739	29,246
Current liabilities	338	392	3,892	3,961
Total liabilities	3,721	4,528	16,678	23,587
Capital attributed to owners of the Company [12]	1,664	1,868	1,664	1,868
Total capital (including non-controlling interests)			4,061	5,659

(1) Excluding the impact of the exercise of the Cellcom options on June 29 2020. For more information, see Note 8.D. to the financial statements.

1.6.2 Liabilities and financing

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

	As at June 25 2020	As at March 31 2020	As at March 31 2019	As at December 31 2019
	NIS millions			
Financial liabilities[13]	(3,718)	(3,679)	(4,488)	(3,643)
Liquid asset balances[14]	(1)732	675	1,851	767
Debt, net	(2,986)	(3,004)	(2,637)	(2,876)
Average lifetime of liabilities	3.1	3.2	3.9	3.6

12 See also section 1.6.5 below.
13 Debentures, including accrued interest, without any premium / discount, which are presented as part of the balance of the debentures in the Company's financial statements.
14 Includes cash and cash equivalents, and marketable securities.

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					
	2020			2019		
	Liquid assets [(1)]	Financial debt	Financial debt, net	Liquid assets [(1)]	Financial debt	Financial debt, net
	NIS millions					
Balance at start of period	767	(3,643)	(2,876)	2,197	(4,565)	(2,368)
Dividends from investees and others (see also section 1.6.3.2 below)	3	-	3	1	-	1
Investment in Cellcom	-	-	-	(4)	-	(4)
Investment in Property & Building	-	-	-	(26)	-	(26)
Investment in Mehadrin	(39)	-	(39)	-	-	-
Self-purchase of debentures	-	-	-	(109)	125	16
Acquisition of treasury shares	-	-	-	(96)	-	(96)
Dividend paid	-	-	-	(104)	-	(104)
Investment in fixed assets	(1)	-	(1)	-	-	-
General and administrative expenses less management fees and others, net, from change in balance of payables and receivables	-	-	-	(7)	-	(7)
Foreign currency differences	-	-	-	(20)	-	(20)
Financing - interest income, revaluation of current investments, accrual of interest on financial debt and linkage differentials	(55)	(36)	(91)	19	(48)	(29)
Balance at end of period	675	(3,679)	(3,004)	1,851	(4,488)	(2,637)

(1) Liquid assets including cash, 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 (Cont.)

1.6.3.2 Dividends received:

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
	2020	2019	2019
	NIS millions		
Shufersal	-	-	42
Property & Building	-	-	(1) 78
Epsilon Investment House Ltd. ("Epsilon")	1	-	3
Credit Suisse, Emerging Markets Credit Opportunity LP ("EMCO")	-	-	1
Pitango Venture Capital Fund III (Israeli Investors) LP ("Pitango")	-	-	6
Brinx Israel Ltd. ("Brinx")	-	-	1
Others	2	1	2
Total	3	1	133

(1) Not including a distribution of Mehadrin shares as a payment in kind dividend in the amount of NIS 136 million.

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 8.F. 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.)

1.6.3.3 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 financial covenants, which will be evaluated as at the date of the financial statements, as follows:

Grounds for adjustment of interest rate (1) / financial covenant	Calculation results	
	As at March 31, 2020	As at June 25, 2020
(A) 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 (Negative)	ilBBB- Rating (Negative)
(B) In case DIC's net asset value(2) falls below NIS 1.1 billion, and additionally, the ratio between the net financial debt and DIC's asset value exceeds 75%, the stated interest rate will increase by 0.25% per year.	Net asset value - NIS 157 million. Ratio between net financial debt and asset value - 95%	Ratio between net financial debt and asset value - 80%
(C) In case the ratio between DIC's net financial debt and its asset value exceeds 85%, the stated interest rate will increase by 0.5% per year.	Ratio between net financial debt and asset value - 95%	Ratio between net financial debt and asset value - 80%
(D) In case the ratio between DIC's capital and DIC's total balance sheet falls below 12.5%, the stated interest rate will increase at a rate of 0.25% per year.	Ratio between capital and total solo balance sheet - 31%	Ratio between capital and total solo balance sheet - 31%

(1) 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 original stated interest rate (4.8%).

(2) 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 the date of the calculation.

- On April 7, 2020, subsequent to the date of the statement of financial position, S&P Maalot reduced the rating of the Company's debentures to a rating of ilBBB- (negative). Following the rating reduction, the interest rate applicable to the Company's debentures (Series J) was increased, beginning on April 7, 2020, from 4.80% to 5.05%.
- Following the non-fulfillment of the financial covenants specified in sections (B) and (C) above as at March 31, 2020, the interest rate applicable to the Company's debentures (Series J) was increased beginning on the financial statements' publication date from 5.05% to 5.80%.
- For additional details regarding the financial covenants which were determined in connection with the Company's debentures (Series J), see Note 15.C.2. to the annual financial statements.

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 in an electronic public report on June 30, 2020 (reference number 2020-01-068763), 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 the Company and by dividends that DIC receives from its investee companies, by the consideration from the realization of its holdings in investee companies, by investments, by repaying the Company's current liabilities and by debt raisings.

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.)

1.6.3.6 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 strives to maintain an adequate cash balance. It is noted that as at March 31, 2020, DIC's balance of liquid resources amounts to NIS 675 million. Total principal and interest payments with respect to DIC's debt in the remaining three quarters of 2020, and in 2021, amount to NIS 466 million and NIS 788 million, respectively. 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 investees, see section 1.6.3.2 above. See also Note 8.F. to the financial statements regarding dividends from Shufersal and from Property & Building, which were announced during the reporting period and 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, 2020.
- 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.
  It is noted that following the coronavirus pandemic and the capital market declines noted in section 1.1 above, the yields of the Company's debentures also increased significantly. If these effects continue, and for the duration that they continue, they could have negative effects on the Company's ability to raise additional debt.
- 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 control or significant influence over them, 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 June 25, 2020 (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 752 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[15]

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, 2020					
	Investee companies				
NIS millions					
The Company[16]	Property & Building	Cellcom [17]	Shufersal	Elron[18]	Mehadrin
397	836	1,197	624	(146)	508

1.6.5 Presented below is the movement in the capital attributable to the owners of the Company [19]

	For the three months ended March 31 2020	For the three months ended March 31 2019	For the year ended December 31 2019
	NIS millions		
Balance at start of period	1,824	2,317	2,317
Initial adoption of the amendment to IAS 28	-	(171)	(171)
Changes during the period			
Net profit (loss) attributable to the Company's owners	(198)	(31)	14
Acquisition of treasury shares	-	(96)	(96)
Dividend to the Company's owners	-	(104)	(104)
Reserves from translation differences	41	(52)	(131)
Reserves in respect of transactions with non-controlling interests	(4)	-	6
Hedging reserves	(2)	2	(2)
Revaluation reserves	-	2	2
Capital reserves and other movements, net	3	1	(11)
Balance at end of period	1,664	1,868	1,824

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, 2020 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 during the period. The cumulative balance of retained earnings was negative.

17 The balance of retained earnings in the reviewed financial statements of Cellcom as at March 31, 2020.

18 Data with respect to Elron were translated for convenience purposes according to the USD exchange rate as at March 31, 2020.

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, 2020 (including wholly owned headquarter subsidiaries)

	Linked to the CPI	Linked to foreign currency (primarily to the USD)	Unlinked	Non-monetary items	Total
			NIS millions		
Right-of-use assets	-	-	-	13	13
Fixed assets	-	-	-	2	2
Long term other receivables and debit balances	7	-	-	-	7
Investments in investee companies and other companies (see section 1.6.7)	-	-	-	4,592	4,592
Dividend receivable	-	-	90	-	90
Other receivables and debit balances	-	-	15	1	16
Investments in marketable securities	-	130	15	243	388
Cash and cash equivalents	-	21	266	-	287
Total assets	**7**	**151**	**386**	**4,851**	**5,395**
Debentures (including maturities)	1,657	-	1,984	-	3,641
Lease liabilities (including maturities)	19	-	1	-	20
Other payables and credit balances	26	-	34	-	60
Current provisions	-	-	10	-	10
Total liabilities	**1,702**	**-**	**2,029**	**-**	**3,731**
Net balance as at March 31, 2020	**(1,695)**	**151**	**(1,643)**	**4,851**	**1,664**
Net balance as at March 31, 2019	**(1,994)**	**930**	**(1,841)**	**4,773**	**1,868**
Net balance as at December 31, 2019	**(1,682)**	**158**	**(1,735)**	**5,083**	**1,824**

For details regarding the linkage bases of the total assets and total liabilities in the consolidated statement of financial position as at March 31, 2020, see section 2.2 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.)

1.6.7 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, 2020
	NIS millions
Balance at start of period	4,707
Group's share in the profits of investees accounted by the equity method	(111)
Dividends from investee companies [1]	(91)
Change in investments as a result of third-party acquisitions	51
Change in investments due to exercise and expiration of minority interests' options	(4)
Change in investments applied to capital reserves	43
Other changes (mostly revaluation of companies measured at fair value)	(3)
Balance at end of period	4,592

(1) 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[20] as at March 31, 2020:

	Holding rate	Book value	Asset value[20]
		NIS millions	
Companies accounted by the equity method			
Cellcom	45.4%	1,192	660
Property & Building	68.8%	1,447	842
Shufersal	26.0%	1,382	1,239
Elron	61.1%	150	139
Mehadrin	40.2%	268	128
Epsilon	68.8%	54	54
EMCO	12.2%	8	8
Microwave Networks, Inc.	99.8%	12	12
Others		6	6
Companies and funds measured at fair value			
Pitango	27.3%	20	20
Mustang Mezzanine Fund, LP	23.8%	10	10
Brinx	10.0%	29	29
Indivision	3.5%	2	2
Others		12	12
		4,592	3,161

	As at June 25, 2020[(1)]	As at March 31, 2020 [(1)]	As at December 31, 2019
		NIS millions	
Asset value[(20)]	[(2)]3,738	3,161	4,112
Less financial debt, net (section 1.6.2)	[(2)](2,986)	(3,004)	(2,876)
Total net asset value [NAV] [21]	752	157	1,236
Leveraging ratio [LTV] [22]	80%	95%	70%

(1) As specified in section 1.1 above, the coronavirus outbreak is also having a significant impact on capital markets, resulting in a significant decline in the market value of the Company's holdings after the outbreak began, which significantly affected the Company's net asset value. In the opinion of Company management, the market value of the Company's holdings does not reflect the economic value of the assets which are held by the Company, inter alia, in light of the Company's cash balances, as stated above, which allow the Company reasonable and adequate space to take possible actions to improve the Company's net asset value.

(2) Excluding the impact of the exercise of the Cellcom options on June 29 2020. For more information, see Note 8.D. to the financial statements.

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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 the calculation date (and not based on their value in the Company's financial statements).

21 NAV - Net Asset Value. Constitutes the Company's net asset value, i.e., the total value of the Company's assets, after deducting its net financial liabilities. NAV is a standard economic indicator for evaluating the economic equity of companies. The main gaps between the Company's NAV and capital attributable to Company's owners as presented in the statement of financial position were mostly due to the measurement of the Company's marketable investments at market value, which differed from the measurement thereof in accordance with generally accepted accounting principles. It is hereby clarified that NAV is not based on generally accepted accounting principles, and does not constitute an alternative to the information which is included in the financial statements.
The net asset value proximate to the publication date of the report is based on the market and debt data as at proximate to the publication date of the report. In respect of non-marketable holdings, the value of the holdings is according to the value in the Company's books as at March 31, 2020, plus investments which were made and less dividends which were received after March 31, 2020 and until proximate to the publication of the report.

22 The LTV (loan to value) ratio is a standard economic indicator used to measure the leverage ratio of companies, and serves as the basis for measuring the ratio (in percent) of net financial debt relative to its asset value. It is hereby clarified that NAV is not based on generally accepted accounting principles, and does not constitute an alternative to the information which is included in the financial statements.

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

1.7 Changes in capital and profit (loss) quality

The Company's net income (loss) and comprehensive income (loss) mostly include and are affected by the following components:

- Activities involving the realization and amortization of investments, net, updates to the value of investments and other non-recurring effects of the Company and its investee companies. In this regard, in accordance with international accounting standards which stipulate treatment according to full fair value in transactions - with significant economic weight - which result in deconsolidation, such that the holding which remains after the deconsolidation is revalued on the date of deconsolidation, according to fair value to the statement of income, and treatment according to full fair value in transactions - with significant economic weight - which result in the consolidation of financial statements, such that the original investment before the consolidation is revalued on the date of initial consolidation, according to fair value, in the statement of income. However, effects on changes in holdings in consolidated companies while retaining control are applied directly to the Company's shareholders' equity, and are not included in the statement of income. These rules may have a significant impact on the Company's profits.
- The Group's share in the profits of investee companies, net.
- The Company's headquarter activities, which primarily include net financing expenses, general and administrative expenses.

It is noted that the above rules also affect the results of the Company's investee companies.

The business results of the Company, and sometimes directly in capital attributed to the Company's shareholders, may fluctuate (in accordance with current accounting principles) a great deal between the various reporting periods, mostly due to 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 of the Company and its investee companies, the amount of which is affected, inter alia, by the net amount of debt, the linkage bases of the debt and net financial assets, financial derivatives and the rates of change in the CPI and in the USD exchange rate during the reporting period.

The Company's total comprehensive loss in the first quarter of 2020 (including non-controlling interests) amounted to NIS 215 million, as compared with comprehensive loss (including non-controlling interests) of NIS 67 million in the corresponding quarter last year. The aforementioned difference is primarily due to the following factors:

A. Loss in the first quarter of 2020 (including non-controlling interests) amounted to NIS 280 million, as compared with net income in the amount of NIS 7 million in the corresponding quarter last year.

B. In the first quarter of 2020, other comprehensive income was recorded with respect to investee companies accounted by the equity method, in the amount of NIS 8 million, as compared with other comprehensive loss in the amount of NIS 10 million in the corresponding quarter last year.

C. In the first quarter of 2020, other comprehensive income (including non-controlling interests) was recorded for foreign currency translation differences with respect to foreign operations in the amount of NIS 55 million, as compared with other comprehensive loss in the amount of NIS 64 million in the corresponding quarter last year. The change was mostly due to the increase in the USD exchange rate in the first quarter of 2020 at a rate of 3.2%, as compared with the decrease of 3.1% in the corresponding quarter last year.

Comprehensive loss attributable to the owners of the Company in the first quarter of 2020 amounted to NIS 156 million, as compared with comprehensive loss in the amount of NIS 79 million in the corresponding quarter last year.

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

1.8 Summary of the Company's results (consolidated)

	For the three months ended March 31		For the year ended December 31
	2020	2019	2019
	NIS millions		
Net profit (loss) for the period attributable to owners of the Company	(198)	(31)	14
Net profit (loss) for the period attributable to non-controlling interests	(82)	38	303
Net profit (loss) attributable to the owners of the Company and to non-controlling interests	(280)	7	317
Losses from the realization and increase in value of investments and assets, and dividends, less amortization of investments and assets and decrease in net value (including non-controlling interests)	(5)	(6)	(627)
Profit from discontinued operations, after tax	-	81	(1) 1,187
Comprehensive loss attributable to Company shareholders	(156)	(79)	(125)
Basic and diluted earnings (loss) per share - in NIS	(1.4)	(0.2)	0.1

(1) Including profit in respect of the loss of control of Gav-Yam in the amount of NIS 834 million. DIC's share in the profit amounts to NIS 557 million.

1.9 Details regarding 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
	2020	2019	2019
	NIS millions		
Involving cash flows -			
Profit from sale of Gav-Yam shares	-	-	146
Profit from self-purchase of debentures	-	17	78
Expenses with respect to the voluntary retirement program for Cellcom employees	-	-	21
Retrospective application of Bezeq's wholesale tariffs by the Ministry of Communication	13	-	-
Not involving cash flows -			
Profit due to loss of control of Gav-Yam	-	-	411
Loss due to rise to control of Mehadrin	(107)	-	(15)
Profit from the allocation of negative value to goodwill in Mehadrin	119	-	72
The impairment of Mehadrin's assets, presented as held for sale	-	-	(23)
Impairment of goodwill attributed to Cellcom	-	-	(517)
Update to the value of the HSBC Tower, net	(56)	-	18
Update to the value of the Tivoli project and land in Las Vegas, net	(8)	(2)	(15)

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

During the first quarter of 2020, share options of Cellcom were exercised by interest holders other than the controlling shareholders. As a result, DIC recorded, in the first quarter of 2020, a decrease in capital attributed to the Company's owners in the amount of NIS 5 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[23]

1.10.1 Cellcom segment

DIC's share in the results of the Cellcom segment in the first quarter of 2020 amounted to loss of NIS 20 million, as compared with loss of NIS 7 million in the first quarter of 2019, and loss of NIS 564 million in 2019, including amortization for impairment of the goodwill attributed to Cellcom in the amount of NIS 517 million.

The first quarter of 2020 was characterized by continued competition in the mobile segment, and on the other hand, continued growth in the landline segment, and the results in the quarter were partially affected by the coronavirus crisis, mostly the decline in Cellcom's revenue from roaming services (roaming services for outbound tourists and roaming services for tourists in Israel), and Cellcom's income from the sale of end user equipment to customers, as a result of the closure of service centers and points of sale in March 2020.

Summary of the business results of the Cellcom segment

	First quarter of 2020	First quarter of 2019	Increase (Decrease)	Explanation
	NIS millions		%	
Income from services	682	678	0.6	The increase in the first quarter of 2020, relative to the corresponding period last year, was primarily due to the increase of 3.2% in the landline segment, relative to the corresponding period last year, mostly due to the increase in income from internet and television services. On the other hand, income from services in the mobile segment decreased by 2.0%, due to the decline in income from roaming services, due to the effect of the coronavirus outbreak and due to the decline in income from mobile services, due to the ongoing erosion in the prices of those services, in light of the competition in the mobile market.
Revenues from end user equipment	210	250	(16.0)	The decrease in the first quarter of 2020, as compared with the corresponding period last year, was primarily due to the decrease in the scope of sales of end user equipment in the landline segment.
Total revenues	**892**	**928**	**(3.9)**	
Cost of sales and services	(644)	(695)	(7.3)	The decrease in the first quarter of 2020, as compared with the corresponding quarter last year, was mostly due to the decrease in expenses associated with internet services in the landline segment, following the retrospective update to telecommunication tariffs in the wholesale market by the Ministry of Communication, which had the one-time effect of a decrease of expenses in the amount of NIS 28 million, and due to the decline in the cost of end user equipment in the landline segment.
Gross profit	248	233	6.4	
Rate of gross profit from total revenues	27.8%	25.1%	10.8	
Operating expenses and credit losses	(235)	(229)	2.6	The increase in the first quarter of 2020, as compared with the corresponding period last year, was primarily due to the increase in expenses with respect to doubtful debts.
Other income, net	5	5	-	
Operating profit	**18**	**9**	**100.0**	

[23] In the tables presented in this section, the percentage of change pertaining to the comparison of data to the corresponding period 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: (Cont.)

	First quarter of 2020	First quarter of 2019	Increase	Explanation
	NIS millions		%	
Adjusted EBITDA [24]	244	224	8.9	The increase in the first quarter of 2020, as compared with the corresponding quarter last year, was mainly due to the decrease in expenses associated with internet services in the landline segment, following the retrospective update to telecommunication tariffs in the wholesale market, as stated above, and the continued transition of customers from wholesale infrastructure to fiber optic infrastructure. On the other hand, there was a decrease in income from roaming services and a decrease in the contribution of sales of end user equipment following the closure of the frontal points of sale and the reduction of the sales force due to the coronavirus pandemic.
Rate of Adjusted EBITDA from total revenues	27.4%	24.1%	13.7	
Financing expenses, net	(64)	(27)	137.0	The increase in the first quarter of 2020, as compared with the corresponding period last year, was primarily due to loss in Cellcom's portfolio of marketable investments, as a result of the declines in the capital market in the first quarter of 2020, due to the effect of the coronavirus pandemic, as compared with the profit which was recorded in Cellcom's portfolio of marketable investments in the corresponding quarter last year.
Tax income	8	2	300.0	The increase in tax income in the first quarter of 2020, as compared with the corresponding quarter last year, was due, inter alia, to the increase in pre-tax loss and the expected usage of the losses for tax purposes.
Loss	**(43)**	**(16)**	**168.8**	

[24] Adjusted EBITDA - A standard metric 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.)

1.10.1 Cellcom Segment (Cont.)

Summary of the business results of the Cellcom segment: (Cont.)

Cellcom's main operational indicators:

	First quarter of		Change in %
	2020	**2019**	**Increase (decrease)**
In the mobile segment:			
Number of Cellcom subscribers at end of period (in thousands)	2,747	2,853	(3.7)
Churn rate	8.8%	11.0%	(20.0)
Monthly average revenue per user (ARPU) (in NIS) [25]	48.1	47.2	1.9
In the landline segment:			
Number of subscribers (households) at end of period in the television segment (in thousands)	246*	227	8.4
Number of subscribers (households) at end of period in the internet infrastructure segment (in thousands)	279	278	0.4

* In the first quarter of 2020, Cellcom erased approximately 14 thousand television subscribers, due to a change in the subscriber counting methods, in a manner which will not include subscribers who have the Cellcom TV application, and who have not activated the service.

1.10.2 Property & Building segment

DIC's share in the results of the Property & Building segment in the first quarter of 2020 amounted to loss of NIS 99 million, as compared with profit of NIS 37 million in the first quarter of 2019, and profit of NIS 666 million in 2019, which included profit in the amount of NIS 557 million due to the loss of control of Gav-Yam.

The first quarter of 2020, until the coronavirus outbreak, 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 Property & Building's operating which led to stable prices and to high occupancy rates. The results of Property & Building subsequent to the coronavirus outbreak reflect the adverse impact of this outbreak, mainly on Property & Buildings activity abroad, which mainly include the HSBC tower and the Tivoli tower in Las Vegas (as described in section 1.1 above), and a decrease in its investments portfolio as described below.

[25] ARPU (Average Revenue Per User) - Monthly average revenue per subscriber, including current revenue from the provision of mobile communication services (including roaming services and network sharing and hosting services) and the provision of repair services to Cellcom customers as part of a monthly subscription only. Calculated by dividing the total of the aforementioned revenues during a certain period by the average number of Cellcom subscribers during that period (not including the number of users of incoming roaming services and network sharing and hosting services who are not Cellcom subscribers) and dividing the result by the number of months in that period.

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 (Cont.)

Summary of the business results of Property & Building[26]

	First quarter of 2020	First quarter of 2019 [27]	Increase (Decrease)	Explanation
	NIS millions		%	
Revenues from property rentals	71	73	(2.7)	The decrease in the first quarter of 2020, as compared with the corresponding period last year, was primarily due to the decrease in income, in NIS terms, from the HSBC Tower, due to the rise of the USD vs. the NIS.
Revenues from the rental of identical properties[28]after the deduction of holding expenses ("NOI")	40	38	5.3	The increase in the first quarter of 2020, as compared with the corresponding period last year, was primarily due to decrease in the costs of the HSBC Building.
Revenues from the sale of apartments and real estate	35	91	(61.5)	The decrease in the first quarter of 2020, 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[29]	109	35	211.4	The increase in the first quarter of 2020, as compared with the corresponding period last year, was primarily dividend from associated company received in March 2020. In 2019 the said a dividend was received from the said associated company in April.
Decrease in fair value of investment property, net	(122)	-	(100.0)	The decrease in net value in the first quarter of 2020 was due to the revaluation of Property & Building's investment property abroad. For details, see Note 3.A.1.A. to the financial statements.
Share of Property & Building in the net profits (losses) of investee companies	15	(12)	Transition to profit	In the first quarter of 2020, this item mostly included Property & Building's share in the results of Gav-Yam, and was partly offset by the update to the valuation of the Tivoli project in Las Vegas. In the first quarter of 2019, this item included the measurement of some of the loans which were given to IDBG at fair value, due to the adoption of the amendment to IAS 28, and was partly offset by the update to the valuation of the Tivoli project in Las Vegas.
Financing expenses, net	(80)	(43)	86.0	The increase in the third quarter of 2020, relative to the corresponding period last year, was primarily due to a decrease in the amount of NIS 52 million in the securities portfolio of Property & Building, as a result of the sharp declines on the stock exchange due to the effect of the coronavirus pandemic, and was partly offset by the decrease in interest and linkage expenses on the debt, as a result of the CPI's greater decrease in the current quarter than in the corresponding quarter last year, as specified in section 1.4 above.

[26] The data were presented according to the presentation in the financial statements of Property & Building.

[27] Retrospectively adjusted due to the presentation of the activities of Gav-Yam, Mehadrin and revenue-generating real estate in the commercial segment under discontinued operations.

[28] It is hereby clarified that NOI is not based on generally accepted accounting principles, and does not constitute an alternative to the information which is included in the financial statements.

[29] Operating profit according to the statement of income, after neutralizing the revaluation of investment property, depreciation and others, provision for consulting services and Property & Building's share in the business results of investee companies, plus dividends which were received from associate 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.)

Summary of the business results of Property & Building (cont.)

	First quarter of 2020	First quarter of 2019[27]	Increase (Decrease)	Explanation
	NIS millions		%	
Tax income (expenses)	29	(4)	Transition to income	The transition to tax income in the first quarter of 2020 compared with tax expenses in the corresponding quarter last year stemmed, among other things, from the recording of pre-tax losses and from the expectation that losses for tax purposes will be utilized.
Profit (loss) from discontinued operations, after tax	(28)	120	Transition to loss	
Net profit (loss)	**(144)**	**53**	**Transition to loss**	

For details regarding principal changes in the holdings of the Property & Building segment during the reporting period, see Note 3.A.1. to the financial statements.

1.10.3 Shufersal segment

DIC's share in the results of the Shufersal segment in the first quarter of 2020 amounted to profit of NIS 20 million, as compared with profit of NIS 9 million in the first quarter of 2019, and profit of NIS 56 million in 2019.

Shufersal's results in the first quarter of 2020 were affected by the coronavirus pandemic, which resulted in an increase of sales Shufersal's sales in general, and through the online channel in particular, due to the public's stocking up on various foods and hygiene products. The results were also affected by seasonality, the timing of the Passover holiday, which this year fell in mid-April, and its effects on Shufersal's results were reflected in the first quarter of 2020; while last year, Passover eve fell in mid-April, and its effects on Shufersal's results were reflected in both the first and second quarters of 2019; Shufersal's results in the first quarter of 2020 were 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 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, continued reinforcement and substantiation of the new credit card customer club, and continuing the development of its revenue-generating real estate segment.

[27] Retrospectively adjusted due to the presentation of the activities of Gav-Yam, Mehadrin and revenue-generating real estate in the commercial segment under discontinued operations.

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

	First quarter of 2020	First quarter of 2019	Increase	Explanation
	NIS millions		%	
Revenues from the retail segment	3,520	2,974	18.4	The increase in the first quarter of 2020, as compared with the corresponding quarter last year, was mainly due to the coronavirus outbreak and seasonality. Sales in identical stores which were fully operational in the two reporting periods increased by 17.6%.
Revenues from the real estate segment	44	44	-	
Revenues from the Be segment	201	163	23.3	The increase in the first quarter of 2020, as compared with the corresponding period last year, was primarily due to the opening of new branches, the growth of identical store revenues, and the effects of the coronavirus outbreak. Sales in identical stores which were fully operational in the two reporting periods increased by 15.8%.
Total revenues[30]	3,731	3,149	18.5	
Sales per square meter - retail segment (NIS in thousands)	6.9	5.9	16.8	The increase in the first quarter of 2020, as compared with the corresponding quarter last year, was mainly due to the foregoing.

[30] 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 of 2020	First quarter of 2019	Increase (Decrease)	Explanation
	NIS millions		%	
Gross profit	999	860	16.2	The increase in gross profit in the first quarter of 2020, as compared with the corresponding period last year, was primarily due to the increase in revenue.
Rate of gross profit from total revenues	26.8%	27.3%	(1.8)	The decrease in the rate of gross profit in the first quarter of 2020, as compared with the corresponding period last year, was primarily due to the change in the mix of Shufersal's sales.
Operating expenses	828	731	13.3	The increase in the first quarter of 2020, as compared with the corresponding period last year, was primarily due to the growth in Shufersal's activity.
Other expenses, net	(1)	(1)	-	
Operating profit [31]	170	128	32.8	The increase in the first quarter of 2020, as compared with the corresponding period last year, was primarily due to the foregoing, and the decrease in operating loss in the Be segment, which resulted, in addition to the foregoing, from the increased operational efficiency and the deepening of the synergy with Shufersal's other operations.
EBITDA	362	305	18.7	The increase in the first quarter of 2020, as compared with the corresponding period last year, was primarily due to the increase in operating profit.
Rate of EBITDA from total revenues	9.7%	9.7%	-	
Rate of operating profit	4.6%	4.1%	12.2	
Financing expenses, net	(50)	(64)	(21.9)	The decrease in the first quarter of 2020, as compared with the corresponding period last year, was primarily due to the increase in income from Shufersal's forward transactions, due to the effect of the increase of the USD and EUR exchange rates in the current period, as compared with the decrease of the exchange rates in the corresponding period last year.
Tax expenses	(28)	(17)	64.7	
Net profit	**90**	**48**	**87.7**	

[31] After other income and expenses, net.

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 2019. 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, 2020:

	Linked to the CPI	Linked to the USD	Linked to other currencies (mostly to the ERO)	Unlinked	Non-monetary items	Total
	NIS millions					
Total assets	506	1,256	167	4,193	14,617	20,739
Total liabilities	5,535	1,756	87	8,110	1,190	16,678
Net balance as at March 31, 2020	**(5,029)**	**(500)**	**80**	**(3,917)**	**13,427**	**4,061**
Net balance as at March 31, 2019	**(8,753)**	**(187)**	**14**	**(4,833)**	**19,418**	**5,659**
Net balance as at December 31, 2019	**(5,299)**	**(560)**	**17**	**(3,270)**	**13,003**	**3,891**

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 2019.

3. **Donations and assistance to the community**

Further to that stated in section 3.1 of the Company's Board of Directors' report for 2019, in March 2020, the Company's Board of Directors resolved to set the Company's donation budget for 2020 at a total of NIS 827 thousand, and that a total of NIS 105 thousand out of the aforementioned amount (which constitutes 0.75% of the Company's net profit for 2019, according to its audited consolidated financial statements, and constitutes 12.7% of the Company's total donation budget for 2020) was provided as a donation to IDB Community Foundation (R.A.), a not-for-profit association which collects donations from member companies of the Group.

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

4.1 **Conclusion of employment of the Company's General Manager, appointment of General Manager and approval of terms of tenure and employment** - In March 2020, Mr. Eran Saar concluded his tenure as the Company's General Manager. In March 2020, DIC's Board of Directors approved the appointment of Mr. Doron Cohen as the Company's General Manager, beginning on March 15, 2020, and in April and June 2020, DIC's Board of Directors (after approval was received from the Compensation Committee) and DIC's general meeting approved, respectively, his terms of tenure and employment. For additional details, see Note 8.A to the financial statements.

4.2 **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 8 to the financial statements.

4.3 **Specific disclosure for the debenture holders**

See Annex A to the Board of Directors' Report.

Eduardo Elsztain Chairman of the Board of Directors	Doron Cohen CEO

Tel Aviv, June 29, 2020

DIC

Discount Investment Corporation Ltd

Interim Financial Statements March 31, 2020

Annexes to the Directors' Report

Annex A - Financial Position and Sources of Financing

Information regarding the Company's debentures

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

Summary of data regarding debentures(1), NIS millions

				Data as at March 31, 2010							Data as at June 29, 2020			Principal payment dates (3)				
Series	Original issuance date	**Par value on the issuance date**	**interest rate on the issuance date (fixed)**	**Outstanding par value balance**	**Outstanding linked par value balance**	**Interest rate (fixed)**	**Amount of interest accrued in the books**	**Balance of premium (discount), net, in the books**	**Book value of the balance of debentures (2)**	**Market value**	**Outstanding par value balance**	**Outstanding linked par value balance**	**Interest rate (fixed)**	**From**	**to**	**Interest payment dates**	**Linkage terms**	**Trust company - Name of supervisor, address and telephone number**
F (4)	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	4.95%	1,385	1,675	4.95%	20	(18)	1,677	1,394	1,385	1,671	4.95%	31.12.17	31.12.25	December 31 (3)	CPI-linked	**Hermetic Trust (1975) Ltd.** Person in charge: Person in charge: Dan Avnon, Adv., 30 Sheshet HaYamim St., Bnei Brak 5120261, Tel: 03-5544553
J (5)	2.10.17 12.12.17*	2,582	4.80%	1,960	1,960	5.80%	24	24	2,008	1,597	1,960	1,960	5.80%(7)	30.12.21	30.12.26	June 30, December 30 (6)	Unlinked	**Strauss Lazar Trust Company (1992) Ltd.** Person in charge: Uri Lazar, CPA, 17 Yitzchak Sadeh St., Tel Aviv 6777517, Tel: 03-6237777
Total		**6,287**		**3,345**	**3,635**		**44**	**6**	**3,685**	**2,991**	**3,345**	**3,631**						

Notes:

(1) As of March 31 2020 and in the first quarter of 2020, the Company 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. For details regarding the update to the interest rate on the debentures (Series J), see section 7 below.

(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 2020.

(5) 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 were made to the terms of the debentures in 2020.

(6) Semi-annual payments.

(7) Following the reduction of the rating of the Company's debentures on April 7, 2020, and the non-fulfillment of the financial covenants as at March 31, 2020, the interest rate applicable to the debentures (Series J) was increased, beginning on April 7, 2020, from 4.80% to 5.05%, and beginning on the financial statements' publication date, from 5.05% to 5.80%, respectively. For additional details, see section 1.6.3.3 above.

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

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

Details regarding debenture ratings

Series	Name of rating company	Rating as at March 31, 2020	Rating as at June 29, 2020 [(1)]	Rating on the series issuance date	Date of rating issuance as at June 29, 2020	Additional ratings during the period between the date of the original issuance and the current rating as at June 29, 2020	
						Date	Rating
F	S&P Maalot	BBB (Negative)	BBB- (Negative)	AA	4/2020	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, 4/2019, 7/2019	AA, A+, A- BBB+, BBB, BBB-
J	S&P Maalot	BBB (Negative)	BBB- (Negative)	BBB	4/2020	9/2017, 12/2017, 3/2018, 8/2018, 4/2019, 7/2019	BBB, BBB+

(1) 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 7, 2020 (reference number 2020-01-032941), and Note 8.B. to the financial statements.

Annex B

Details on economic papers in accordance with Regulation 49(A) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970 [“Regulation 49(A) of the Reports Regulations”]

Details on an economic paper as at March 31, 2020 regarding the appraisal of the economic value of the HSBC Tower in New York, USA, which is held by Property & Building [Regulation 49(A) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970]:

The aforementioned economic paper is included in the Company's financial statements by way of reference to the aforementioned paper which is attached to the financial statements of Property & Building Ltd. as at March 31, 2020, which were submitted by it to the Israel Securities Authority and published on June 25, 2020 (reference number 2020-01-067065). See also Note 3.A.1.A. to the financial statements.

Presented below are the main data specified in the valuation:

A. Subject of the valuation - HSBC Tower in Manhattan, New York, USA.

B. Date of the valuation - March 31, 2020.

C. Value of the subject of the valuation in Property & Building's books before the performance of the valuation - USD 940 million.

D. Value of the subject of the valuation, as determined in the valuation - USD 905 million.

E. Identity and details of the valuer - Cushman & Wakefield. The individuals who prepared the paper on behalf of the valuer are licensed real estate appraisers from the state of New York, USA, who have a great deal of experience. There is no dependence between the valuer and the companies which ordered the paper.

F. Valuation model used by the valuer - discounted cash flows (DCF).

G. Assumptions used to perform the valuation:

1. NOI in the realization year (12th year) — USD 61.4 million
2. Annual capitalization rates -
   - In respect of the forecasted NOI for the first 11 years and the forecasted consideration from the realization of the property
     At the end of the 11th year (discount rate) — 6.25%
   - In respect of the forecasted NOI in the 12th year, which was used to determine the forecasted realization consideration for the property
     (Terminal Capitalization Rate) — 4.75%
3. Rate of terminal value from total value determined in the valuation — 70%
4. Market Rent Growth in respect of contracts ending:
   First year — 0%
   Second year and thereafter — 3%
5. Collection Loss in the first year, following the coronavirus outbreak — 5%

Details regarding economic paper on the allocation of the purchase price of Mehadrin as of March 9 2020 [Regulation 49(A) of the Securities Regulations (Periodic and Immediate Reports), 1970].

The said economic paper is not attached to the financial statements despite the fact that DIC's share in the negative goodwill arising as part of the paper, and which was recognized as income in the statement of income, exceeds 10% of the loss attributed to the Company's owners for the four previous quarters as of March 31 2020, and exceeds 5% of the equity allocated to Company's owners as of March 31 2020, for the following reasons:

(a) The profit from negative goodwill as aforesaid does not exceed 10% of the "normal earnings" attributed to Company's owners (as defined in Note 1.D.(4). To the annual financial statements) as of March 31 2020. As described in Note 1.D.(4) to the annual financial statements, the "normal earnings" test constitutes a generally acceptable criteria for assessing the results of holding companies like the Company and it is used by the Company to measure materiality and negligibility in other contexts as well;

(b) The value of Mehadrin after the completion of the transaction constitutes (directly) app. 1.7% of total Company's assets in the consolidated statement of financial position as of March 31 2020;

(c) On the date of achieving control over Mehadrin, the investment in Mehadrin was remeasured based on the fair value of its shares (using the stock exchange price as of that date). The difference between the fair value as aforesaid and the carrying amount of Mehadrin before control was achieved and the additional purchase cost is NIS 107 million. Net gain in respect of achieving control in Mehadrin and the allocation of negative goodwill as aforesaid is NIS 12 million, which constitutes app. 7.8% of the loss attributed to the Company's owners for the four previous quarters as of March 31 2020, and app. 0.7% of the equity allocated to Company's owners as of March 31 2020.

(d) As of these financial statements' approval date, a final economic paper by an external valuer has not yet been received. The fair value of the assets and liabilities that were measured in accordance with a provisional measurement of an external valuer, can undergo final adjustment up to 12 months from the date on which control was achieved. On the date of final measurement, the adjustments are made by restating comparative figures that were previously reported in accordance with the provisional measurement. To the extent that he final economic paper shall meet the aforesaid quantitative thresholds, including the "normal earnings" threshold, it shall be reported together with the future financial statements.

Discount Investment Corporation Ltd

Interim Financial Statements March 31, 2020

Part 3 - Condensed Consolidated Interim Financial Statements

Discount Investment Corporation Ltd.

Condensed Consolidated Interim Financial Statements
As at March 31, 2020

(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, 2020, 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 this interim period 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 this interim period, 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 8% of total consolidated assets as at March 31, 2020, and whose income as included in the consolidation constitutes approximately 13% 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 351 million as at March 31, 2020, and where the Group's share in their losses amounted to approximately NIS 18 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 Israel Review Standard 2410 of the Institute of Certified Public Accountants in Israel regarding the "Review of Financial Information for Interim Period (Israel) 2410 Prepared by the Entity's Auditor." A review of financial information for interim period 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 be 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 not 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, June 29, 2020	Kesselman & Kesselman Certified Public Accountants A member firm of PricewaterhouseCoopers International Limited

Condensed Consolidated Interim Statements of Financial Position as at

	March 31 2020(2)	March 31 2019(1)	December 31 2019
	(Unaudited)	(Unaudited)	(Audited)
		NIS millions	
Non-current assets			
Investments in investee companies accounted by the equity method	3,529	2,212	3,676
Financial assets measured at fair value through profit or loss	157	170	159
Loans, deposits, restricted deposits and debit balances	402	295	292
Right-of-use assets	941	803	774
Fixed assets	1,778	1,770	1,494
Investment property	3,380	12,140	3,389
Long term trade receivables	275	369	309
Inventory of real estate	52	24	45
Deferred expenses	428	337	324
Deferred tax assets	8	9	8
Intangible assets	1,845	2,538	1,849
	12,795	20,667	12,319
Current assets			
Financial assets measured at fair value through profit or loss	1,587	2,007	1,826
Deposits and pledged and restricted deposits	202	423	161
Other receivables and debit balances	328	226	156
Current tax assets	9	15	4
Trade receivables and other income receivable	1,310	1,345	1,207
Inventory	227	92	74
Inventory of buildings for sale	92	240	105
Assets classified as held for sale	1,321	33	1,445
Cash and cash equivalents	2,868	4,198	2,812
	7,944	8,579	7,790
Total assets	20,739	29,246	20,109

(1) Includes the assets of Gav-Yam, which was deconsolidated beginning on until August 31, 2019, see Note 3.A.1.E. below.
(2) Includes the assets of Mehadrin, which was initially consolidated on March 9, 2020, see Note 3.A.2. below.

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 2020[2] (Unaudited)	March 31 2019[1] (Unaudited)	December 31 2019 (Audited)
		NIS millions	
Capital			
Share capital	810	810	810
Capital reserves	4,153	4,222	4,118
Accumulated losses	(3,299)	(3,164)	(3,104)
Capital attributable to owners of the Company	1,664	1,868	1,824
Non-controlling interests	2,397	3,791	2,067
	4,061	5,659	3,891
Non-current liabilities			
Debentures	9,740	15,052	9,759
Loans from banks and other financial liabilities	1,638	2,209	1,630
Lease liabilities	628	604	577
Derivatives	1	4	-
Provisions	189	211	191
Deferred tax liabilities	544	1,507	541
Employee benefits	31	20	24
Other non-financial liabilities	15	19	6
	12,786	19,626	12,728
Current liabilities			
Current maturities of debentures	992	1,593	1,218
Credit from banking corporations and current maturities of loans from banks and others	556	382	273
Current maturities of lease liabilities	237	230	236
Other payables and credit balances	750	817	431
Trade payables	741	786	714
Derivatives	4	1	5
Current tax liabilities	29	22	18
Provisions	113	130	110
Liabilities classified as held for sale	470	-	485
	3,892	3,961	3,490
Total capital and liabilities	20,739	29,246	20,109

(1) Includes the liabilities of Gav-Yam, which was deconsolidated beginning on August 31, 2019, see Note 3.A.1.E. below.
(2) Includes the liabilities of Mehadrin, which was initially consolidated on March 9, 2020, see Note 3.A.2. below.

Eduardo Elsztain Chairman of the Board	Doron Cohen CEO	Haim Tabouch VP Accounting

Approval date of the financial statements: June 29, 2020

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 March 31 2020(2)	For the three months ended March 31 2019(1)	For the year ended December 31 2019
		(Unaudited)	(Unaudited)	(Audited)
		NIS millions		
Income				
Sales and services	7	1,167	1,151	4,621
The Group's share in the net profit of investee companies accounted by the equity method, net		16	14	37
Profit from realization and increase in the value of investments, assets and dividends		14	10	108
Increase in fair value of investment property, net		-	-	106
Other income		7	6	25
Financing income		43	72	236
		1,247	1,253	5,133
Expenses				
Cost of sales and services		824	836	3,258
Research and development expenses		5	11	32
Selling and marketing expenses		150	166	669
General and administrative expenses		124	104	479
Loss from realization, impairment, and write-down of investments and assets		19	16	735
Decrease in fair value of investment property, net		157	10	-
Other expenses		-	2	6
Financing expenses		288	177	754
		1,567	1,322	5,933
Loss before taxes on income		(320)	(69)	(800)
Taxes on income		40	(5)	(70)
Loss from continuing operations		(280)	(74)	(870)
Profit from discontinued operations, after tax		-	81	1,187
Net profit (loss) for the period		(280)	7	317
Net profit (loss) attributable to:				
The Company's owners		(198)	(31)	14
Non-controlling interests		(82)	38	303
		(280)	7	317
		NIS	NIS	NIS
Earnings (loss) per share attributable to for the Company's owners				
Basic and diluted loss per share from continuing operations		(1.4)	(0.4)	(4.5)
Basic and diluted earnings per share from discontinued operations		-	0.2	4.6
Basic and diluted earnings (loss) per share		(1.4)	(0.2)	0.1

(1) Restated due to the presentation of the Gav-Yam operation under discontinued operations, see Note 3.A.1.E. below.
(2) Includes the data of Mehadrin, which was initially consolidated on March 9, 2020, see Note 3.A.2. 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 March 31		For the year ended December 31
	2020	2019	2019
	(Unaudited)		(Audited)
	NIS millions		
Net income (loss) for the period	(280)	7	317
Other comprehensive income (loss) items which will not be transferred to profit and loss, net of tax			
Actuarial losses in defined benefit plan	-	-	(4)
The Group's share in other comprehensive income (loss) in respect of investee companies accounted by the equity method	3	-	(8)
Total other comprehensive income (loss) which will not be transferred to profit and loss	3	-	(12)
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			
Foreign currency translation differences for foreign operations	55	(64)	(165)
Effective portion of change to the fair value of cash flow hedging	2	-	-
The Group's share in other comprehensive income (loss) with respect to investee companies accounted by the equity method	5	(10)	(30)
Total other comprehensive income (loss) after initial recognition under comprehensive income which has been transferred or will be transferred to profit and loss	62	(74)	(195)
Total other comprehensive income (loss) for the period, net of tax	65	(74)	(207)
Total comprehensive income (loss) for the period	(215)	(67)	110
Attributable to:			
The Company's owners	(156)	(79)	(125)
Non-controlling interests	(59)	12	235
Comprehensive income (loss) for the period	(215)	(67)	110
Comprehensive income (loss) for the period attributed to Company shareholders			
Due to:			
Continuing operations	(156)	[(1)] (103)	(778)
Discontinued operations	-	[(1)]24	653
	(156)	(79)	(125)

(1) Restated due to the presentation of the Gav-Yam operation under discontinued operations, see Note 3.A.1.E. below.

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

Condensed Consolidated Interim Statements of Changes in Equity

	Share capital	Premium on shares	Reserves in respect of transactions with non-controlling interests	Reserves from translation differences	Hedging reserves	Capital reserves with respect to 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
	Attributable to the Company's owners												
	NIS millions												
For the three months ended March 31, 2020 (unaudited)													
Balance as at January 1, 2020	810	4,449	15	(293)	(2)	(2)	63	3	(115)	(3,104)	1,824	2,067	3,891
Loss for the period	-	-	-	-	-	-	-	-	-	(198)	(198)	(82)	(280)
Other comprehensive income (loss) for the period	-	-	-	41	(2)	-	-	-	-	3	42	23	65
Transactions with owners applied directly to equity, investments of owners and distributions to owners													
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(32)	(32)
Consolidation of Mehadrin due to rise to control (see Note 3.A.2. below)	-	-	-	-	-	-	-	-	-	-	-	396	396
Acquisition of shares in consolidated companies from non-controlling interests [(1)]	-	-	1	-	-	-	-	-	-	-	1	(1)	-
Sale of interests in consolidated companies to non-controlling interests [(2)]	-	-	(5)	-	-	-	-	-	-	-	(5)	22	17
Share-based payments given by consolidated companies	-	-	-	-	-	-	-	-	-	-	-	4	4
Balance as at March 31, 2020	810	4,449	11	(252)	(4)	(2)	63	3	(115)	(3,299)	1,664	2,397	4,061

(1) Including effects in respect of expirations of share-based payment instruments in consolidated companies.
(2) Including effects in respect of the exercise of stock options by non-controlling interests in consolidated company.

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

Condensed Consolidated Interim Statements of Changes in Equity (Cont.)

	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 with respect to 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												
For the three months ended March 31, 2019 (unaudited)													
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	-	-	-	-	-	-	-	-	-	(171)	(171)	(83)	(254)
Income (loss) for the period	-	-	-	-	-	-	-	-	-	(31)	(31)	38	7
Other comprehensive income (loss) for the period	-	-	-	(50)	2	-	-	-	-	-	(48)	(26)	(74)
Transactions with owners applied directly to equity, investments of owners and distributions to owners													
Dividend paid to the Company's owners	-	-	-	-	-	-	-	-	-	(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	810	4,449	9	(214)	2	(2)	90	3	(115)	(3,164)	1,868	3,791	5,659

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

Condensed Consolidated Interim Statements of Changes in Equity (Cont.)

	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 with respect to available-for-sale financial assets through other comprehensive income	Revaluation reserves	Controlling shareholder reserves	Treasury shares	Accumulated loss	Total capital attributable to the Company's owners	Non-controlling interests	Total capital
	NIS millions												
For the year ended December 31, 2019 (audited)													
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	-	-	-	-	-	-	-	-	-	(171)	(171)	(83)	(254)
Net income for the period	-	-	-	-	-	-	-	-	-	14	14	303	317
Other comprehensive loss for the period	-	-	-	(127)	(2)	-	-	-	-	(10)	(139)	(68)	(207)
Transactions with owners applied directly to equity, investments of owners and distributions to owners		-											
Dividend paid to the Company's owners	-	-	-	-	-	-	-	-	-	(104)	(104)	-	(104)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(201)	(201)
Acquisition of treasury shares	-	-	-	-	-	-	-	-	(96)	-	(96)	-	(96)
Consolidation of Mehadrin due to rise to control	-	-	-	-	-	-	-	-	-	-	-	278	278
Deconsolidation of Gav-Yam and Mehadrin due to loss of control	-	-	(4)	-	-	-	(27)	-	-	27	(4)	(2,329)	(2,333)
Acquisition of shares in consolidated companies from non-controlling interests (1)	-	-	12	(4)	-	-	2	-	-	-	10	126	136
Sale of interests in consolidated companies to non-controlling interests (2)	-	-	(2)	-	-	-	-	-	-	-	(2)	6	4
Share-based payments given by the Company	-	-	-	-	-	-	-	-	-	(1)	(1)	-	(1)
Share-based payments given by consolidated companies	-	-	-	-	-	-	-	-	-	-	-	11	11
Balance as at December 31, 2019	810	4,449	15	(293)	(2)	(2)	63	3	(115)	(3,104)	1,824	2,067	3,891

(1) Includes acquisitions within the framework of an issuance in a subsidiary.
(2) Including effects in respect of the exercise of share-based payment instruments in consolidated companies.

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

Condensed Consolidated Interim Statements of Cash Flows

	For the three months ended March 31		For the year ended December 31
	2020[2]	2019[1]	2019
	(Unaudited)		(Audited)
	NIS millions		
Cash flows from operating activities			
Net profit (loss) for the period	(280)	7	317
Profit from discontinued operations, after tax	-	(81)	(1,187)
Loss from continuing operations	(280)	(74)	(870)
Adjustments:			
The Group's share in the profit of investee companies accounted by the equity method, net	(16)	(14)	(37)
Received dividends (including from other investments)	70	2	49
Realization losses (profits), decrease (increase) and write-downs, net, of investments, assets and dividends	5	6	627
Decrease (increase) in fair value of investment property, net	157	10	(106)
Depreciation and amortization	226	219	915
Financing costs, net	245	105	518
Expenses (income) of tax on income, net	(40)	5	70
Income tax paid, net	(6)	(9)	(23)
Payments with respect to the settlement of derivatives, net	(12)	(1)	(10)
Share-based payment expenses	4	1	9
	633	324	2,012
Changes in other balance sheet items			
Decrease (increase) in other receivables and debit balances (including long-term amounts)	27	54	(2)
Decrease in trade receivables (including long term amounts)	73	27	215
Decrease (increase) in inventory (including long term amounts)	(7)	46	142
Change in provisions and benefits to employees	-	-	(1)
Increase (decrease) in trade payables	(43)	58	(53)
Decrease in other payables and credit balances, provisions and other liabilities (including long term amounts)	(40)	(54)	(66)
	10	131	235
Net cash from continuing operating activities	363	381	1,377
Net cash from discontinued operating activities	-	106	263
Net cash from operating activities	363	487	1,640
Cash flows for investing activities			
Deposits, loans and long term investments provided	(2)	-	(15)
Decrease (increase) in pledged and restricted deposits, net	(6)	-	9
Current investments, loans and short term deposits, net	95	(52)	(241)
Investments and loans, net, in investee companies accounted by the equity method	(24)	(9)	(191)
Non-current investments	-	-	(1)
Investments in investment property and in fixed assets	(77)	(197)	(370)
Investments in intangible and other assets	(52)	-	(233)
Receipts in respect of the settlement of derivatives, net	10	1	9
Change in cash due to the initial consolidation of subsidiaries	101	-	-
Receipts from realization of non-current investments, including dividend from the realization	2	9	27
Receipts from realization of investment property, fixed assets and other assets	113	-	720
Taxes paid, net, in respect of investment property, fixed assets and other assets	(6)	(20)	(53)
Interest received	10	15	50
Net cash provided by (used in) continuing investing activities	164	(253)	(289)
Net cash used in discontinued investing activities	-	(87)	(39)
Net cash provided by (used in) investing activities	164	(340)	(328)

(1) Restated due to the presentation of the Gav-Yam operation under discontinued operations, see Note 3.A.1.E. below.
(2) Includes the data of Mehadrin, which was initially consolidated on March 9, 2020, see Note 3.A.2. 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 March 31		For the year ended December 31
	2020(2)	2019(1)	2019
	(Unaudited)		(Audited)
	NIS millions		
Cash flows for financing activities			
Non-current financial liabilities received	-	150	665
Repayment of non-current financial liabilities	(331)	(498)	(2,452)
Interest paid	(77)	(90)	(665)
Repayment of lease liabilities	(82)	(76)	(289)
Acquisition of treasury shares	-	(96)	(96)
Issuance of rights in consolidated companies to non-controlling interest	17	-	166
Current financial liabilities, net	(14)	(10)	(37)
Receipts, including exercised share options, from non-controlling interests in consolidated companies	-	1	4
Acquisition of shares in consolidated companies from non-controlling interests	-	(30)	(30)
Dividend paid to the Company's owners	-	(40)	(40)
Dividend to non-controlling interests in consolidated companies	(1)	-	(42)
Payments in respect of the settlement of derivatives	(1)	-	(2)
Net cash used in continuing financing activities	(489)	(689)	(2,818)
Net cash used in discontinued financing activities	-	(123)	(493)
Net cash used in financing activities from continuing financing activities	(489)	(812)	(3,311)
Decrease in cash and cash equivalents from continuing operations	38	(561)	(1,730)
Decrease in cash and cash equivalents from discontinued operations	-	(104)	(269)
Decrease in cash and cash equivalents from continuing operations and from discontinued operations	38	(665)	(1,999)
Balance of cash and cash equivalents at start of period	2,812	4,890	4,890
Effects of fluctuations in exchange rates on balances of cash and cash equivalents	26	(27)	(60)
Balance of cash and cash equivalents presented under held for sale assets	(8)	-	(19)
Balance of cash and cash equivalents at end of period	2,868	4,198	2,812

(1) Restated due to the presentation of the Gav-Yam operation under discontinued operations, see Note 3.A.1.E. below.
(2) Includes the data of Mehadrin, which was initially consolidated on March 9, 2020, see Note 3.A.2. below.

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

Note 1 - General

A. Discount Investment Corporation Ltd. ("DIC") is a company registered in Israel and incorporated in Israel, whose address is the ToHa Building, 114 Yigal Alon St., 27th 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 1.5% 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).

B. **Impact of the coronavirus** - The outbreak of the novel coronavirus (COVID-19, the "Coronavirus Outbreak") is having a significant impact on capital markets, and the market value of the Company's holdings declined significantly during the reporting period. For details regarding the market value of the Company's main investments, see Note 3.B. below.

In the first quarter of 2020, due to the declines which were recorded in stock markets, the Group recorded loss with respect to the net change in the fair value of financial assets, net of tax, in the amount of NIS 143 million. DIC's share in the loss was NIS 108 million.

Following the reduction of rating of the Company's debentures on April 7, 2020, and the non-fulfillment of the financial covenants as at March 31, 2020, the interest rate applicable to the debentures (Series J) was increased, beginning on April 7, 2020, from 4.80% to 5.05%, and beginning on the financial statements' publication date, from 5.05% to 5.80%, respectively. For additional details, see Note 8.B. below.

Described below are the effects on the Company's primary holdings:

<u>Cellcom</u> - The coronavirus pandemic led to a significant decline in international tourism, which adversely affected Cellcom's roaming services (both roaming services for outbound tourists, and roaming services for tourists in Israel), which, if it continues over time, is expected to continue having significantly adverse effects on Cellcom's roaming revenues, and on its financial results.

Additionally, the Government of Israel published regulatory directives intended to contain the coronavirus pandemic in Israel, including a prohibition against congregating in public and leaving home for unnecessary reasons, as well as the closure of malls and cultural and leisure centers, and a significant reduction of in-person presence at workplaces. Following these directives, Cellcom closed its points of sale and service centers for a certain period, which resulted in a decline in end user equipment sales. Cellcom implemented measures to minimize these negative effects, by reducing expenses and investments during the period of the coronavirus crisis, including through reducing sales activity and the furloughing of a large number of employees. Cellcom's results in the first quarter of 2020 reflect the negative effects of the coronavirus pandemic on Cellcom's roaming services and on end user equipment sales to customers.

Cellcom has evaluated its sources of financing and liquidity, and believes that it has the financial strength required to deal with the crisis, due, inter alia, to the diversification of its operating segments, the types of sold products, and the scope of liquid balances.

At the end of the first quarter 2020, DIC checked for external and internal indicators of impairment of the goodwill and brand attributed to Cellcom, including the effect of the economic damage which was caused, due to the coronavirus pandemic, to Cellcom's cash flow forecast, and in view of the streamlining measures taken by Cellcom, including furloughing of employees, and other specific saving measures taken due to the coronavirus outbreak, reached the conclusion that there were no negative indicators which would have required an impairment test.

<u>Note 1 - General</u> (Cont.)

B. (Cont.)

Described below are the effects on the Company's primary holdings (continued)

<u>Shufersal</u> - In consideration of the restrictions which were imposed on leaving the home, lockdowns which were imposed on cities in Israel (and even on the entire country, for certain periods), and the closure of various businesses (including in the food segment), the coronavirus pandemic affected Shufersal's activity during the reporting period, and is continuing to affect it during the period after the reporting period as well. During the crisis period of the quarter, and until the approval date of the financial statements, in light of the nature of the coronavirus crisis (restrictions on movement, lockdown and closure of food businesses), there was increased demand for food products toiletries, which affected the food retail segment in Israel, including Shufersal. The coronavirus crisis had an immaterial (net) positive effect on the revenues and operating results from the Be operation. Shufersal's real estate operation was not significantly affected during the reporting period, or subsequent to the reporting date, by the coronavirus crisis. Shufersal granted concessions in immaterial amounts to lessees of areas during the crisis period of the quarter, and in April 2020.
In accordance with the above, and based on Shufersal's evaluation of several scenarios, no indicators were found which would have indicated adverse effects on Shufersal's ability to continue servicing its liabilities in the foreseeable future, or to fulfill the financial covenants which were established for it in connection with the balances of debt as at the approval date of the reports.

Property & Building – New York City (where the HSBC tower is located) is currently in the second stage of New York State's reopening plan, and in Las Vegas the operations of the Tivoli project were restarted on May 15 2020, subject to restrictions set by the authorities. Property & Building closely monitors the impact of the Coronavirus outbreak on its business activity, and maintains direct contact with its lessees since the beginning of the crisis.
Property & Building believes that its financial stability and the condition of its assets, its cash balance and its cash flows from operating activities will enable it to continue funding its activity and meet its obligations.

Gav-Yam – as of the date of Gav-Yam's financial statements for the first quarter of 2020, Gav-Yam's management estimated that in view of its financial stability, which is reflected, among other things, in its high cash and cash equivalents balances, low leverage rate, average duration of the debt and its payment terms, the fact that Gav-Yam's assets are not pledged and are well distributed in terms of geographical location and sectors, their position, occupancy levels and the fact that substantially all of those assets are used for high-tech, offices, industrial and logistics purposes (rather than commerce or retails), as well as the high quality of lessees, reduces the scope of Gav-Yam's exposure to the crisis and/or to significant instability, and it has tools that will enable it to deal well with an economic crisis, both in the short term and in the long term.
However, due to the fact that the event is outside of the Group's control, and due to the nature of the crisis, which involves uncertainty, inter alia, regarding the date when the pandemic will be contained, as at the approval date of the financial statements, there is no certainty regarding the extent of the future impact on the economy, including, inter alia, the state of the markets, economic conditions in Israel and abroad, the scopes of unemployment, the scopes of private consumption, the concern regarding the development of a local or global recession, or another wave of the virus. Such broad effects, if and insofar as they materialize, in whole or in part, could adversely affect the Group's business operations, including significantly, and the Group is unable to estimate whether such damage will occur, nor its extent.

C. These financial statements were prepared according to a condensed framework as at March 31, 2020 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, 2019, and for the year then ended, and of the accompanying notes, which were approved on March 31, 2020 (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.

Note 1 - General (Cont.)

D. **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.;
Gav-Yam	-	Gav-Yam Bayside Land Corporation Ltd.;
Mehadrin	-	Mehadrin 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 June 29, 2020. The significant accounting policies which were applied in the preparation of the interim consolidated financial statements are consistent with those which were applied in the preparation of the annual financial statements.

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 which were used in the annual financial statements, as stated in Note 1.D.3.A. to the annual financial statements. It should be noted that due to the Coronavirus outbreak as set out in Note 1.B above, the estimates and judgments, mainly in relation to the valuations used by the Group' involve a high measurement risk and are carried out in an environment with high levels of uncertainty.

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 (continued)

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

	CPI		Exchange rate of the US Dollar
	Known CPI	CPI in lieu	
	Points		NIS
As at			
March 31, 2020	100.3	100.7	3.565
March 31, 2019	100.2	100.7	3.632
December 31, 2019	100.8	100.8	3.456
Rates of change during the period (in percent):			
For the three months ended			
March 31, 2020	(0.5%)	(0.1%)	3.2%
March 31, 2019	(0.3%)	0.5%	(3.1%)
For the year ended			
December 31, 2019	0.3%	0.6%	(7.8%)

Note 3 - Investee Companies

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

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

A. In the first quarter of 2020, the fair value of the HSBC Tower in New York was updated to a total of USD 905 million, in accordance with the valuation of an independent valuer in the United States. In accordance with Regulation 49(A) of the Reports Regulations, an economic paper on this subject as at March 31, 2020 has been attached to these financial statements, by way of reference to the aforementioned paper which is attached to the financial statements of Property & Building as at March 31, 2020, which were submitted to the Israel Securities Authority and published on June 25, 2020 (reference number 2020-01-067065). As a result of the update to the valuation of the HSBC Tower, net loss of NIS 82 million arose for Property & Building. DIC's share in the net loss amounted to NIS 56 million. The decrease in value stems mainly from a decrease in growth projections and rent prices in respect of future years.

B. Further to that stated in Note 3.G.3. to the annual financial statements, regarding the framework agreement which was provided to IDBG by Property & Building, on September 20, 2019 the loan period concluded, and in accordance with the provisions of the framework agreement, the conversion mechanism specified in the framework agreement was activated in a manner whereby the entire balance of debt which was provided by Property & Building according to the framework agreement was converted to capital of IDBG, which was allocated by IDBG to Property & Building, and Property & Building will have the right to receive repayment of the shareholder's loans (under the same conditions as those which apply to the existing shareholder's loans), in accordance with its share in the share capital after the performance of the aforementioned conversion, while during the period until the actual performance of the conversion, the balance of debt continued accruing interest in accordance with the provisions of the framework agreement. On February 17, 2020, the conversion was performed in practice. The ratio which was used to perform the conversion was determined according to the average of three valuations which were prepared by external independent valuers, which determined that, after the performance of the aforementioned conversion, Property & Building's interests in the share capital of IDBG will amount to 74.18%, and the Company's interests in the share capital of IDBG will amount to 25.82%, and that the rights of Property & Building and the Company to receive repayment of the shareholder's loans which were given to IDBG will be in accordance with the aforementioned updated ratio of holdings.

Note 3 - Investee Companies (Cont.)

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

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

B. (cont)

Property & Building continued accounting for its investment in IDBG as a joint venture accounted by the equity method, due to the existence of a shareholders agreement between it and IDB Development regarding the parties' holdings in IDBG, according to which so long as each of the parties holds at least 25% of the interests in IDBG, no changes will be made to the composition of IDBG's Board of Directors.

C. The valuation of the Tivoli project in Las Vegas was updated in the first quarter of 2020 to a total of USD 233 million. As a result, Property & Building recorded amortization in the amount of NIS 11 million, which was included under the item for the Group's share in the loss of investee companies accounted by the equity method, net. DIC's share in the aforementioned loss amounted to a total of NIS 8 million. Following the update to the valuation in the first quarter of 2019, Property & Building recorded an amortization in the amount of NIS 3 million, while DIC's share in the aforementioned loss amounted to NIS 2 million.

D. Further to that stated in Note 33.B to the annual financial statements, regarding Property & Building's engagement in an agreement for the sale of its entire stake in Ispro, and the rights by virtue of shareholders' loans which it provided to Ispro, to an unrelated third party ("Mega Or"), on March 26, 2020, the due diligence period end date, Mega or breached its undertaking to deposit the second deposit amount, in the amount of NIS 40 million, in the trust account. Property & Building demanded that Mega Or cure the breach, deposit the second deposit amount immediately, and proceed with the closing of the transaction in accordance with its terms. Furthermore, on April 11, 2020, Property & Building issued Mega Or with a notice of conditional cancellation of the agreement, whereby Mega Or is given, ex gratia, a last chance to rectify its breaches of the agreement by April 20 2020. Mega Or did not rectify the breaches by the aforementioned date, and the Mega Or agreement was terminated by Property & Building.

On April 8, 2020, subsequent to the date of the statement of financial position, Property & Building engaged with Messrs. Kidan Dahari and Yaron Adiv, third parties unrelated to Property & Building (the "Buyers"), in an agreement for the sale of its entire stake in Ispro and rights by virtue of shareholder's loans which it provided to Ispro (the "Agreement"). Within the framework of the transaction, the buyers will acquire Property & Building's entire stake in Ispro shares, which constitutes 100% of Ispro's issued capital, and will also acquire (by assignment by way of sale) Property & Building's rights by virtue of the shareholder's loan which it provided to Ispro (the balance of which as of engagement date is NIS 223 million), in consideration of a total of NIS 800 million, plus an additional consideration which will be calculated according to the cash flows from the Ispro activity on a consolidated basis, excluding non-recurring effects (FFO), from the signing date of the agreement until the earlier of the end of 2020, or until the completion date of the transaction. The agreement sets out a suspensory condition stipulating that the agreement will be terminated automatically in case Mega Or has cured its breaches by April 20, 2020. Since Mega Or's breaches were not cured by that date, the suspensory condition was not fulfilled, the agreement remained in effect and the Mega Or agreement was cancelled.

On the signing date of the agreement, the buyers submitted, to a trustee for the parties to the agreement, a bank check to the order of Property & Building in the amount of NIS 50 million, which was submitted to Property & Building after Mega Or failed to cure its breaches. The consideration balance will be paid by December 31, 2020, or an earlier date, insofar as it is scheduled earlier by the buyers (the "Closing Date"). In case the buyers wish to postpone the closing date later than December 31, 2020, they will be obligated, as a condition for such postponement, to deposit, by December 31, 2020, an additional sum of NIS 100 million into an account of Property & Building, and the remainder will be paid on the postponed closing date, which, in any case, will be no later than March 31, 2021.

Note 3 - Investee Companies (Cont.)

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

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

D. (cont)

It was further agreed between the parties that the buyers will be entitled to assign all or some of their rights and obligations in accordance with the agreement to Tnufort (1990) Ltd. (a company controlled by the buyers), and they will be entitled to assign up to 49.9% of their aforementioned rights to a third party which is not under their control, subject to several conditions which were specified in the agreement, including the condition requiring guarantors for the fulfillment of all of the buyer's undertakings in accordance with the agreement.

Each of the parties will have the right to terminate the agreement in case of a fundamental breach by the other party of any representation, declaration or undertaking specified in the agreement, insofar as the breach can be cured, and has not been cured within 12 business days. Insofar as the agreement has been terminated by Property & Building, due to a breach, as stated above, by the buyers, Property & Building will be entitled to damages in the amount of NIS 50 million or NIS 100 million (in case the agreement has been terminated after December 31, 2020, and the buyers have deposited the additional sum of NIS 100 million prior to that date), as an agreed compensation which constitutes the exclusive and single remedy for the termination of the agreement.

Ispro's assets and liabilities are presented as assets and liabilities of a disposal group held for sale, as follows:

	March 31 2020	December 31, 2019
	(Unaudited)	Audited
	NIS millions	
Investment property	1,200	1,230
Other assets	79	81
Adjustment of book value fair value net of selling costs	(13)	-
Total assets of disposal group held for sale	1,266	1,311
Liabilities to banking corporations and financial institutions	313	320
Deferred tax liabilities	94	100
Other liabilities	63	65
Total liabilities of disposal group held for sale	470	485

E. Discontinued operation - Gav-Yam

1. Following the sale of Gav-Yam shares by Property & Building, as stated in Note 3.G.2.D. to the annual financial statements, the Gav-Yam operation was presented, until August 31, 2019, as a discontinued operation, while the comparative figures with respect to the results of Gav-Yam for the three month period ended March 31, 2019 were restated in order to present the discontinued operation of Gav-Yam separately from continuing operations.

Note 3 - Investee Companies (Cont.)

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

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

2. Data regarding the discontinued operation

A. Results of the discontinued operation:

	For the three months ended March 31 2019
	(Unaudited)
	NIS millions
Income	
Sales and services	128
Increase in fair value of investment property, net	15
The Group's share in the profit of investee companies accounted by the equity method, net	2
Financing income	14
	159
Expenses	
Cost of sales and services	13
Selling and marketing expenses	2
General and administrative expenses	6
Financing expenses	30
	51
Profit before taxes on income	108
Taxes on income	(27)
Profit for the period from discontinued operations	81
Net profit from the discontinued operation during the period attributed to:	
The Company's owners	24
Non-controlling interests	57
	81

Note 3 - Investee Companies (Cont.)

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

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

2. Data regarding the discontinued operation

B. Data regarding the net cash flows which are attributed to the discontinued operation:

	For the three months ended March 31 2019
	(Unaudited)
	NIS millions
Net cash from operating activities	106
Net cash used in investing activities	(87)
Net cash used in financing activities	(123)
Change in cash and cash equivalents from discontinued operations	(104)

2. **Mehadrin, an investee company held by DIC at a rate of 40.2% as at March 31, 2020**

A. In the first quarter of 2020, DIC acquired approximately 8.8% of Mehadrin's issued share capital, for a total cost of NIS 39 million, such that its holding rate in Mehadrin increased from approximately 31.4% to approximately 40.2%. The aforementioned acquisitions of Mehadrin shares resulted in DIC gaining control of Mehadrin. As a result of the aforementioned rise to control, beginning from the March 9 2020, DIC discontinued the presentation of its investment in Mehadrin according to the equity method in its consolidated financial statements, and began consolidating Mehadrin's reports. Although DIC holds less than half of Mehadrin's voting rights, the Company estimates that it has effective control therein (due to, among other things, the Company's high stake in Mehadrin's voting rights, the distribution of the remaining voting rights and the voting patterns in the general meetings of Mehadrin's shareholders).

On the date when control in Mehadrin was achieved, March 9 2020, the investment in Mehadrin was remeasured according to the fair value of Mehadrin's shares, based on Mehadrin's share price on the stock exchange as of that date. The difference between such fair value and Mehadrin's carrying amount prior to obtaining control and the additional purchase cost of NIS 107 million, was recognized as loss in the statement of income.

The Company commissioned an economic paper regarding the allocation of the fair value of Mehadrin's assets and liabilities as of the date on which control was achieved. Since Mehadrin's market value as of the date of obtaining control is lower than the prices reflected in Mehadrin's shareholders' equity, negative goodwill was created in the aforementioned paper. DIC's share in the negative goodwill is NIS 119 million, which was recognized as income in the statement of income. As a result of the above, DIC recorded, in the first quarter of 2020, net profit due to the rise to control of Mehadrin and the allocation of negative value to goodwill in the total amount of NIS 12 million, under the item for profit from realization and increase in the value of investments, assets and dividends.

Note 3 - Investee Companies (Cont.)

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

2. **Mehadrin, an investee company held by DIC at a rate of 40.2% as at March 31, 2020 (Cont.)**

B. The Company prepared a paper regarding the allocation of the balance of the investment in Mehadrin on the date of the rise to control, in which it recognized fair value adjustments to tangible and intangible assets and liabilities in Mehadrin's books, as follows[(1)]:

	NIS millions
Market value of Mehadrin after the completion of the transaction	362
Capital attributable to the owners of Mehadrin as at the closing date of the transaction	(575)
Excess cost	(213)
Attribution of excess cost:	
Allocated excess of cost (see C. below)	85
Negative goodwill	(298)
	(213)
Gain from obtaining control and purchase at a bargain price	
Market value of Mehadrin after the closing of the transaction (DIC's share)	146
Book value of Mehadrin before the closing of the transaction	(214)
Cost of the additional acquisition	(39)
Loss from obtaining control	(107)
DIC's share in negative goodwill (profit from bargain purchase)	119
Total net profit due to rise to control and bargain purchase	12
Minority interest recognized on date of achieving control	
Mehadrin's capital attributable to minority interests	345
Excess cost attributable to minority interests	51
Minority interests which were recognized on the date of rise to control	396

(1) The determination of the fair value of the assets and liabilities is subject to a final assessment of the allocation of the value of the balance of the investment, which has not yet been completed as at the approval date of these financial statements. The final adjustment of the fair value of the assets and liabilities can be made up to 12 months from the date of achieving control. On the date of final measurement, the adjustments are made by restating comparative figures that were previously reported in accordance with the provisional measurement

Note 3 - Investee Companies (Cont.)

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

2. **Mehadrin, an investee company held by DIC at a rate of 40.2% as at March 31, 2020 (Cont.)**

C. Assets and liabilities purchased on the date of initial consolidation:

	Value in Mehadrin's books upon initial consolidation	Fair value adjustments	Values recognized as part of initial consolidation
	NIS millions		
Non-current assets			
Investments in investees accounted for by the equity method	105	-	105
Property, plant and equipment	165	159	324
Loans and receivable balances	114	-	114
Right of use assets	215	-	215
Intangibles	39	(36)	3
Other non-current assets	118	-	118
Current assets			
Accounts receivable	172	-	172
Trade receivable	139	-	139
Inventory	142	-	142
Cash and cash equivalents	140	-	140
Other current assets	41	-	41
Non-current liabilities			
Lease liabilities	93	-	93
Deferred tax liabilities	14	36	50
Other non-current liabilities	22	-	22
Current liabilities			
Credit from banks and current maturities of loans from banks and others	368	2	370
Accounts payable	207	-	207
Other current liabilities	110	-	110
Total	576	85	661

D. Change in cash upon initial consolidation:

	NIS millions
Consideration paid	(39)
Cash in Mehadrin	140
Total	101

E. Summary information with respect to Mehadrin

	From March 9, 2020 to March 31, 2020
	NIS millions
Income	111
Income for the period	6
Attributable to:	
The Company's owners	2
Non-controlling interests	4

Note 3 - Investee Companies (Cont.)

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

2. **Mehadrin, an investee company held by DIC at a rate of 40.2% as at March 31, 2020 (Cont.)**

F. Had the rise to control specified in section A above taken place beginning on January 1, 2020, the consolidated loss for the first quarter of 2020 would have amounted to NIS 266 million (additional profit of NIS 14 million), the consolidated loss attributable to the Company's shareholders for the first quarter of 2020 would have amounted to NIS 196 million (additional profit of NIS 2 million), and the total income in the consolidated statement of income for the first quarter of 2020 would have amounted to NIS 1,519 million (an increase of NIS 352 million).

B. Details regarding investments in investee companies directly held by DIC as at March 31, 2020

	Stake in share capital and in voting rights 31.3.20	Scope of investment in the investee company	Reserves (1)	Total Total	Market value of shares listed on the Tel Aviv Stock Exchange as at 31.3.20	25.6.20	Country of incorporation
	%	NIS millions					
Primary consolidated companies *							
Property & Building Ltd.	68.8	1,447	112	1,559	(3)961	(4)985	Israel
Cellcom Israel Ltd. (in voting - 47.7%)	45.4	1,192	1	1,193	(2)720\	(4)956	Israel
Mehadrin Ltd.	40.2	268	-	268	136	(4)156	Israel
Elron Electronic Industries Ltd	61.1	150	86	236	146	163	Israel
Epsilon Investment House Ltd.	68.8	54	-	54			Israel
Primary associate company							
Shufersal Ltd.	26.0	1,382	5	1,387	1,245(3)	1,340	Israel
Other investee companies *		26	(9)	17			
Total		4,519					

* 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 carried 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 carried to profit and loss or to retained earnings.

(2) Cellcom is also listed in the United States. The market value of the holding in Cellcom, according to the closing price for trading in the United States (NYSE) on March 31, 2020 was NIS 718 million.

(3) The market value is not adjusted with respect to dividend distributions, see Note 8.G. below.

(4) The market value includes acquisitions of Mehadrin and Properties & Building and options exercised of Cellcom after the date of the statement of financial position, see Notes 8.C, and 8.E below, respectively, and does not include the impact of the exercise of the Cellcom options on June 29 2020. For details, see Note 8.D, below.

(5) 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.

(6) 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.4. to the annual financial statements.

Note 3 - Investee Companies (Cont.)

C. Data regarding associate companies and joint ventures

1. **Attachment of reports of a material investee company**

The Company is attaching to these financial statements the condensed interim financial statements as at March 31, 2020 of IDBG, which is a material investee company under the joint control of Property & Building and IDB Development (as at March 31, 2020 at the rates of 74.2% and 25.8%, respectively), which is accounted for using the equity method. For additional details, see Note 3.G.2.A.3. to the annual financial statements, and Note 3.A.1.B. above.

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.
- Qualitative considerations.

	As at March 31 2020	As at March 31 2019	As at December 31 2019
	(Unaudited)	(Unaudited)	(Audited)
		NIS millions	
Shufersal[(a)]			
Current assets	3,686	3,209	2,807
Non-current assets	9,195	8,664	9,147
Total assets	12,881	11,873	11,954
Current liabilities	4,598	3,696	3,705
Non-current liabilities	6,353	6,448	6,335
Total liabilities	10,951	10,144	10,040

	For the three months ended March 31		For the year ended December 31
	2020	2019	2019
	(Unaudited)		(Audited)
		NIS millions	
Shufersal			
Revenues and rent	3,731	3,149	13,360
Income for the period	90	48	268
Other comprehensive income (loss)	3	7	(36)
Total comprehensive income for the period	93	55	232

(A) 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%.

Note 3 - Investee Companies (Cont.)

C. Data regarding associate companies and joint ventures (Cont.)

2. **Summary information regarding material associate companies (Cont.)**

	As at March 31 2020	As at March 31 2019	As at December 31 2019
	(Unaudited)	(Unaudited)	(Audited)
		NIS millions	
Gav-Yam [(a)]			
Current assets	2,063	1,655	1,641
Non-current assets	8,155	7,141	8,032
Total assets	10,218	8,796	9,673
Current liabilities	973	623	652
Non-current liabilities	5,789	5,063	5,425
Total liabilities	6,762	5,686	6,077

	For the three months ended March 31		For the year ended December 31
	2020	2019	2019
	(Unaudited)		(Audited)
		NIS millions	
Gav-Yam			
Income	169	143	930
Income for the period	73	81	564
Total comprehensive income for the period	73	81	564

(a) Gav-Yam's field of activity is real estate, its country of incorporation is Israel, its business operations are in Israel, and the Group's rate of ownership (through Property & Building) in its capital and voting rights as at the date of the financial statements is 34.9%. For details regarding the sale of approximately 5% of Gav-Yam's share capital subsequent to the date of the statement of financial position, see Note 8.I. below.

Note 3 - Investee Companies (Cont.)

C. 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. to the annual financial statements, and weighted according to the relative share of the evaluated period.
- Qualitative considerations.

	As at March 31 2020	As at March 31 2019	As at December 31, 2019
	(Unaudited)	(Unaudited)	(Audited)
		NIS millions	
IDB Group USA Investments Inc. [(a),(b)]			
Cash and cash equivalents	7	15	12
Total current assets	69	20	72
Total non-current assets	857	996	848
Current financial liabilities (excluding trade payables, other payables and provisions)	(153)	(237)	(153)
Total current liabilities	(178)	(261)	(180)
Total non-current financial liabilities (excluding trade payables, other payables and provisions)	(748)	(755)	(740)

(a) IDBG holds interests in a commercial and office center (which is under construction in stages), in Las Vegas. Its country of incorporation is the United States, and the Group's stake in its equity and voting rights as at the date of the financial statements is 74.2% and 50%, respectively (held by Property & Building). For additional details, see Note 3.G.2.A.3. above. to the annual financial statements.

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

	For the three months ended March 31 2020	For the three months ended March 31 2019	For the year ended December 31 2019
	(Unaudited)		(Audited)
		NIS millions	
IDB Group USA Investments Inc. [(a)]			
Income	11	10	45
Financing income (expenses), net [(a)]	13	(12)	15
Loss for the period from continuing operations and total comprehensive loss for the period [(a)]	-	(16)	(16)
[(a)] Includes financing income (expenses) with respect to shareholder's loans in the amount of.			
[(b)] Income and profit or loss were translated according to average exchange rates during the relevant period.	17	(2)	52

Note 4 – Claims and Contingent Liabilities

A. For details regarding claims and contingent liabilities against the Company and its investee companies, including a claim which was received by IDB Development in connection with compliance with the provisions of the Concentration Law, which were pending as at December 31, 2019, see Notes 22 and 3.F.2., respectively, to the annual financial statements.

B. Claims and contingent liabilities which are pending against the Company and its investee companies as at March 31, 2020, and material changes therein during the first quarter of 2020 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

The financial statements of DIC as at March 31, 2020 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 50 million.

2. Claims against Cellcom

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

Balance of the provision	Claim amounts
NIS millions	
55	1,879 (1),(2)

(1) Including claims against Cellcom and additional defendants together in the total amount of NIS 785 million, in which an amount claimed separately from Cellcom was not specified.

(2) There are additional claims against Cellcom, in which the claim amount was not specified, 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, 2020, distributed by claim amount:

Claim amount	Number of claims	Claim amounts NIS millions
Consumer claims - up to NIS 100 million	15	506
Consumer claims - NIS 100 million to NIS 500 million	2	555
Consumer claims in which the claim amount was not specified	15	-
Consumer claims in which the amount claimed from Cellcom and additional defendants was not specified	7	-
Consumer claims against Cellcom and additional defendants in which the amount claimed separately from Cellcom was not specified	4	785
Consumer claims against Cellcom and additional defendants in which the amount claimed separately from Cellcom was specified	1	3
Non-consumer claims - Up to NIS 100 million	27	30
Total	71	1,879

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

Subsequent to the date of the statement of financial position, two claims and motions to approve them as class actions were filed against Cellcom and additional defendants, in which the claim amount was not specified. A claim and a motion to approve it as a class action were filed against Cellcom in the amount of NIS 81 million. 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 against Cellcom and additional defendants concluded, in which the claim amount was not specified, as did a claim and a motion to approve it as a class action against Cellcom and additional defendants, in the amount of NIS 20 million.

<u>Note 4 – Claims and Contingent Liabilities</u> (Cont.)

B. Claims and contingent liabilities which are pending against the Company and its investee companies as at March 31, 2020, and material changes therein during the first quarter of 2020 and after the date of the statement of financial position (Cont.)

3. **<u>Claims against Property & Building</u>**

A. Presented below is a description of pending claims against Property & Building and its consolidated companies:

Balance of the provision	Total additional exposure	Total
NIS millions		
3	49	52

B. Presented below are details regarding the quantity and amount of Property & Building's contingent liabilities as at March 31, 2020, distributed by claim amount:

Claim amount	Number of claims	Claim amounts NIS millions
Up to NIS 100 million	4	49

4. **<u>Claims against Shufersal</u>**

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			
45	390 (1)	421 (2)	856 (3)

(1) Includes claims against Shufersal and additional defendants, in the amount of NIS 57 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 284 million, in which an amount claimed separately from Shufersal was not specified.

(3) There are additional claims against Shufersal, in which the claim amount was not specified, 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, 2020, distributed by claim amount:

Claim amount	Number of Claims	Claim amounts NIS millions
Up to NIS 100 million (1)	708	336
NIS 100 million to NIS 500 million	1	179
Claims in which the claim amount was not specified	4	-
Claim against Shufersal and additional defendants in which the claim amount was not specified	2	-
Claims against Shufersal and additional defendants in which the amount claimed separately from Shufersal was not specified	12	341
Total	727	856

(1) Out of the aforementioned amounts, there are 595 customer tort claims, at a claim scope of NIS 28 million.

Note 4 – Claims and Contingent Liabilities (Cont.)

B. Claims and contingent liabilities which are pending against the Company and its investee companies as at March 31, 2020, and material changes therein during the first quarter of 2020 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, a motion to approve a consumer claim as a class action was filed against Shufersal, with no amount stated. A claim was filed against Shufersal, alleging unilateral termination, by Shufersal, of an agreement for the development and operation of the delivery system vis-à-vis the plaintiff, which allegedly caused damages for the plaintiff in the amount of NIS 165 million. A motion to approve a consumer claim as a class action was filed against Shufersal and additional defendants, in which the minimum amount claimed is NIS 3 million. 4 motions to approve consumer claims as class actions were filed against Shufersal and other companies, in which the amount attributed to Shufersal is NIS 10 million. 2 motions to approve consumer claims as class actions were filed against Shufersal and other companies, without separately noting the amount relating to Shufersal, in the total amount of NIS 105 million. At this preliminary stage, it is not possible to estimate the claims' chances.

Additionally, 3 motions to approve consumer claims as class actions against Shufersal, in the amount of NIS 5 million, were dismissed and withdrawn with Court approval.

Furthermore, a motion to approve a claim as a class action against Shufersal was approved by the Court as a class action.

Note 5 - 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 with respect to 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, 2020		As at March 31, 2019		As at December 31, 2019	
	(Unaudited)				(Audited)	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
	NIS millions					
Financial liabilities						
Debentures [(a),(b)]	10,847	10,166	16,784	17,052	11,031	11,181
Long term loans from banks and others [(a),(b)]	2,067	2,079	2,483	2,525	1,835	1,849
	12,914	12,245	19,267	19,577	12,866	13,030

(a) 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.

(b) 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, with respect to 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 5 - 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, 2020	As at March 31, 2019	As at December 31, 2019
	(Unaudited)		(Audited)
	NIS millions		
Financial assets	81	92	117
Financial liabilities	(4)	(1)	(5)

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

- Investment in USD debentures bearing variable interest linked to the LIBOR. The debentures' fair value is measured using fair value quotes which are received from several different information sources.
- 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.

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, 2020			
	(Unaudited)			
	Financial assets measured at fair value through profit or loss			
	Investments and derivatives	Loans to associate companies	Total	Financial liabilities measured at fair value through profit and loss
	NIS millions			
Balance as at January 1, 2020	156	210	366	-
Total income (loss) recognized:				
Under profit and loss [(a)]	[(b)] (6)	(15)	(21)	(1)
Under other comprehensive income (in the item for the reserves from translation differences)	3	14	17	-
Investments	1	-	1	-
Transfers to level 3	-	[(c)]244	244	-
Balance as at March 31, 2020	[(1)]154	453	607	(1)
(A)Total profit for the period included under profit and loss with respect to held assets as at March 31, 2020:				
Net loss from realization and increase (decrease) in the value of investments and assets	(6)	-	(6)	-
Financing expenses	-	-	-	(1)
The Group's share in the net profit (loss) of investee companies accounted by the equity method, net	-	(15)	(15)	-

(B)Not including income from dividends in the amount of NIS 2 million.

(C)See note 3.A.1.B above.

Note 5 - 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, 2019 (Unaudited)			
	Financial assets measured at fair value through profit or loss			
	Investments and derivatives	Loans to associate companies	Total	Financial liabilities measured at fair value through profit and loss
	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 recognized loss:				
Under profit and loss [a]	(17)	(10)	(27)	-
Under other comprehensive income (in the item for the reserves from translation differences)	(3)	(10)	(13)	-
Redemptions	-	(3)	(3)	-
Transfers to level 3	9	-	9	-
Balance as at March 31, 2019	[1]168	292	460	(4)
(A) Total profit (loss) 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 Group's share in the net profit (loss) of investee companies accounted by the equity method, net	-	(10)	(10)	

Note 5 - 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 year ended December 31, 2019			
	Financial assets measured at fair value through profit or loss			
	Investments and derivatives	Loans to associate companies	Total	Financial liabilities measured at fair value through profit and loss
	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 [(a)]	[(b)] (23)	(46)	(69)	4
Under other comprehensive income (in the item for the reserves from translation differences)	(6)	(23)	(29)	-
Investments	1	-	1	-
Redemptions	(2)	(8)	(10)	-
Fair value adjustments	-	(28)	(28)	-
Transfer from level 3	(2)	-	(2)	-
Transfers to level 3	9	-	9	-
Balance as at December 31, 2019	[(1)]156	210	366	-
(A) Total income (loss) for the period included under the income statement with respect to held assets as at December 31, 2019:				
Net loss from realization and increase (decrease) in the value of investments and assets	(23)	-	(23)	-
The Group's share in the net profit (loss) of investee companies accounted by the equity method, net	-	(46)	(46)	-
Financing income	-	-	-	4

(B) Not including income from dividends in the amount of NIS 8 million.

(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 6 - Sales and Services

	For the three months ended March 31		For the year ended December 31
	2020	2019(1)	2019
	(Unaudited)		(Audited)
	NIS millions		
Telecommunication services	687	690	2,791
Sale of communication equipment	217	250	964
Building rentals	101	104	438
Sale of apartments and real estate	35	97	336
Income from the agriculture segment	109	-	-
Income from management and consulting fees of an investment house	11	2	50
Others	7	8	42
	1,167	1,151	4,621

(1) Restated due to the presentation of Gav-Yam under discontinued operations, see Note 3.A.1.E. above.

Note 7 - Operating Segments

The segmental division basis and the measurement basis used for segmental profit and loss is identical to that presented in Note 32 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(1)	Shufersal	Other (Elron)	Adjustments for the consolidation	Consolidated
	NIS millions					
For the three month period ended March 31, 2020 (unaudited)						
Sales and services	892	106	3,731	-	(3,562)	1,167
Segmental results - attributable to the owners of the Company	(20)	(99)	20	(18)	(81)	(198)
For the three month period ended March 31, 2019 (unaudited)						
Sales and services	928	329	3,149	-	(3,255)(2)	1,151
Segmental results - attributable to the owners of the Company	(7)	37	9	(11)	(59)	(31)
For the year ended December 31, 2019 (audited)						
Sales and services	3,708	627	13,360	-	(13,074)	4,621
Segmental results - attributable to the owners of the Company	(564)	666	56	(48)	(96)	14

(1) Gav-Yam's operating results are presented in the statements of income until the date of loss of control on August 31, 2019, under discontinued operations.
(2) Restated due to the presentation of the Gav-Yam operation under discontinued operations, see Note 3.A.1.E. below.

Note 7 - 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
	2020	2019	2019
	(Unaudited)		(Audited)
	NIS millions		
Reversal of amounts with respect to the Shufersal operation	(3,731)	(3,149)	(13,360)
Inclusion of Mehadrin's sales	111	-	-
Other adjustments	58	(1) (106)	286
	(3,562)	(1) (3,255)	(13,074)

(1) Restated due to the presentation of the Gav-Yam operation under discontinued operations, see Note 3.A.1.E. 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
	2020	2019	2019
	(Unaudited)		(Audited)
	NIS millions		
Inclusion of the results of DIC headquarters (primarily general and administrative, financing and taxes) *	(99)	(42)	(161)
Mehadrin's contribution to the Company's results	21	-	-
Other adjustments	(3)	(17)	65
	(81)	(59)	(96)

Note 7 - Operating Segments (Cont.)

B. Segmental assets

	Cellcom	Property & Building	Shufersal	Other (Elron)	Adjustments for the consolidation	Consolidated
	NIS millions					
As at March 31, 2020 (unaudited)	6,766	9,249	12,881	361	(8,518)	20,739
As at March 31, 2019 (unaudited)	7,362	16,772	11,873	415	(7,176)	29,246
As at December 31, 2019 (Audited)	7,162	9,405	11,954	393	(8,805)	20,109

Composition of the adjustments to the segments item in the consolidated report:

	As at March 31		For the year ended December 31
	2020	2019	2019
	(Unaudited)		(Audited)
	NIS millions		
Reversal of amounts with respect to the Shufersal segment, which is classified in the financial statements as an associate company	(12,881)	(11,873)	(11,954)
Inclusion of the investment amount in associate companies based on their book value, as included in the financial statements	1,390	1,357	1,598
Inclusion of adjustments to fair value of assets of subsidiaries and goodwill with respect to them in DIC	613	1,166	491
Inclusion of other assets of DIC headquarters	787	1,994	888
Inclusion of Mehadrin's assets	1,395	-	-
Other adjustments	178	180	172
	(8,518)	(7,176)	(8,805)

C. Segmental liabilities

	Cellcom	Property & Building	Shufersal	Other (Elron)	Adjustmer for the consolidati	Consolidatec
	NIS millions					
As at March 31, 2020 (unaudited)	4,899	7,102	10,951	32	(6,306)	16,678
As at March 31, 2019 (unaudited)	5,701	13,221	10,144	39	(5,518)	23,587
As at December 31, 2019 (Audited)	5,275	7,067	10,040	38	(6,202)	16,218

Composition of adjustments to segmental liabilities in the consolidated report:

	As at March 31		As at December 31
	2020	2019	2019
	(Unaudited)		(Audited)
	NIS millions		
Reversal of amounts with respect to the Shufersal segment, which is classified in the financial statements as an associate company	(10,951)	(10,144)	(10,040)
Inclusion of the liabilities of DIC headquarters	3,731	4,546	3,695
Inclusion of adjustments to the fair value of liabilities of subsidiaries in DIC	91	53	54
Inclusion of Mehadrin's liabilities	812	-	-
Other adjustments	11	27	89
	(6,306)	(5,518)	(6,202)

Note 8 - Events Subsequent to the Date of the Statement of Financial Position

A. In June 2020, DIC's General Meeting approved, after approval was received from the DICS's Board of Directors and Compensation Committee, Mr. Doron Cohen's terms of tenure and employment, which include:

1. Scope of position: The General Manager will be employed in the Company in full time (100%) position.
2. Employment period: The General Manager will be employed by DIC beginning on March 15, 2020 (the "Tenure Commencement Date").
3. Fixed salary: The monthly base salary will amount to NIS 120 thousand. The salary will be linked to increases in the consumer price index.
4. Fringe benefits: Social and fringe benefits according to DIC's standard practice, as well as loss of working capacity insurance. The Company's General Manager will also be entitled to a vehicle, according to the grade which will be practiced in the Company from time to time, with respect to members of management; grossing-up of tax with respect to the vehicle's value; and reimbursement of expenses with respect to the vehicle's maintenance and use (e.g., insurance, fuel, etc.).
5. Variable component - capital compensation
   The General Manager will be entitled to 2,500,000 non-listed options (the "Options"), exercisable into 2,500,000 ordinary DIC shares with a par value of NIS 1 each ("Ordinary Shares", and after being exercised, the "Exercise Shares"). The options will be subject to the terms of the options plan for Company officers, as approved by DIC's Board of Directors on March 23, 2016, as amended on May 30, 2018. The total benefit value of the options amounts to a total of approximately NIS 4.0 million, based on the B&S model, as at the approval date of the general meeting. DIC is expected to record, in the first calendar year, an expense with respect to the options at the amount of NIS 1.8 million. The exercise shares, once granted, will constitute approximately 1.7% of DIC's issued and paid-up share capital (after deducting dormant shares, and after taking into account all share options granted to the General Manager), as at April 27, 2020. The General Manager's entitlement to the options will vest in 5 equal tranches, over a period of 5 years after the tenure commencement date, as follows:

	Percent of total options	Vesting date	Exercise date	Exercise price for each option
First tranche	20%	One year after April 27, 2020	Five years after April 27, 2020	NIS 6.187
Second tranche	20%	Two years after April 27, 2020	Five years after April 27, 2020	NIS 6.663
Third tranche	20%	Three years after April 27, 2020	Five years after April 27, 2020	NIS 7.177
Fourth tranche	20%	Four years after April 27, 2020	Seven years after April 27, 2020	NIS 7.729
Fifth tranche	20%	Five years after April 27, 2020	Seven years after April 27, 2020	NIS 8.324

6. Variable component - annual bonus: The General Manager will be entitled to an annual bonus, beginning in 2020, which will not exceed 12 monthly salaries, subject to the fulfillment of the conditions specified in the compensation policy, as amended from time to time, including, inter alia, with respect to the minimum conditions.
7. Annual cost of compensation: The total annual cost, with respect to the fixed component, fringe benefits, and variable component, with respect to a 100% position, based on the data regarding tenure in the Company, as stated above (assuming entitlement to the maximum bonus), is approximately NIS 4.5 million.
8. Termination of the agreement and advance notice: each of the parties will be allowed to inform the other party, on a unilateral basis, of the termination of the employment agreement by giving six month written notice.
9. The employment agreement included provisions regarding confidentiality, non-competition and intellectual property rights. Furthermore, by virtue of the Company CEO's position as an office holder in the Company, he is included in the insurance, indemnification and exemption arrangements generally accepted in the Company, in accordance with previous decisions of the Company.

Note 8 - Events Subsequent to the Date of the Statement of Financial Position (Cont.)

B. On April 7, 2020, S&P Maalot reduced the rating of the Company's debentures from il/BBB (Negative) to il/BBB- (Negative). Following the rating reduction, the interest rate applicable to the Company's debentures (Series J) was increased, beginning on April 7, 2020, from 4.80% to 5.05%. As of March 31, 2020, the Company's net asset value and the ratio of net financial debt to net asset value amounted to NIS 157 million and 95%, respectively. Following the non-fulfillment of financial covenants as at March 31, 2020, the interest rate applicable to the Company's debentures (Series J) was increased, beginning on the financial statements' publication date, from 5.05% to 5.80%. For details regarding the adjustment of the interest rate in case of a reduction of rating and non-fulfillment of financial covenants, see Note 15.C.2. to the annual financial statements.

C. In the months May and June of 2020, DIC acquired approximately 1.1% of Mehadrin's issued share capital, for a total cost of approximately NIS 4 million, such that DIC's holding rate in Mehadrin increased to approximately 41.3%.

D. During the months April to June 2020, until shortly before the publication of the financial statements, 4.7 million Cellcom options (Series 3) were exercised (each of which entitled their holder to purchase one ordinary Cellcom share at an exercise price of 8.64), for a total consideration of NIS 40 million (including DIC, as stated below). In June 2020, DIC exercised 3.8 million Cellcom options (Series 3), at a total cost of approximately NIS 33 million. Due to the above, and due to the exercise of additional option instruments of Cellcom by parties other than DIC, DIC's stake in Cellcom's issued share capital, as at proximate to the publication date of the financial statements, increased by approximately 46.3%. For details regarding the terms of Cellcom's options (Series 3), see Note 3.G.1.D. to the annual financial statements.

E. During June 2020, DIC purchased app. 3.5% of the issued share capital of Property & Building at an overall cost of NIS 50 million. As a result of the purchase, IDC is expected to record a NIS 23 increase in equity attributed to Company's owners in the second quarter of 2020. The said estimated increase in equity is based on Property & Building's equity as of March 31 2020, and subject to changes in the equity of Building & Property from the said date through purchase date.

F. Further to that stated in Note 33.D. to the annual financial statements, regarding the engagement of Cellcom, Golan Telecom's shareholders, and Golan Telecom, in a binding memorandum of understanding for the acquisition of the entire issued share capital of Golan Telecom, in June 2020, the Competition Commissioner approved the transaction. The execution of transaction is subject to certain conditions, including approval from the Ministry of Communication, which has not yet been received.

G. Dividend distributions:
In March 2020, 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's share
			NIS millions	
Shufersal	March 2020	April 2020	80	21
Property & Building	March 2020	April 2020	100	69
				90

H. Further to what is stated in Note 3.G.2.A.6 to the annual financial statements regarding IDB Development's proposal to Property & Building to start negotiations for the purchase of all of IDB Development's rights in IDBG, in May 2020, after approval of Property & Building's Audit Committee, Property & Building signed an agreement for the purchase of IDB Development's remaining stake in IDBG in consideration for cash payment equivalent to $ 27.8 million. The completion of the transaction was subject to approval of the general meeting of Property & Building's shareholders, which convened on June 23 2020 and decided not to approve the engagement.

Note 8 - Events Subsequent to the Date of the Statement of Financial Position (Cont.)

I. In May 2020, Property & Building sold 5% of Gav-Yam's issued share capital, such that its stake in Gav-Yam decreased from approximately 34.9% to approximately 29.9%. The gross consideration with respect to the sale of the shares amounted to a total of NIS 191 million. As a result of the aforementioned sale, Property & Building is expected to record, in the second quarter of 2020, loss in the amount of approximately NIS 32 million, DIC's share in the expected loss amounts to approximately NIS 22 million. The estimate of the aforementioned loss is based on the equity of Gav-Yam as at March 31, 2020, and is subject to changes in Gav-Yam's equity from the foregoing date until the sale date.

J. During the months April and May 2020, Property & Building performed swap transactions to exchange CPI-linked NIS cash flows with fixed NIS cash flows with respect to debentures (Series D) of Property & Building. The total sum of the transactions amounts to a total of NIS 1.3 billion. The transactions will be treated as an economic hedging transaction, which will not be subject to hedge accounting. Against these transactions, Property & Building pledged deposits in the amount of NIS 58 million, which are subject to a "mark to market" mechanism.

K. In May 2020, Cellcom issued to the public NIS 222 million par value of debentures (Series L), and 2.2 million options (Series 4). Each warrant (Series 4) entitles its holder to acquire one ordinary Cellcom share, at an exercise price of NIS 9.6, until September 30, 2020. The securities were listed on the Tel Aviv Stock Exchange. The total net consideration which Cellcom received from the issuance was NIS 200 million. For details regarding the terms of Cellcom's debentures (Series L), see Notes 1.A.1.(A).3. and 15.D.1.C. to the annual financial statements.

L. In April 2020, Shufersal issued debentures (Series G) by way of a series extension, at a scope of NIS 300 million par value. The net issuance consideration amounted to a total of NIS 313 million. The aforementioned issuance was performed according to an effective interest rate of 3.0%. For details regarding the loan terms, see Note 15.D.3.B. to the annual financial statements.

M. For details regarding claims which were filed against investee companies subsequent to the date of the statement of financial position, and regarding changes which occurred subsequent to the aforementioned date, in pending claims as at the date of the statement of financial position, see Note 4.B. above.

DIC

Discount Investment Corporation Ltd

Financial statements
of a material associated comapny

IDB GROUP USA INVESTMENTS INC.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

UNAUDITED

IN U.S DOLLARS

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Auditor's review report to the shareholders of IDB GROUP USA INVESTMENT, INC.

Introduction

We have reviewed the accompanying financial information of IDB Group USA Investment, Inc. (hereinafter - the "Company"), which comprises the condensed consolidated statement of financial position as of March 31, 2020 and the condensed consolidated statements of comprehensive loss, changes in equity and cash flows for the three-month period then ended. The Company's board of directors and management are responsible for the preparation and presentation of this interim financial information for this interim 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 (Israel) Review Standard No. 2410, issued by the Israeli Institute of Certified Public Accountants regards "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 auditing principles generally accepted 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 condensed interim financial statements do not present fairly, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

Haifa, Israel
June 25, 2020

Kesselman & Kesselman
Certified Public Accountants (lsr.)
A member firm of PricewaterhouseCoopers International Limited

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

U.S. dollars in thousands

	March 31 2020	March 31 2019	December 31 2019
	Unaudited	Unaudited	Audited
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	**1,847**	4,140	3,567
Restricted cash	**1,200**	-	-
Receivables and prepayments	**1,324**	1,474	1,638
Land held for sale	**15,000**	-	15,600
Total current assets	**19,371**	5,614	20,805
NON-CURRENT ASSETS:			
Restricted cash	**8,082**	10,315	9,274
Investment property	**218,200**	248,000	221,599
Land inventory	**12,000**	14,000	12,500
Other assets	**2,120**	1,854	2,133
Total non-current assets	**240,402**	274,169	245,506
Total assets	**259,773**	279,783	266,311
LIABILITIES			
CURRENT LIABILITIES:			
Loan from a financial institution	**42,908**	-	44,235
Loans from shareholder	**-**	65,192	-
Related parties	**4,200**	-	4,200
Accounts payable and accrued liabilities	**2,763**	6,612	3,680
Total current liabilities	**49,871**	71,804	52,115
NON-CURRENT LIABILITIES:			
Loans from shareholders	**140,299**	95,781	144,649
Loans from related parties	**-**	800	-
Loans from bank and financial institution	**69,603**	111,398	69,547
Total non-current liabilities	**209,902**	207,979	214,196
Total liabilities	**259,773**	279,783	266,311
Equity attributable to equity owners of the Company			
Paid-in capital	**88,000**	88,000	88,000
Capital reserve from transaction with controlling shareholders	**1,837,311**	1,837,311	1,837,311
Capital reserve from transaction with non-controlling interest	**(190)**	(190)	(190)
Accumulated deficit	**(1,925,121)**	(1,925,121)	(1,925,121)
Total equity	**-**	-	-
Total liabilities and equity	**259,773**	279,783	266,311

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

June 25, 2020		
Date of approval of the financial statements	ELI ELEFANT Director	AARON KAUFMAN Director

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

U.S. dollars in thousands

	Three months ended March 31		Year ended December 31
	2020	**2019**	**2019**
	Unaudited		Audited
REVENUES			
Rental revenue	**3,092**	2,801	12,568
EXPENSES			
Rental property expenses	**1,301**	1,488	6,016
General and administrative expenses	**958**	512	1,894
Valuation loss on investment property and land inventory	**4,613**	1,782	14,260
Financing income	**(8)**	(28)	(86)
Financing expenses on shareholders loans	**569**	5,060	9,914
Revaluation of shareholders loans measured in fair value	**(4,919)**	(4,392)	(25,683)
Financing expenses to others	**578**	2,702	10,576
Total expenses	**3,092**	7,124	16,891
Loss and total comprehensive loss for the period attributable to equity owners of the Company	**-**	(4,323)	(4,323)

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, 2020 (audited)	**88,000**	**1,837,311**	**(190)**	**(1,925,121)**	**-**
Total comprehensive loss for the period (unaudited)	**-**	**-**	**-**	**-**	**-**
Balance as of March 31, 2020 (unaudited)	**88,000**	**1,837,311**	**(190)**	**(1,925,121)**	**-**

	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 (unaudited)	-	73,225	-	-	73,225
Total comprehensive loss for the period (unaudited)	-	-	-	(4,323)	(4,323)
Balance as of March 31, 2019 (unaudited)	88,000	1,837,311	(190)	(1,925,121)	-

	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**
			Audited		
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 (audited)	-	73,225	-	-	73,225
Total comprehensive loss for the year (audited)	-	-	-	(4,323)	(4,323)
Balance as of December 31, 2019 (audited)	88,000	1,837,311	(190)	(1,925,121)	-

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Three months ended March 31		Year ended December 31
	2020	**2019**	**2019**
	Unaudited		**Audited**
<u>**Cash flows from operating activities:**</u>			
Loss	**-**	(4,323)	(4,323)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	**25**	22	91
Provision for doubtful accounts and bad debt expense	**676**	34	568
Valuation losses	**4,613**	1,782	14,260
Financing expense (income), net	**(3,780)**	3,342	(5,279)
Changes in operating assets and liabilities:			
Change in deferred rent receivable	**208**	175	2
Tenant receivables	**(432)**	115	(597)
Accounts payable and accrued liabilities	**(860)**	(1,016)	(4,454)
Other assets	**70**	(230)	(183)
Net cash provided by (used in) operating activities	**520**	(99)	85
<u>**Cash flows from investing activities**</u>			
Investment in real estate and other assets	**(342)**	(308)	(542)
<u>**Cash flows from financing activities**</u>			
Payment of interest	**(1,890)**	(1,791)	(7,068)
Decrease (increase) in restricted cash	**(8)**	886	2,127
Loans from related parties	**-**	800	4,313
Net cash used in financing activities	**(1,898)**	(105)	(628)
Net change in cash and cash equivalents	**(1,720)**	(512)	(1,085)
Cash and cash equivalents, beginning of period	**3,567**	4,652	4,652
Cash and cash equivalents, end of period	**1,847**	4,140	3,567
Supplemental noncash disclosures			
Capital reserve from transactions with shareholders	**-**	73,225	73,225

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

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 by Property & Building Corporation Ltd. ("PBC") and IDB Development Corporation Ltd. ("IDBD"), for the purpose of investing in real estate projects in the USA. As to the change in the Company's shareholding, also see note 6(b) on credit facility granted by PBC.

These financial statements have been prepared in a condensed format as of March 31, 2020 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, 2019 and for the year then ended and the accompanying notes ("annual financial statements").

COVID-19

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus, or COVID-19, a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 pandemic continues to adversely impact economic activity in retail real estate. The impact of the pandemic has been rapidly evolving and, as cases of the virus have continued to be identified, governments and other authorities, have imposed measures intended to control its spread, including restrictions on freedom of movement, group gatherings and business operations such as travel bans, border closings, business closures, quarantines, stay-at-home, shelter-in-place orders, density limitations and social distancing measures.

On March 24, 2020, the center was closed subject to the orders of the Governor of the State of Nevada.

During the period in which the center was closed, several restaurants operated on a limited basis allowing delivery and takeout. Vital services such as banks and clinics were permitted to operate. Center Operations were reduced to a minimum allowing for essential businesses to operate. Operational efficiencies were realized (valet parking services, cleaning, landscaping, etc.). This reduction led to a saving of 36% in the current operating expenses of the center during the applicable period.
In accordance with the instructions of the authorities, from May 9, 2020, and following adjustments and arrangements the mall reopened on May 15, 2020, subject to constraints set by the authorities.

The occupancy rate in the project prior to the outbreak of COVID-19 was 73%. During the closure period several tenants experienced difficulties and some announced the closure and subsequent liquidations of their businesses in the project. Also, a number of tenants announced that they would not be extending their lease agreements in the project and exercised their termination rights. Management estimates that the occupancy rate at the project will decline by 9% (net of new contracts recently signed). Lease payments for March 2020 were collected without any material difference compared with previous months. In April and May 2020, 75% of lease payments have so far been collected for the office tenants and 25% of lease payments for the retail and restaurant tenants. To date management has not established a policy for rent relief and all discussions are being handled on a case-by-case basis. To date 7 tenants (of 63) have been granted concessions of 60 to 90 days in return for an extension of the lease period by a similar period.

NOTE 1:- GENERAL (cont'd)

Management continues to negotiate leases for additional space in the project. The assets lender, Bank of Nevada, continues to cooperate with management during this period and has approved the Company to finance the payments of interest due in May-July 2020 from its existing restricted TI and LC reserve and not from cash flow. Similarly, the company is in discussion with the bank with respect to updating or waiving the debt ratio covenant test at the end of 2020.

At this time, the Company can't reasonably estimate the adverse impact of the COVID-19 pandemic will have on its operating results in 2020; That said, at this stage the company estimates that despite the expected decline in NOI, the project's current cash flow, together with streamlining steps taken, will allow the project to remain cash flow positive this year.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. The interim consolidated financial statements for the three months ended March 31, 2020 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.

b. Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the principal assumptions used in the estimation of uncertainty were the same as those that applied to the annual financial statements

NOTE 3:- INVESTMENT PROPERTY

The Company, through its subsidiary Great Wash Park LLC ("GW"), owns the Tivoli project comprising of rights for approximately 868,000 square feet of commercial real estate and 8.9 acres of adjacent land parcel for 300 residential units (the "Project").

Approximately 670,000 square feet were developed and are comprised of approximately 337,000 square feet of office space, and approximately 333,000 square feet of retail and restaurant (the "center"). Occupancy rate as of the end of March 31, 2020 is 73%. The rest of the Project remains under planning for development with no construction date specified at this date.

NOTE 3:- INVESTMENT PROPERTY (cont'd)

The Company obtained an independent third party appraisal of its investment property as of March 31, 2020. 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%, 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, 2020 to be $233 million. (September 30, 2019 - $237 million), including $15.0 million in respect of a parcel of land adjacent to the Project which was classified as held for sale.

Due to the change in fair value, the Company incurred a loss of approximately $4 million for the three months ended March 31, 2020 (March 31, 2019 – $2 million).

Investment property is under level 3 fair value hierarchy.

Movement:

	U.S. dollars in thousands
Balance as of January 1, 2020	237,199
Investments	114
Fair value adjustments (unrealized loss)	(4,113)
Balance as of March 31, 2020	233,200

NOTE 4:- LAND INVENTORY

The Company owns a vacant land in Las Vegas. The land is fully entitled for a total of 166 residential condominium units, which can be constructed in a 22-story high rise tower and one story office building.

The Company incurred a loss from reduction in net realizable value of $0.5 million for the three months ended March 31, 2020. The loss is included in "the valuation loss on investment property and land inventory" item.

NOTE 5:- LOANS FROM BANK AND FINANCIAL INSTITUTION

a. 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 rate per annum 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 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. The TI balance as of March 31, 2020 is in the amount of $8.1 million.
In May 2020 the Lender approved the company to fund the interest payment for the months May, June and July from the TI reserve account.

NOTE 5:- LOANS FROM BANK AND FINANCIAL INSTITUTION(cont'd)

a. Loan from bank (cont'd)

In connection with the loan, the Company has undertaken to comply with a covenant of LTV (as defined) of no more than 40%, based on an appraisal acceptable to the Lender in Lender's sole and absolute discretion. The calculated LTV as of March 31, 2020, based on the Company's appraisal, is 30%. In addition, starting December 31, 2020, the company shall maintain a minimum DSCR of 1.3 to 1.00 as defined in the loan agreement.

The loan agreement includes a limited guarantee that was provided by the Company, as indicated in the loan agreement.

b. Loan from Israeli financial institution

IDBG obtained a loan from an Israeli financing institution ("the Lender") ("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 (January 2021), stands at NIS 153 million, with fixed interest rate of 5.93% ("Loan Interest") or at a fixed interest rate of 7.93% as long as a default event occurs as set out later in this section, 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 mortgage on the Company's 8 acres land in Las Vegas, USA, intended to be used for residential purposes; a single, floating first 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.

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.

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.

NOTE 5:- LOANS FROM BANK AND OTHERS (cont'd)

b. Loan from Israeli financial institution (cont'd)

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 within the Loan Agreement (see below).

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.

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, 2020 is 48%.

On June 27, 2019, Maalot downgraded the debentures (series I) of IDBD, which is a guarantor, jointly and severally together with PBC, from a BB rating to a CC rating. In accordance with the loan agreement, the said downgrading enabled the lender to call for immediate repayment of the loan and also led to an increase in the interest rate to 7.93%. According to the position of the Company's legal counsel, as at the report date, IDBG has good defense arguments against calling for immediate repayment of the loan, if such measures are taken.

NOTE 6:- LOANS FROM SHAREHOLDERS

a. PBC and IDBD provided loans to the Company for the purpose of financing projects.

In January 2019, PBC and IDBD decided to reduce the accrued interest and part of the principal of the loans, excluding a loan principal balance 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 balance of approximately $73 million.
Subsequently, the Company has decided to designate the said loans as a liability measured through profit and loss.

The loan matures on December 31, 2034, and are presented within the non-current liabilities. The loans bear interest of 6.14%.

b. Credit Facility Granted by PBC:

Further to what is stated in note 8(b) to the annual financial statements, with respect to the loan maturity date, On September 20, 2019, the conversion mechanism prescribed in the agreement was implemented, according to which the loan was converted into shares of the Company and to right to repay loans from shareholders (in terms as described in section a above) according to the rates of equity holdings. During the period up until actually carrying out the conversion, the loan continued to accumulate interest in accordance with the provisions of the credit facility. On February 17, 2020 the conversion took place. The ratio by which the conversion took place was set according to the average of three valuations carried out by external, independent appraisers, whereby it was determined that following the conversion, PBC's rights in the share capital of the Company would stand at 74.18% and the rights of IDBD in the share capital of the Company would stand at 25.82%. The rights of PBC and of IDBD for the return of shareholders' loans to the Company would be based on the up to date proportion of holdings in the said share capital, and will have the same terms as detailed in section a above, including designation as a liability measured through profit and loss.

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DIC

Discount Investment Corporation Ltd

Interim Financial Statements March 31, 2020

Part 4 - Data from the Interim Consolidated Financial Statements Attributed to the Company Itself

Discount Investment Corporation Ltd.

Condensed Interim Separate Financial Information of the Company

As at March 31, 2020

(Unaudited)

Financial Data from the Consolidated Interim Financial Statements Attributed to the Company Itself

[Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970]

Discount Investment Corporation Ltd.

Part D - Condensed Interim Separate Financial Information of the Company

Attn.:
Shareholders of
Discount Investment Corporation Ltd.
ToHa Building, 114 Yigal Alon St., 27th floor
Tel Aviv

Dear Sir / Madam,

Re: Auditors' Special Report Regarding the Separate Interim Financial Information in Accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970

Introduction

We have reviewed the separate interim financial information which is presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, of Discount Investment Corporation Ltd. (hereinafter: the "Company"), as at March 31, 2020, and for the three month period then ended. The Company's Board of Directors and management are responsible for the separate interim financial information. Our responsibility is to express a conclusion regarding the separate interim financial information for this interim period, based on our review.

We have not reviewed the separate interim financial information from the financial statements of investee companies, whose total assets, after deducting total liabilities, amounted to a total of NIS 237 million as at March 31, 2020, and where the Company's share in the losses of those investee companies amounted to a total of NIS 8 million for the three month period then ended. The financial statements of those companies were reviewed by other auditors, whose reports were presented to us, and our conclusion, insofar as it refers to the financial statements of those companies, is based on the review reports provided by the other auditors.

Scope of the Review

We have conducted our review according to Israel Review Standard 2410 of the Institute of Certified Public Accountants in Israel regarding "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 which is prepared in accordance with 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 be 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 separate interim financial information has not been prepared, in all material respects, in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

Tel Aviv,
June 29, 2020

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

Condensed Interim Data Regarding Financial Position Attributed to the Company Itself as at

	Additional Information	March 31 2020 (Unaudited)	March 31 2019 (Unaudited)	December 31 2019 (Audited)
		NIS millions		
Non-current assets				
Investment in investee companies	2	4,557	4,484	4,671
Other investments		42	40	41
Sublease receivables - related parties		7	-	7
Right-of-use assets		13	1	13
Fixed assets		1	-	-
		4,620	4,525	4,732
Current assets				
Current investments		388	582	533
Other receivables and debit balances		13	7	20
Dividend receivable		90	120	-
Cash and cash equivalents		274	1,162	224
		765	1,871	777
Total assets		5,385	6,396	5,509
Capital				
Share capital		810	810	810
Capital reserves		4,153	4,222	4,118
Accumulated losses		(3,299)	(3,164)	(3,104)
Total capital		1,664	1,868	1,824
Non-current liabilities				
Debentures		3,365	4,134	3,373
Lease liabilities		18	1	18
Employee benefits		-	1	-
		3,383	4,136	3,391
Current liabilities				
Current maturities of debentures		276	313	277
Other payables and credit balances		60	79	15
Lease liabilities		2	-	2
		338	392	294
Total capital and liabilities		5,385	6,396	5,509

Eduardo Elsztain Chairman of the Board	Doron Cohen CEO	Haim Tabouch VP Accounting

Date of approval of the separate financial information: June 29, 2020

The additional information accompanying the separate interim financial information is an integral part hereof.

Condensed Interim Data Regarding Profit and Loss and Other Comprehensive Income Attributed to the Company Itself

Profit and loss:

	For the three months ended March 31		For the year ended December 31
	2020	2019	2019
	(Unaudited)		(Audited)
	NIS millions		
Revenues			
Company's share in the net profit of investees, net	-	5	166
Profit from realization and increase in the value of investments, assets and dividends	-	1	4
Other income	-	-	1
Financing income	-	39	128
	-	45	299
Expenses			
Company's share in the loss of investee companies, net	99	-	-
General and administrative expenses	8	9	35
Financing expenses	91	67	250
	198	76	285
Net income (loss) for the period attributable to owners of the Company	(198)	(31)	14

Comprehensive income and loss:

	For the three months ended March 31		For the year ended December 31
	2020	2019	2019
	(Unaudited)		(Audited)
	NIS millions		
Net income (loss) for the period attributable to owners of the Company	(198)	(31)	14
Components of other comprehensive income			
Components of other comprehensive income (loss) which will not be transferred to profit and loss, net of tax			
Other comprehensive income (loss) with respect to investee companies	3	-	(10)
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			
Other comprehensive loss with respect to investee companies	39	(48)	(129)
Other comprehensive loss for the period, net of tax	42	(48)	(139)
Total comprehensive loss for the period	(156)	(79)	(125)

The additional information accompanying the separate interim financial information is an integral part hereof.

Condensed Interim Data Regarding Cash Flows Attributed to the Company Itself

	For the three months ended March 31 2020	For the three months ended March 31 2019	For the year ended December 31 2019
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions		
Cash flows from operating activities			
Net profit (loss) for the period attributable to owners of the Company	(198)	(31)	14
Adjustments:			
Company's share in the profit (loss) of investee companies, net	99	(5)	(166)
Received dividends (including from other investments)	1	1	126
Profit from realization and increase in the value of investments, assets and dividends, net	-	(1)	(4)
Financing expenses, net	91	28	122
Share-based payment expenses (income)	-	1	(1)
	191	24	77
Changes in other balance sheet items			
Decrease (increase) in other receivables and debit balances (including long-term amounts)	7	-	(13)
Increase (decrease) in other payables, credit balances and others	1	2	(7)
Decrease in provisions and employee benefits	-	-	(1)
	8	2	(21)
Net cash from (used in) operating activities	1	(5)	70
Cash flows from investing activities			
Current investments, net	88	5	65
Acquisition of shares of an associate company and rise to control	(39)	-	-
Non-current investments	(1)	-	-
Investments in fixed assets	(1)	-	-
Acquisition of shares in a subsidiary from a wholly owned company	-	-	(46)
Investment in wholly owned subsidiary	-	-	(20)
Interest received	2	6	23
Net cash from investing activities	49	11	22
Cash flows for financing activities			
Interest paid	-	-	(205)
Dividend paid	-	(40)	(40)
Acquisition of treasury shares	-	(96)	(96)
Repayment of debentures	-	(109)	(860)
Acquisition of shares in subsidiaries from non-controlling interests	-	(26)	(75)
Repayment of lease liabilities	-	-	(1)
Net cash used in financing activities from continuing financing activities	-	(271)	(1,277)
Increase (decrease) in cash and cash equivalents	50	(265)	(1,185)
Effects of fluctuations in exchange rates on balances of cash and cash equivalents	-	(19)	(37)
Balance of cash and cash equivalents at start of period	224	1,446	1,446
Balance of cash and cash equivalents at end of period	274	1,162	224

The additional information accompanying the separate interim financial information is an integral part hereof.

Additional Information

1. Method used to prepare the additional information

The following separate financial information is presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970. The separate interim financial information should be read together with the Company's interim consolidated financial statements as at March 31, 2020 (the "Financial Statements"), and together with the Company's consolidated financial statements and separate financial information as at and for the year ended December 31, 2019, which are presented in Part C and Part D of the Company's periodic report for 2019, which was approved by the Company's Board of Directors on March 31, 2020.

For the purpose of presenting the following data and information, the significant accounting policies specified in Note 2 to the financial statements have been implemented, including the method used to classify the financial data in the financial statements, subject to the changes required according to the provisions of the aforementioned Regulation.

In this section - "investee companies" means as defined in Note 1.C. to the Company's financial statements for the year ended December 31, 2019, which were approved on March 31, 2020 (the "Annual Financial Statements").

Presentation of transactions which were canceled in the consolidated statements

Mutual balances, transactions and cash flows between the Company and its subsidiaries were canceled as part of the preparation of the Company's financial statements, whereas, in the Company's interim separate financial information, the aforementioned transactions were not canceled, and therefore:

- The data regarding financial position include balances with respect to the Company's subsidiaries, which were canceled in the financial statements.
- Profit and loss data include the Company's income (expenses) which were derived from transactions with subsidiaries of the Company, which were canceled in the financial statements;
- Data regarding cash flows include cash flows between the Company and subsidiaries, which were canceled in the financial statements.

2. Investments in Investee Companies

A. In the first quarter of 2020, DIC acquired approximately 8.8% of Mehadrin's issued share capital, for a total cost of NIS 39 million, such that its holding rate in Mehadrin increased from 31.4% to 40.2%. The aforementioned acquisitions of Mehadrin shares resulted in DIC gaining control of Mehadrin. For additional details, see Note 3.A.2. to the financial statements.

B. For details regarding additional changes which took place in investee companies, see Note 3 to the financial statements.

C. For details regarding the book value in the Company's books, and the market value of the principal investee companies, see note 3.C. to the financial statements.

3. Claims and Contingent Liabilities

For details regarding changes which have occurred in claims against the Company and its investees and in contingent liabilities, see Note 4 to the financial statements.

4. Events During the Reporting Period

A. In March 2020, the Company's Board of Directors approved the appointment of Mr. Doron Cohen as the Company's General Manager, beginning on March 15, 2020. In April 2020 and June 2020, the Company's Board of Directors and General Meeting, respectively, approved the terms of tenure and employment of the Company's General Manager. For additional details, see Note 8.A. to the financial statements.

B. The outbreak of the novel coronavirus (COVID-19, the "Coronavirus Outbreak") is having a significant impact on capital markets, and the market value of the Company's holdings declined significantly during the reporting period. For details regarding the market value of the Company's main investments, see Note 3.D. to the financial statements.

In the first quarter of 2020, due to the declines which were recorded in stock markets, DIC recorded loss with respect to the net change in the fair value of financial assets which are directly held by DIC in the amount of NIS 55 million.

C. Further to what is stated in Note 33.B.1. to the annual financial statements regarding the shared use and office expenses agreement and the expenses distribution agreement (the "Services Agreement"), IDB Development's current debt to the Company amounted to NIS 7 million and NIS 10 million as of March 31 2020 and close to the financial statements' approval date.

Additional Information (Cont.)

5. Events Subsequent to the Reporting Period

A. On April 7, 2020, S&P Maalot reduced the rating of the Company's debentures from il/BBB (Negative) to il/BBB- (Negative). Following the rating reduction, the interest rate applicable to the Company's debentures (Series J) was increased, beginning on April 7, 2020, from 4.80% to 5.05%. As of March 31, 2020, the Company's net asset value and the ratio between net financial debt and net asset value amounted to NIS 157 million and 95%, respectively. Following the non-fulfillment of financial covenants as at March 31, 2020, the interest rate applicable to the Company's debentures (Series J) was increased, beginning on the financial statements' publication date, from 5.05% to 5.80%. For details regarding the adjustment of the interest rate a reduction of rating and non-fulfillment of financial covenants, see Note 15.C.2. to the annual financial statements.

B. In May and June of 2020, the Company acquired approximately 1.1% of Mehadrin's issued share capital, for a total cost of approximately NIS 4 million, such that its holding rate in Mehadrin increased to approximately 41.3%.

C. In June 2020, Koor Industries Ltd. – a fully owned subsidiary of the Company ("Koor") exercised 3.8 million Cellcom options (Series 3), at a total cost of NIS 33 million. Due to the above, and due to the exercise of additional option instruments of Cellcom by parties other than Koor, Koor's stake in Cellcom's issued share capital increased to approximately 46.3%. For additional details, see Note 8.D. to the annual financial statements.

D. During June 2020, the Company purchased app. 3.5% of the issued share capital of Property & Building at a total cost of NIS 50 million. For further information, see Note 8.E. to the financial statements.

E. Further to what is stated in Note 33.B.1.(B) to the annual financial statements regarding the shared use and office expenses agreement and the expenses distribution agreement (the "Services Agreement"), on June 25 2020 and June 29 2020, the Company's Audit Committee and Board of Directors, respectively, approved revisions to the terms of the Services Agreement, for a three-year period, in effect as from July 1 2020 through June 30 2023 (the "Revised Services Agreement"). Pursuant to the Revised Services Agreement, it was determined, among other things, that in lieu of the joint services allocation ratio (as defined in the said note), which is set in the agreement, whereby the Company bears 60% of the cost of renumeration to service providers (as defined in the said note) and IDB development bears 40% of this cost, and in lieu of the mechanism that was that therein for an annual review of the services allocation ratio, the Company shall provide IDB Development the joint services at a scope of no more than 20% of a full time position (weighted on an annual basis in relation to all service providers), and in relation to Mr. Kaufman, who serves as VP and Legal Counsel of the Company (hereafter – "Legal Counsel") and as the CEO of IDB Development (as from April 21 2020), the ratio of the scope of his position shall be distributed equally between the parties (50%-50%) (the "New Service Allocation Ratio"). In consideration for execution of the joint work and the New Service Allocation Ratio, IDB Development will pay to the Company an annual and fixed payment of NIS 3.3 million in respect of the first year (i.e., July 1 2020 through June 30 2021) and a total of NIS 2.5 million as from the last year as aforesaid (plus VAT). In addition, the Revised Services Agreement clarifies that the Legal Counsel's role in IDB Development and his renumeration for his role as CEO of IDB Development shall be subject to IDB Development's exclusive discretion, provided that the said roles shall not interrupt his ability to continue serving in his role in the Company at a scope of 50% of a full time position at the very least, and that for the sake of caution, such renumeration will not deviate from the Company's renumeration policy. Accordingly, further to the mechanism set in the expenses distribution agreement regarding joint use and office expenses as described in Note 33.B.1.(A) to the annual financial statements, the distribution of costs ratio between the Company and IDB Development was changed such that IDB Development will bear an annual cost of NIS 700 thousand (plus VAT) of the costs regulated by the said agreement in respect of the first year (starting on July 1 2020) and NIS 500 thousand (plus VAT) in respect of the second year and thereafter. The engagement in accordance of the Revised Services Agreement as aforesaid is subject to the approval of the Company's General Meeting (passed by a majority of publicly held voting rights). The engagement pursuant to the Revised Services Agreement was approved by IDB Development's competent organs.

Additional Information (Cont.)

5. Events Subsequent to the Reporting Period (cont)

F. Presented below are details regarding dividend payments by investee companies subsequent to the date of the statement of financial position:

Company	Date of the resolution	Payment date	Amount of distribution	Company's share
			NIS millions	
Shufersal	March 2020	April 2020	80	21
Property & Building	March 2020	April 2020	100	69
				90