

2019

INTERIM FINANCIAL STATEMENTS

INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

IDB | U N L O C K I N G
P O T E N T I A L

IDB Development Corporation Ltd.

Financial Statements

September 30, 2019
(Unaudited)

*** The English version of this information as at September 30, 2019 is a translation of the Hebrew version of the financial statements of IDB Development 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

IDB Development Corporation Ltd.

Chapter A - Board of Directors' Report and its appendices

Chapter B - Summary of the Interim Consolidated Financial Statements (Unaudited) for September 30, 2019



IDB Development Corporation Ltd.

Part A - Director's Report and its Annexes

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

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Board of Directors' Report Regarding the State of the Company's Affairs**Report for the Third Quarter of 2019**

The Board of Directors of IDB Development Corporation Ltd. ("IDB Development" or the "Company") is pleased to present the Board of Directors' Report as of September 30, 2019, which includes a review of the Company's position and principal operations for the first nine months and the third quarter of 2019 ("Reporting Period"). The report has been prepared in accordance with the Securities Regulations (Periodic and Immediate Reports), 5730-1970, and based on the assumption that the reader is also in possession of the Company's complete periodic report for the year ended December 31, 2018 ("Periodic Report"), and the financial statements for 2018, as included in the Periodic Report ("Annual Financial Statements").

The Company is a private company which qualifies as a debenture company (as defined in the Companies Law, 5759-1999 (the "Companies Law")). In recent years, the Company has worked primarily to stabilize and improve its financial position and liquidity, and as part of the above, it has placed a particular emphasis on the evaluation of various financing alternatives, including the recruitment of equity and debt (including the receipt of subordinated loans from the controlling shareholder), the issuance of debentures, *inter alia*, for the purpose of refinancing debts and servicing its debts to its financial creditors, and to finance its operating activities; and on investing managerial efforts and maximizing the value of its holdings in Discount Investment Corporation Ltd. ("DIC"), a company controlled by the Company's controlling shareholder, which was controlled by the Company until its sale, as detailed below, and in private companies which are directly held by the Company, including the evaluation of various possibilities for optimizing and improving the performance of investee companies, *inter alia*, with the aim of maximizing their value and improving their performance and, in the appropriate cases, for their realization.

As part of the Company's response to the requirements of the Law to Promote Competition and Reduce Concentration, 5774-2013 (the "Concentration Law"), as stated in Note 3.A. to the annual financial statements, in November 2017, the Company sold its entire stake in DIC to Dolphin IL Investments Ltd. ("Dolphin IL"), a private company incorporated in Israel, which is wholly owned by Dolphin Netherlands B.V. ("Dolphin Netherlands"), a corporation controlled by the Company's controlling shareholder (the "Transaction"). Accordingly, as from the closing date of the transaction, IDB Development no longer holds control of any "other tier companies", and therefore, it now complies with the requirements of the Concentration Law in respect of pyramid structures. It should be noted that certain risk factors and areas of uncertainty, including legal risks, regulatory risks, changes in prices and in characteristics of competition, risks relating to DIC's market value and assets, and other business risks, may harm the debt service capacity of Dolphin IL, and therefore also the repayment ability of Dolphin IL against the debenture and collateral that was provided by Dolphin IL within the framework of the transaction. The Company is therefore continuing to monitor the activities and value of DIC.

In July 2019, the Company's controlling shareholder withdrew his request of March 2019 for a permit for the control of Clal Holdings Insurance Enterprises and Clal Insurance (see Note 3.B.3. to the financial statements). The Company is continuing to carry out activities and to invest efforts in the sale of its holdings in Clal Holdings Insurance Enterprises Ltd. (see Note 3.B to the financial statements). The Company also invests managerial efforts in its directly held private companies.

In August 2013, the Commissioner of Capital Markets, Insurance and Savings appointed a trustee for most of the Company's holdings in Clal Holdings Insurance Enterprises, and in December 2014 an outline over time was established for the sale of its holdings in Clal Holdings Insurance Enterprises (the "Outline"). In April 2017, a ruling was given in which the Court ordered the trustee to sell 5% of the Company's holding in Clal Holdings Insurance Enterprises, within 30 days ("Ruling"). In May and August 2017, and in January, May and August 2018, the Company cumulatively sold 25% of the shares of Clal Holdings Insurance Enterprises, 5% each time, and in parallel, the Company engaged, with three banks, in five swap transactions, according to which, at the end of a period of 24 months from the date of each sale transaction, an accounting will take place between the Company and those banks, in respect of the difference between the selling price of the sold shares to a third party, and the selling price of the shares as of the date of the settling of accounts.

During the first nine months of 2019, the Company sold 14.5% of the shares of Clal Holdings Insurance Enterprises ("sold shares") and concluded swap transactions amounting to 10% of the shares of Clal Holdings Insurance Enterprises. Subsequent to the date of the statement of financial position, the Company concluded another SWAP transaction consisting of 5% of all shares of Clal Holdings Insurance Enterprises, in which the sale of the shares was completed by way of closing the swap transaction with a third party with 90% financing, in which the Company sold all its rights and obligations in connection with said financing, for a consideration of NIS 93 million, and thus the Company paid a total of NIS 26 million. See Note 3.B.1 and 4 to the financial statements for transaction details.

Net proceeds in respect of 9.5% of the shares sold were primarily used to make partial early repayments of the debentures (Series M), for details see Notes 4.B.1. and 4.B.2 to the financial statements. A sale of 5% of the shares was sold by way of the exchange of shares in the Company's debentures (Series I and N), which yielded a gain of NIS 69 million.

During November 2019, subsequent to the date of the statement of financial position, the Company sold an additional 8.5% of Clal Holdings Insurance Enterprises shares - 3.5% in cash and 5% against closure of the SWAP transaction, as part of another SWAP transaction to replace Clal Holdings Insurance Enterprise' shares with Series I and N bonds. See Note 3.B.10.B to the financial statements for further details.

In August 2019, Dolphin Holland, the controlling shareholder of the Company, notified of an irrevocable commitment to capital injections to the Company for a total amount of NIS 210 million, in three equal and annual payments, the first of which was made in September 2019. The injections will be made in exchange for the Company's shares or as a deferred loan, with terms similar to other subordinate loans granted by the controlling shareholder. For details, see Note 4.G to the financial statements.

For details on the Company's forecasted cash flow statement and the headquarters companies wholly owned by the Company (excluding IDB Tourism), see 1.4.4.4 below.

For details on the Company's net asset value as of reporting date, and close to the date of report publication, see 1.4.3. below.

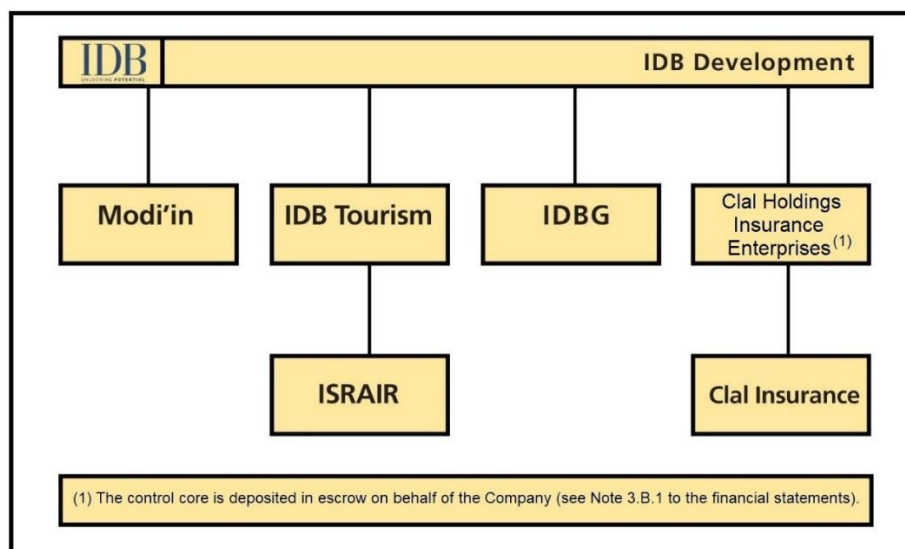
For details regarding developments with respect to the Company's bonds, including the appointment of (separate) representations for the bond series (Series I and Series N), and appointments of a legal adviser and an economic adviser for each of the aforesaid series of bonds, see Note 4.B.7 to the financial statements.

For details regarding the issuance of Company's debentures (Series O) at the total amount of NIS 237 million (gross), see Note 4.B.10.A of the financial statements. For details regarding the rating of the Company and its bonds as of September 30, 2019, and proximate to the date of approval of the financial statements, see Annex B of the Board of Directors below and Note 4.E of the financial statements.

The terms and ratings of the Company's debentures are specified in Appendix B below and Note 8 to the annual financial statements.

As of September 30, 2019, the Company's investee companies include IDB Tourism (100%) and Clal Holdings Insurance Enterprises (a direct holding of 15.3%, and investment through swap transactions in an additional approximately 20%). See also Note 3.B to the financial statements. As of report publication date, the Company holds, directly, 11.8% shares of Clal Holdings Insurance Enterprises and is involved in swap transactions regarding 10% of Clal Holdings Insurance Enterprises shares which are reported under discontinued operations, as well as IDBG (50%) and Modi'in Energy (20%), investee companies recorded on the equity basis.

The following is a diagram specifying the significant companies, for the purpose of this report, which are held by the Company as of September 30, 2019



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

1.1 General

As of the date of the financial statements, the Company's main investments include: Clal Holdings Insurance Enterprises, the debenture from Dolphin IL (which was received in the transaction involving the sale of the Company's holdings in DIC in November 2017, as stated above), IDB Tourism and IDBG. The business position of the Company's significant holdings, as well as their operating results, cash flows, changes in equity, and their value and the value of the debenture from Dolphin IL, affect the Company's business position, operating results, equity and cash flows. The value of the debenture from Dolphin IL is primarily affected by DIC's net asset value, whose shares are charged to secure the payment of the debenture.

Additionally, the Company's position, operating results, equity and cash flows are also affected by the Company's headquarter activities, which include financing expenses and income, and general and administrative expenses.

The business results of the Company, and sometimes also the capital attributed to its shareholders, 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 realizations which are executed by the Company, due to the effects of changes in prices of securities on the capital market and the value of assets, as well as changes in the financing expenses of the Company.

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

The Group's operations are affected by many additional external factors (see 7 and 22 in Part A of the Periodic Report).

1.2 Results for the first nine months and the third quarter of 2019

The Company concluded the first nine months of 2019 with loss of NIS 416 million, as compared with a loss of NIS 241 million in the corresponding period last year. The loss in the third quarter of 2019 amounted to NIS 164 million, as compared with income of NIS 186 million in the corresponding period last year. In 2018, the Company lost NIS 465 million.

For details regarding primary profit (loss), see 1.7 below.

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

1.3 The segments and their contribution to the Company's results, by operating segment

Segment	Holding rate (rounded) As of September 30, 2019	Profit (loss) on the level of the Company				Data on the level of the investee company ¹					
		For the nine months		For the three months		In 2018	For the nine months		For the three months		In 2018
		ended September 30		ended September 30			ended September 30				
		2019	2018	2019	2018		2019	2018	2019	2018	
		NIS millions									
IDBG	50%	² (50)	² (54)	² (28)	² (4)	² (69)	³ (83)	³ (190)	³ (54)	³ (38)	³ (139)
Increase (decrease) in the fair value of the debenture which was issued by Dolphin IL ⁴											
IDB Tourism	100%	⁵ (6)	(188) 26	⁵ 6	108 52	(326) 11	(27)	24	-	51	38
Clal Holdings Insurance Enterprises ⁵	⁶ 35%	(105)	198	(184)	527	(319)					
All other holdings		<u>1</u>	<u>(1)</u>	<u>1</u>	<u>-</u>	<u>(2)</u>					
Total companies		(402)	(19)	(177)	683	(705)					
Decrease in the fair value of convertible subordinated loans which were received from the controlling shareholder		⁷ 93	⁷ (3)	⁷ (3)	⁷ (430)	⁷ 530					
Financing, admin, and others ⁸		<u>(107)</u>	<u>(219)</u>	<u>16</u>	<u>(67)</u>	<u>(290)</u>					
Income (loss) for the period		(416)	(241)	(164)	186	(465)					

¹ The data relates 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, cancelled transactions between the companies and between segments.

² Includes the Company's share in the net amortization which was recorded in respect of the Great Wash project and in respect of additional land in Las Vegas: in the first nine months of 2019, and in the third quarter of 2019, 25 NIS million and of NIS 22 million, respectively, and in the first nine months of 2018, and in 2018, in total, NIS 40 million.

³ The results of IDBG are reported in USD and are presented in this table in NIS, based on a convenience translation according to the average exchange rates during the relevant periods. The data include financing expenses of IDBG in respect of loans which were provided to it by Property & Building, as detailed in Note 3.D.4. to the annual financial statements (a total of NIS 19 and 6 million in the first nine months and third quarter of 2019, and in 2019, respectively; a total of NIS 11 and 2 million in the first nine months and third quarter of 2018, respectively; and a total of NIS 20 million in 2018), but do not include the effects of the financing in respect of the loans which were provided by the Company and Property & Building, in equal parts.

⁴ For details, see note 3.A. to the financial statements. An economic report in connection with the fair value of the debenture as of September 30, 2019, is attached to the financial statements. The contribution to profit, primarily includes the change in debenture's fair value. In the first nine months of 2019, the contribution to profit was after offsetting a total of NIS 34 million for interest that was received with respect to the debenture (third quarter of 2019-NIS 2 million).

⁵ The IDB Tourism and the Company did not include its share of income of Israil (a wholly-owned company of IDB Tourism) for the third quarter of 2019, said in accordance with international accounting principles according to which an asset held for sale is reported at its fair value, less disposal costs.

⁶ The contribution to profit primarily represents the change in market value of the Company's holding in Clal Holdings Insurance Enterprises (including in respect of swap transactions, as detailed in Note 3.B.7 to the financial statements, and in consideration of the option agreements which the Company provided to third parties with respect to approximately 8% of the shares of Clal Holdings Insurance Enterprises, as detailed in Note 3.B.4 to the financial statements), and is presented in the statement of income under discontinued operations. The holding rate as of September 30, 2019, includes 15.3% in direct holdings and 20% in swap transactions.

⁷ In accordance with IFRS 9, said amounts include changes in value of subordinate loans which are attributed to market changes. Additional amounts, which are attributed to changes in credit risks of the Company were recognized under other comprehensive income. For details, see section 1.4.7 below, and note 4 A to the financial statements.

⁸ See section 1.9 below.

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

1.4 Select Data from the Financial Statements

1.4.1 Summary balance sheet data

	As of September 30		As of
	2019	2018	December 31
	NIS millions		2018
Current assets	2,249	2,442	2,084
Total assets	3,482	5,539	4,545
Current liabilities	1,756	1,350	1,713
Convertible subordinated loans which were received from the controlling shareholder	115	629	529
Other non-current liabilities	2,011	3,142	2,534
Capital (capital deficit) attributed to shareholders in the Company ⁹	(409)	417	(230)
Shareholder's equity (capital deficit) plus subordinated loans	(294)	1,046	299
Capital (capital deficit) (including non-controlling interests)	(400)	418	(231)

1.4.2 Liabilities and financing

Data regarding debt and cash in the Company and in its wholly-owned companies (excluding IDB Tourism):

	As of	As of		As of
	November 26	September 30		December 31
	2019 ¹⁰	2019	2018	2018
	NIS millions			
Financial liabilities ¹¹	(2,555)	(2,503)	(3,230)	(2,969)
Liquid asset balances ¹²	31	35	383	52
Restricted deposits ¹³	669	543	606	621
Debt, net	(1,855)	(1,925)	(2,241)	(2,296)
Average lifetime of liabilities	2.0	2.1	2.9	2.6

⁹ See also section 1.4.6 below.

¹⁰ On November 28 2019 final repayment of the Series K and Series M debentures was executed. The repayment, amounting to NIS 485 million, shall be made on the date of approval of the financial statements out of restricted deposits. The average duration of the Company's liabilities subsequent to the said repayment is 2.6 years.

¹¹ Includes debentures and accrued interest. The amounts do not include a subordinate convertible loan of NIS 629 million, received from the controlling shareholder (see note 7.C to the annual financial statements).

¹² Includes cash and cash equivalents, marketable securities, liquid investments and short term deposits.

¹³ Charged deposits which serve as collateral for banking institutions in connection with the swap transactions, as described in Note 3.B.7. to the financial statements, which, as of September 30, 2019, amounted to a total of NIS 392 million; and deposits which serve to secure the repayment of the debentures (Series M and N), which, as of September 30, 2019, amounted to a total of NIS 151 million.

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

1.4 Select Data from the Financial Statements (Continued)

1.4.3 Presented below is the carrying value of investee companies directly held by the Company the net asset value¹⁴ and the leverage ratio as of September 30, 2019, and proximate to the date of publication of the report:

	Holding rate	As of September 30, 2019	
		Carrying value	Asset value
		NIS millions	
Debenture from Dolphin IL ¹⁵		927	927
Clal Holdings Insurance Enterprises - shares held directly	15%	449	448
IDB Tourism	100%	186	186
IDBG ¹⁶	50%	15	143
Others		43	51
		1,620	1,755
Value of the undertaking to sell shares of Clal Holdings Insurance Enterprises (see Note 3.B.4. to the financial statements)			(40)
Value of swap transactions in respect of 20% of the shares of Clal Holdings Insurance Enterprises			(90)
			1,625
Less financial debt, net (section 1.4.2 above)			(1,925)
Total net asset value [NAV]			(300)
Leverage ratio [LTV] - as of September 30, 2019			118%
<u>Proximate to publication date of the report</u> ¹⁷			
Total net asset value			(229)*
Leverage ratio [LTV]			11 4 %

* Presented below is the effect of changes in the share value of Clal Holdings Insurance Enterprises on the net asset value proximate to the publication date of the report.

¹⁴ Asset value is determined according to the value of the assets, as stated below: (A) In respect of holdings which constitute listed securities - according to their average market value during the last five trading days preceding September 30 2019 (B) In respect of non-marketable holdings - according to their value in the Company's financial statements.

¹⁵ For details of the sale of DIC shares and the terms of the debenture from Dolphin IL, see note 3 A to the annual financial statements. As of September 30, 2019, the net asset value of DIC shares pledged against the debentures, on the basis of that noted in 12 above, was NIS 961 million. The market value of the shares pledged against the debentures was at that date, NIS 645 million.

¹⁶ For details regarding the implications of the initial adoption of the amendment to IAS 28 on the balance of the investment in IDBG, see Note 2.E.1. to the financial statements. The asset value of IDBG was determined based on the Company's share in the assets of IDBG, less its liabilities to externals) including an undertaking to Property & Building, as stated in Note 3.D.4 .to the annual financial statements). The value includes a direct liability of GW towards the Company in the amount of USD 2 million. In the statement of financial position, this liability is presented under the item for other receivables .

¹⁷ Asset value and the leverage ratio proximate to the publication date of the report, based on market data as of proximate to the publication date of the report. With reference to non-marketable holdings, including the debenture from Dolphin IL, the value of the holdings is in accordance with the carrying value as of September 30, 2019 .See also section 1.4.4.3.2 below with respect to the net asset value of DIC proximate to the date of publication of the report.

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

1.4 Select Data from the Financial Statements (Continued)

1.4.3 Presented below is the carrying value of investee companies directly held by the Company the net asset value and the leverage ratio as of September 30, 2019, and proximate to the date of publication of the report (Continued)

+10%	-5%	Net asset value NIS millions	+5%	+10%
(162)	(195)	(229)	(263)	(296)

It should also be noted that the Company also examined the value of the Company's net assets close to financial statements publication date, through an economic project done by evaluators, using appropriate fair valuation techniques, and after reducing capitalized general and administrative expenses. The balance of the net asset value of the Company, in accordance with said economic project assessments, was positive, at a rate that satisfied the Company's opinion, that there are no significant doubts as to the Company's ability to continue to operate as a "going concern" in the foreseeable future, said under the circumstances detailed in Note 1.B. of the financial statements, and considering the Company's forecasted cash flow, which Note 1.B. of the financial statements gives the Company reasonable time to take possible steps to improve its net asset value.

The following are key adjustments to the net asset value of the Company, in accordance with said economic project, compared to the net asset value of the Company in accordance with the market data as stated, inter alia, mainly due to:

Shareholders' funds injections - including an irrevocable undertaking by Dolphin Holland, the Company's controlling shareholder, to execute a capital injection to the Company for a total amount of NIS 210 million, in three equal payments made in exchange for the Company's shares or as a subordinated loan under the terms of subordinate loans provided by the controlling shareholder, as per Note 4.G to the financial statements, of which NIS 70 million was received at the time of publication of the financial statements. As part of the consideration of the Company's ability to repay, the balance of the liability not yet received is included at present value.

Exposure to DIC Shares - for the purpose of determining the value of DIC shares, which secures the debenture issued by Dolphin IL to the Company, as per Note 3.A to the financial statements, the evaluator based his economic work on the net value of DIC's holdings. The primary holdings of Cellcom and Shufersal were valued using the discounted cash flow method on the fair value of Cellcom which was based on an evaluation of Cellcom which was annexed to the DIC financial statements of June 30, 2019, and published on August 29, 2019 (Reference No. 2019-01-090895), after deduction of realization coefficients of between 10% and 20%. The fair value of Property and Building's shares, was estimated based on this company's net asset value which was higher than the market value of Property and Building.

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

1.4 Select Data from the Financial Statements (Continued)

1.4.4 The Company's financing sources

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

In the first nine months

	For the nine months ended September 30							
	2019				2018			
	Liquid assets ⁽¹⁾	Charged and restricted deposits	Financial debt	Financial debt, net	Liquid assets ⁽¹⁾	Charged and restricted deposits	Financial debt	Financial debt, net
	NIS millions							
Balance at start of period	52	621	(2,969)	(2,296)	955	144	(3,660)	(2,561)
Consideration from the sale of shares of Clal Holdings Insurance Enterprises ⁽²⁾	-	259	-	259	171	328	-	499
Receipt of a subordinated loan from the controlling shareholder ⁽³⁾	70	-	-	70	-	-	-	-
Deposit and supplementation (release) of collateral, net ⁽⁴⁾	127	(127)	-	-	(239)	239	-	-
Deposit (release) of collateral with respect to swap transaction on DIC shares	66	(66)	-	-	(66)	66	-	-
Interest from Dolphin IL ⁽⁵⁾	5	29	-	34	-	-	-	-
Investments in investee companies	(8)	-	-	(8)	(6)	-	-	(6)
Repayment of financial debt - principal	⁽⁷⁾ -	⁽⁶⁾ (264)	⁽⁷⁾⁽⁶⁾ 264	-	(329)	⁽⁶⁾ (129)	458	-
Repayment of financial debt - interest	(41)	(54)	95	-	(85)	⁽⁶⁾ (42)	127	-
Swap transaction - Clal Holdings Insurance Enterprises- debentures of the Company ⁽⁸⁾	(145)	145	222	222	-	-	-	-
Receipt in connection with settlement in derivative lawsuits of IDB Holdings	-	-	-	-	14	-	-	14
General and administrative expenses less financing income, net	(22)	-	-	(22)	(19)	-	-	(19)
Payments in respect of derivatives, net	(69)	-	-	(69)	(13)	-	(1)	(14)
Financing expenses - accrual of interest and linkage differentials on financial debt	-	-	(115)	(115)	-	-	(154)	(154)
Balance at end of period	35	543	(2,503)	(1,925)	383	606	(3,230)	(2,241)

⁽¹⁾ Liquid assets including cash, cash equivalents, marketable securities and short-term deposits.

⁽²⁾ For details regarding transactions for the sale of shares of Clal Holdings Insurance Enterprises, and regarding the conclusion, of some swap transactions entered into by the Company, see section 2, 4 and 5 in Note 3.B to the financial statements. It should be noted that at the time of the sale of shares of Clal Holdings Insurance Enterprises, the consideration for which is used as collateral for the repayment of the debentures (Series M), the consideration is placed in a deposit which is charged in favor of the debenture holders (Series M).

⁽³⁾ For details, see Note 4 A (2) to the financial statements.

⁽⁴⁾ For details, see Note 3.B.7 to the financial statements.

⁽⁵⁾ For details, see note 3.A.2 to the financial statements.

⁽⁶⁾ Including partial early repayments of debentures (Series M), as stated in Notes 4.B.1. and 4.B.2. to the financial statements.

⁽⁷⁾ Includes a total of NIS 18 million with respect to the repayment of a loan which was received from IDB Tourism in the first quarter of 2019, and repaid during the second quarter of 2019.

⁽⁸⁾ For details, see notes 3.B.5 and 4.B.3 to the financial statements.

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

1.4 Select Data from the Financial Statements (Continued)

1.4.4 The Company's financing sources (Continued)

1.4.4.1 Presented below are the principal monetary movements in the Company's headquarters
(Continued)

In the third quarter

	For the three months ended September 30							
	2019				2018			
	Liquid assets ⁽¹⁾	Charged and restricted deposits	Financial debt	Financial debt, net	Liquid assets ⁽¹⁾	Charged and restricted deposits	Financial debt	Financial debt, net
	NIS millions							
Balance at start of period	105	443	(2,719)	(2,171)	421	581	(3,353)	(2,351)
Consideration from the sale of shares of Clal Holdings Insurance Enterprises ⁽²⁾	-	-	-	-	-	173	-	173
Receipt of a subordinated loan from the controlling shareholder ⁽³⁾	70	-	-	70	-	-	-	-
Deposit and supplementation (release) of collateral, net ⁽⁴⁾	37	(37)	-	-	2	(2)	-	-
Interest from Dolphin IL ⁽⁵⁾	-	2	-	2	-	-	-	-
Repayment of financial debt - principal	-	-	-	-	-	⁶ (129)	129	-
Repayment of financial debt - interest	(8)	(10)	18	-	(26)	⁶ (17)	43	-
Swap transaction - Clal Holdings Insurance Enterprises - debentures of the Company ⁽⁸⁾	(145)	145	222	222	-	-	-	-
General and administrative expenses less financing income, net	(10)	-	-	(10)	(8)	-	-	(8)
Payments in respect of derivatives, net	(14)	-	-	(14)	(6)	-	-	(6)
Financing expenses - accrual of interest and linkage differentials on financial debt	-	-	(24)	(24)	-	-	(49)	(49)
Balance at end of period	35	543	(2,503)	(1,925)	383	606	(3,230)	(2,241)

⁽¹⁾ Liquid assets including cash, cash equivalents, marketable securities and short-term deposits.

⁽²⁾ For details regarding transactions for the sale of shares of Clal Holdings Insurance Enterprises, and regarding the conclusion, of some swap transactions entered into by the Company, see section 2, 4 and 5 in Note 3.B to the financial statements. It should be noted that at the time of the sale of shares of Clal Holdings Insurance Enterprises, the consideration for which is used as collateral for the repayment of the debentures (Series M), the consideration is placed in a deposit which is charged in favor of the debenture holders (Series M).

⁽³⁾ For details, see Note 4 A (2) to the financial statements.

⁽⁴⁾ For details, see note 3.B.7 to the financial statements.

⁽⁵⁾ For details, see note 3.A.2 to the financial statements.

⁽⁶⁾ Including partial early repayments of debentures (Series M).

⁽⁷⁾ For details, see notes 3.B.5 and 4.B.3 to the financial statements.

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

1.4 Select Data from the Financial Statements (Continued)

1.4.4 The Company's financing sources (Continued)

1.4.4.2 Presented below are details regarding the repayment of the Company's liabilities:

	For the year ending September 30, 2020			For the six months ending March 31, 2020		
	Principal	Interest	Total	Principal	Interest	Total
	NIS millions					
Debentures	598	105	703	479	54	533

See also the Company's report regarding its liabilities, by maturity dates (T-126), which was published through public electronic reporting on November 28, 2019 (reference number 2019-01-104562).

1.4.4.3 Financial restrictions and ratios -

- 1.4.4.3.1 In connection with the Company's debentures (Series M), the balance of which (principal and interest) as of September 30, 2019 amounted to a total of NIS 394 million, the Company undertook, in accordance with the trust deed, to fulfill, throughout the entire period of the debentures, a financial covenant which stipulates that the capital of Clal Holdings Insurance Enterprises must not fall below NIS 1.8 billion. Restrictions were also established on the distribution of earnings and on the creation of a general lien (floating lien), as detailed in the trust deed.
- In accordance with the last published financial statements of Clal Holdings Insurance Enterprises, the total capital of Clal Holdings Insurance Enterprises amounted to NIS 4.6 billion, and accordingly, the Company is fulfilling the financial covenant which was determined in the trust deed.

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

1.4 Select Data from the Financial Statements (Continued)

1.4.4 The Company's financing sources (Continued)

1.4.4.3.2 In connection with the Company's debentures (Series N), the balance of which (principal and interest), as of September 30, 2019, amounted to NIS 934 million, the Company undertook, in accordance with the trust deed, to fulfill, throughout the entire period of the debentures, grounds for adjustment of the interest rate, and financial covenants, as detailed below:

Grounds for adjustment of interest rate / financial covenant	Calculation results	
	As of September 30, 2019	Proximate to the publication date of this report
The long-term issuer rating of DIC will be no lower than the base rating (ilBBB). In case of a reduction of the rating, as stated in the trust deed, a maximum cumulative addition of up to 0.75% will be added to the annual interest rate applicable to the debentures (Series N), as detailed in the trust deed.	Rating of ilBBB+ with negative rating outlook	Rating of ilBBB with negative rating outlook
The asset value ¹³ less net financial debt ("Net Asset Value") falls below NIS 1.1 billion. In case of an exception, an additional 0.25% will be added to the interest applicable to the debentures (Series N).	DIC's net asset value - NIS 1.2 billion	DIC's net asset value - NIS 1.2 billion
The ratio between DIC's net financial debt and its asset value exceeds 85%. In case of an exception, an additional 0.5% will be added to the interest applicable to the debentures (Series N).	The ratio between DIC's net financial debt and its asset value - 70%.	The ratio between DIC's net financial debt and its asset value - 69%.
A charge on DIC shares in favor of the fulfillment of the undertakings towards the debenture holders (Series N).	Approximately 99.3 million DIC shares were charged.	Approximately 99.3 million DIC shares were charged.

1.4.4.3.3 Regarding the Company's debentures (Series O) of NIS 237 million (principal), issued in November 2019 subsequent to the date of the statement of financial position, the Company accepted, under a Deed of Trust, to comply throughout the entire life period of the debentures, with financial conditions according to which the total equity of Clal Holdings Insurance Enterprise' will not be less than NIS 3 billion. Restrictions were also placed on the distribution of profits and the creation of general and current liens (floating lien) as specified in the Deed of Trust. For further details, see Note 4 B 10 A to the financial statements.

According to the most recently published financial statements of Clal Holdings Insurance Enterprises, equity totals NIS 4.6 billion.

1.4.4.3.4 For details of grounds for calling for the repayment of the Company's debentures, see Note 4 B 5 to the financial statements.

¹³ The asset value is in accordance with the asset values as noted below: (a) with respect to holdings which are marketable securities - according to their average value on the stock exchange five trading days before September 30, 2019. (b) with respect to non-traded holdings - according to their value in the financial statements of the Company .

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

1.4 Select Data from the Financial Statements (Continued)

1.4.4 The Company's financing sources (Continued)

1.4.4.3 Financial restrictions and covenants (Continued)

1.4.4.3.5 Presented below are details regarding the liens which were provided towards the Company's debenture holders, in favor of the liabilities to those holders:

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Charged asset	Charged in favor of the holders of debenture series	As of September 30, 2019		Proximate to the publication date of this report	
		Amount	Rate of charged holdings	Amount	Rate of charged holdings
		Millions of shares	%	Millions of shares	%
Shares of DIC ⁽¹⁾	N	99.26	70.2	99.26	70.2
Shares of Clal Holdings Insurance Enterprises ⁽²⁾	K	2.77	5.0	⁽³⁾ 2.77	⁽³⁾ 5.0
	M ⁽²⁾	5.76	10.4	⁽³⁾ (3.81)	⁽³⁾ (5.4)
	O ⁽³⁾	-	-	5.76	10.4

- (1) It should be noted that since November 2017, the Company does not hold shares of DIC (for details, see Note 3.A. to the annual financial statements). 99.26 million par value of the aforementioned shares were charged by Dolphin IL, through a specific first priority charge in favor of the debenture holders (Series N), through a specific second priority charge in favor of the Company, and through a specific third priority charge in favor of the Company's debenture holders (including Series N). Additionally, 17.16 million shares of DIC are charged through a specific first priority charge in favor of the Company, and through a specific second priority charge in favor of all of the Company's debenture holders. Accordingly, in total, 116.42 million DIC shares are charged to guarantee the debenture from Dolphin IL. The market value of the aforementioned shares as of September 30, 2019, and proximate to the publication date of the report, was NIS 645 million and NIS 711 million, respectively.

Additionally, as of September 30, 2019, and proximate to the publication date of the report, a total of NIS 58 million par value of Company debentures (Series I) is also charged, which is deposited in an account of Dolphin IL.

- (2) The Company charged, for the debenture holders (Series M), the consideration in respect of the base shares, and not the base shares themselves. See Note 8.B.2. to the annual financial statements.

In February 2019 and May 2019, the Company's Board of Directors resolved to execute partial prepayments of the debentures (Series M), in the amount of NIS 129.5 and 134.3 million par value, respectively, and in the amount of NIS 141 and 143 million par value (including principal, interest and, additional interest on the repaid part of the prepayment), respectively. The prepayments were executed on February 28, 2019, and on May 28, 2019, respectively, and were paid out of the aforementioned trust account. On September 30, 2019, after the execution of the prepayments, and after an additional sale of 5% of shares of Clal Holdings Insurance Enterprises (see Note 3.B 5 to the financial statements) a total of NIS 151 million remained in the trust account which is charged in favor of the debenture holders (Series M). See also Notes 4.B.1. and 4.B.2. to the financial statements..

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

1.4 Select Data from the Financial Statements (Continued)

1.4.4 The Company's financing sources (Continued)

1.4.4.3 Financial restrictions and covenants (Continued)

1.4.4.3.5 Presented below are details regarding the liens which were provided towards the Company's debenture holders, in favor of the liabilities to those holders (Continued)

(3) In November 2019, subsequent to statement of financial position date, the Company issued a new series of debentures (Series O). The Company placed a second-ranking lien for holders of the Series O debentures on shares of Clal Holdings Insurance Enterprises constituting 4.98% of the total issued and paid share capital of Clal Holdings Insurance Enterprises (2.77 million shares), and on considerations in respect of Clal Holdings Insurance Enterprises' shares, constituting 5.39% of the issued and paid share capital (hereinafter – the “Base Shares”) (considerations in respect of 2.99 million shares, but not the Base Shares). For further details, see Note 4.B.10.A of the financial statements. Close to the date of approval of the statements of financial position, the pledged shares and the consideration in respect thereof, are under first ranking lien in favor of Series K and Series M bonds, respectively. On the date of approval of the financial statements those series of bonds are repaid and the liens will become first ranking liens in favor of Series O bondholders.

1.4.4.4 Report regarding projected cash flows of the Company and its wholly-owned headquarter companies (excluding IDB Tourism)

As of September 30, 2019, the Company has a capital deficit attributed to shareholders and ongoing negative cash flows from ongoing current operations, and the Company's auditors, in their review report, drew attention to Note 1.B to the financial statements, regarding the Company's financial position, the forecasts and the Company's plans based on economic assessments, and specifically to the part relating to the Company's ability to repay its debts when they come due beginning in 2022, which depends, *inter alia*, on factors which are not under its control. For additional details, see Note 1.B. to the financial statements. In light of the above, presented below is a cash flow forecast report, including a breakdown of the liabilities and financial sources from which the Company expects to be able to repay the liabilities during the two-year period ending September 30, 2021.

The information provided in this section should be read together with the periodic report in its entirety, and together with the financial statements, and particularly, together with Note 1.B to the financial statements, regarding the Company's financial position.

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

1.4 Select Data from the Financial Statements (Continued)

1.4.4 The Company's financing sources (Continued)

1.4.4.4 Reports of projected cash flows for the Company and its wholly-owned headquarter companies (excluding IDB Tourism) (Continued)

	For the period from		
	October 1, 2019, to December 31, 2019	January 1, 2020, to December 31, 2020	January 1, 2021, to September 30, 2020
	NIS millions		
Sources			
Balance of liquid assets at start of period ⁽¹⁾	578	203	208
Receipts for IDB Tourism ⁽²⁾	-	186	-
Injections from the controlling shareholder ⁽³⁾	-	70	70
Raising of secured debt, net ⁽⁴⁾	235	-	-
Sale of shares of Clal Holdings Insurance Enterprises ⁽⁵⁾	145	166	-
Receipts for interest on the debenture from Dolphin IL ⁽⁶⁾	2	18	2
Total sources	960	643	280
Projected liabilities (projected uses):⁽⁷⁾			
Cash flow for current activities			
General and administrative expenses, net	9	25	19
Cash flow from financing activities⁽⁸⁾			
Repayment of debenture principal ⁽⁹⁾	479	269	-
Payment of debenture interest ⁽⁹⁾	40	98	55
Self-purchase of debentures ⁽¹²⁾	147	-	-
Loan to a buyer of shares of Clal Holdings Insurance Enterprises ⁽¹⁰⁾	27	-	-
Net payments for swap transactions ⁽¹¹⁾	55	43	-
Total uses	757	435	74
Balance of liquid assets at end of period*	203	208	(13)206
* Including the balance of limited deposits in a sum of	184	-	-

- (1) The balance of liquid assets includes cash, cash equivalents, short-term deposits and restricted deposits.
The balance of restricted deposits as of October 1, 2019 amounted to NIS 543 million.
- (2) For details, see Note 3.C. to the 2018 annual financial statements ("annual financial statements").
- (3) For details, see Note 4.G. to the financial statements.
- (4) Issuance of a new series of debentures (Series O) net of issuance costs.
For details see note 10.B.10.A.
- (5) The amount included reflects the consideration that the Company is expected to receive from the realization of shares of Clal Holdings Insurance Enterprises, in accordance with the outline for the sale of the Company's holdings in Clal Holdings Insurance Enterprises and agreements with the Supervisor. The consideration in respect of transactions that were actually executed were calculated in accordance with the consideration that was received (approximately NIS 103 million) and in respect of expected transactions - according to the market value of Clal Holdings Insurance Enterprises proximate to the date of publication of the report. See Note 3.B.10.B for further details in the financial statements.
- (6) Amounts to be received by Dolphin IL for principal and interest on debentures (Series I) received as a dividend in kind from DIC, as detailed in Note 3.A.2 of the financial statements, will be provided to the Company as payments on account of interest in respect of a debenture from Dolphin IL.

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

1.4 Select Data from the Financial Statements (Continued)

1.4.4 The Company's financing sources (Continued)

1.4.4.4 Reports of forecasted cash flows for the Company and its wholly-owned headquarter companies (excluding IDB Tourism) (Continued)

- (7) The Company's forecasted cash flow report does not include repayment of a loan provided by Property and Building to IDBG (for details, see Note 3.D.4 to the annual financial statements). The Company intends to convert the loan to IDBG shares, in accordance with the conversion mechanism set out in the above note. See also Note 3.D.5. to the financial statements. In addition, the report does not include potential implications for the early repayment of a loan taken by IDBG, as per Note 3.D.2. to the financial statements.
- (8) The Company's forecasted cash flow report is prepared in accordance with the Company's agreed settlement schedules as of report date and includes the Company's liabilities for the issue of a new series of debentures (Series O), which the Company issued on November 19, subsequent to statement of financial position date.
- (9) The following are details of repayments of loans and debentures (based on the Company's current settlement agreements) including indexation differentials based on the date of publication of the report:

		2019	2020				2021		
		Total Q4	Total Q1	Total Q2	Total Q3	Total Q4	Total Q1	Total Q2	Total Q3
		NIS millions							
Series I bonds	Principal	-	-	-	-	151	-	-	-
	Interest	22	-	22	-	22	-	19	-
Series K bonds	Principal	87	-	-	-	-	-	-	-
	Interest	1	-	-	-	-	-	-	-
Series M bonds	Principal	392	-	-	-	-	-	-	-
	Interest	5	-	-	-	-	-	-	-
Series N bonds	Principal	-	-	-	-	-	-	-	-
	Interest	11	11	11	11	11	11	11	11
Series O bonds	Principal	-	-	-	118	-	-	-	-
	Interest	1	3	3	3	1	1	1	1
Total	Principal	479	-	-	118	151	-	-	-
	Interest	40	14	36	14	34	12	31	12
Total		519	14	36	132	185	12	31	12

- (10) For details, see note 3.B.4 of the financial statements and Immediate Reports that the Company published on November 8, 2019, and October 27, 2019, reference. 2019-01-095967, 2019-01-090765, respectively.
- (11) For details regarding swap transactions on shares of Clal Holdings Insurance Enterprises, see sections 3-5 in Note 3 B and Note 3.B.7 of the annual financial statements. It should be stated that with respect to each of the swap transactions, the Company can terminate the transaction before the end of its 24 months, subject to the payment of an early repayment commission in an immaterial amount, and release the relevant limited deposit.
- (12) Including transaction costs. For further details, see Note 3.B.10.B of the financial statements.

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

1.4 Select Data from the Financial Statements (Continued)

1.4.4 The Company's financing sources (Continued)

1.4.4.4 Reports of forecasted cash flows for the Company and its wholly-owned headquarter companies (excluding IDB Tourism) (Continued)

(13) Because of the sensitivity of the projected sources in the period of the cash flow report to the value of the shares of Clal Holdings Insurance Enterprises, a table is hereby included that represents the projected balance of the liquid assets at the end of the cash flow period (September 30, 2021) on the basis of possible changes in the share price of Clal Holdings Insurance Enterprises (in NIS millions):

Decrease of 10% in share price	Decrease of 5% in share price	According to the known share price as of proximate to the publication date of the report	Increase of 5% In share price	Increase of 10% in share price
154	180	206	232	258

The data included in the projected cash flow report is based on estimates, and the assumptions and assessments underlying it include prospective information, as defined in the Securities Law, which is based on the Company's estimates regarding:

The likelihood of the realization of relevant business scenarios from which the Company is projected to receive money, the timetables for the realization of those scenarios; the results of operations; possible alternatives to the obtaining of sources to repay its liabilities when the date for performing them arrives; the amounts and dates of repayment of the Company's debentures. These estimates may not materialize, in whole or in part, or may materialize in a materially different way from what is projected. The main factors that may impact this are: the effect of the outline of the involuntary sale on the share price of Clal Holdings Insurance Enterprises and an impact on the maximum consideration that will be received from a sale of the shares of Clal Holdings Insurance Enterprises; changes or the non-completion of business plans that are projected to provide the Company with resources, including the sale of Company's holding in IDB Tourism; a depression or deterioration in the capital market and the economy, which will lead to a significant decrease in the value of the Company's holdings; dependence on the yields of the Company's bonds; dependence on the prices of the shares of DIC, which are charged in favor of the Company and the holders of its bonds, a deterioration in the business or financial situation of any of the investee companies of DIC; dependence on share prices of Clal Holdings Insurance Enterprises; demands of financing entities for significant changes in the repayment dates of existing credit and the taking of steps by the Company's creditors against it.

1.4.5 Retained earnings and negative balances of distributable profits¹⁹

The balance of distributable earnings (as this term is defined in section 302 of the Companies Law), of the Company and of significant investee companies held directly by the Company and of DIC, whose shares are charged in favor of the Company and its debenture holders, as of September 30, 2019, is as follows:

Company	Balance of distributable earnings (negative balances)
	NIS millions
IDB Development Corporation Ltd. ²⁰	(882)
IDB Tourism ²⁰	13
Clal Holdings Insurance Enterprises ²¹	2,000
DIC ²⁰	344

¹⁹ For information relating to the restrictions on the distribution of dividends, see section 5 of part A of the periodic report.

²⁰ The balance of distributable earnings is calculated on the basis of net income (loss) attributable to shareholders accrued during the last eight quarters, in accordance with provisions of Section 302 of Companies Law as of September 30, 2019. The balance of accumulated retained earnings is less (in IDB Tourism – negative).

²¹ For details of limitations on the distribution of dividends by insurance companies, see Sections 11.5.3.2 and 11.5.3.3 of Part A of the Periodic Report (Description of the Entity's Business Affairs).

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

1.4 Select Data from the Financial Statements (Continued)

1.4.6 Presented below are the changes in the capital (capital deficit) attributed to Company shareholders²²

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2019	2018	2019	2018	2018
	NIS millions				
Balance at start of period	(230)	730	(418)	159	730
Initial adoption of the amendment to IAS 28	(129)	-	-	-	-
<u>Changes during the period</u>					
Profit (loss) attributed to shareholders in the Company	(416)	(241)	(164)	186	(465)
Receipt of a subordinate loan from the controlling shareholder	64	-	64		
Capital reserve in respect of fair value changes of the subordinated loans, which is attributed to changes in credit risk	327	(105)	117	78	(538)
Reserves from translation differences	(23)	21	(8)	(2)	33
Hedging reserves	(1)	(2)	-	(4)	(3)
Receipts in respect of settlement	-	14	-	-	14
Capital reserves and other movements, net	(1)	-	-	-	(1)
	<u>(409)</u>	<u>417</u>	<u>(409)</u>	<u>417</u>	<u>(230)</u>

²² See also section 1.5 below.

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

1.4 Select Data from the Financial Statements (Continued)

1.4.7 Movement in the balance of convertible subordinated loans which were received from the controlling shareholder

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2019	2018	2019	2018	2018
	NIS millions				
Balance at start of period	529	521	223	277	521
Fair value of a new loan received	6		6	-	-
Increase (decrease) in the fair value of the subordinated loans:					
Through profit or loss	(93)	3	3	430	(530)
Through other comprehensive income	(327)	05	(117)	(78)	538
	(420)	108	(114)	352	8
Balance at end of period	115	629	115	629	529

It is hereby clarified that the aforementioned convertible subordinated loans are subordinate to any current and future debts of the Company, and therefore, the Company does not predict that they will be repaid in the foreseeable future, and accordingly, even though they are presented in the Company's statement of financial position under non-current liabilities, the Company views them as part of the Company's "economic equity" (Non-GAAP measure).

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

1.4 Select Data from the Financial Statements (Continued)

1.4.8 Linkage bases of the assets and liabilities of the Company as of September 30, 2019 (including wholly-owned subsidiaries, other than IDB Tourism)

	Linked to the CPI	Linked to the USD	Unlinked NIS millions	Non- monetary items	Total
Assets					
Debenture from Dolphin IL	-	-	927	-	927
Cost of obtaining collateral for the Company's liabilities from Dolphin IL	-	-	-	131	131
Investments in investee companies	-	-	-	22	22
Restricted and charged deposits	-	-	543	-	543
Non-current financial assets presented at fair value	-	-	-	27	27
Other assets	-	-	-	2	2
Right - of-use assets	-	-	-	7	7
Fixed assets	-	-	-	1	1
Current financial assets presented on a fair value basis	-	-	-	3	3
Other receivables	-	7	-	2	9
Investments in investee companies held for sale ⁽¹⁾	-	-	-	1,072	1,072
Cash and cash equivalents	-	1	32	-	33
Total assets	-	8	1,502	1,267	2,777
Liabilities					
Debentures	1,128	-	1,324	-	2,452
Financial liabilities presented at fair value	-	-	-	40	40
Liabilities to banks in connection with swap transactions	-	-	497	-	497
Liabilities in respect of leases	6	-	-	-	6
Subordinated loans	-	-	115	-	115
Other payables	28	4	8	3	43
Current provisions	-	-	-	2	2
Swap transaction on shares of Clal Holdings Insurance Enterprises	-	-	-	31	31
Total liabilities	1,162	4	1,944	76	3,186
Net exposure as of September 30, 2019	(1,162)	4	(442)	1,191	(409)
Net exposure as of September 30, 2018	(1,298)	116	(1,272)	2,871	417
Net exposure as of December 31, 2018	(1,286)	1	(1,121)	2,176	(230)

⁽¹⁾ Including the value of shares of Clal Holdings Insurance Enterprises in swap transactions.

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

1.4 Select Data from the Financial Statements (Continued)

1.4.9 Sensitivity tests for financial instruments

For details regarding sensitivity tests for sensitive financial instruments included in the consolidated financial statements as of September 30, 2019, based on changes in market factors, see Appendix A to the Board of Directors' Report.

For details regarding the possible effect of changes in the Consumer Price Index on the operating results of the Company, see section 1.4.8 above.

Presented below are the summing-up lines of the sensitivity tables

As of September 30, 2019:

	Profit (loss) from changes in parameters examined in the sensitivity tests						
	Increase in parameter				Decrease in parameter		
	2% in absolute value	10%	5%	Fair value	5%	10%	2% in absolute value
	NIS millions						
Sensitivity to changes in interest rates	59	63	32	(1,752)	(33)	(69)	(64)

	Profit (loss) from changes in parameters examined in the sensitivity tests				
	Increase in parameter			Decrease in parameter	
	10%	5%	Fair value	5%	10%
	NIS millions				
Sensitivity to changes in the US Dollar exchange rate	(22)	(11)	(220)	11	22
Sensitivity to changes in the prices of marketable securities	89	44	1,032	(44)	(89)

As of September 30, 2018:

	Profit (loss) from changes in parameters examined in the sensitivity tests						
	Increase in parameter				Decrease in parameter		
	2% in absolute value	10%	5%	Fair value	5%	10%	2% in absolute value
	NIS millions						
Sensitivity to changes in interest rates	139	66	34	(2,820)	(34)	(69)	(154)

	Profit (loss) from changes in parameters examined in the sensitivity tests				
	Increase in parameter		Fair value	Decrease in parameter	
	10%	5%		5%	10%
	NIS millions				
Sensitivity to changes in the US Dollar exchange rate	3	1	25	(1)	(3)
Sensitivity to changes in the prices of marketable securities	219	110	2,192	(110)	(219)

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

1.4 Select Data from the Financial Statements (Continued)

1.4.9 Sensitivity tests for financial instruments (Continued)

Presented below are the summing-up lines of the sensitivity tables (Continued)

As of December 31, 2018:

	Profit (loss) from changes in parameters examined in the sensitivity tests					
	Increase in parameter			Decrease in parameter		
	2% in absolute value	10%	5%	Fair value	5%	10%
				Fair value		
	NIS millions					
Sensitivity to changes in interest rates	93	77	39	(2,202)	(41)	(83)
						(104)

	Profit (loss) from changes in parameters examined in the sensitivity tests				
	Increase in parameter		Fair value	Decrease in parameter	
	10%	5%		5%	10%
	NIS millions				
Sensitivity to changes in the US Dollar exchange rate	(14)	(8)	(147)	8	14
Sensitivity to changes in the price of Clal Holdings Insurance Enterprises	175	87	1,749	(87)	(175)

1.5 Changes in capital and quality of profit (loss)

For details regarding factors which affect net income (loss), and regarding the Company's comprehensive income (loss), see section 1.1 above.

The Company's total comprehensive loss in the third quarter of 2019 (including non-controlling interests) amounted to NIS 54 million, as compared with comprehensive income (including non-controlling interests) of NIS 258 million in the corresponding quarter last year. The aforementioned difference is primarily due to the following factors:

- Loss in the third quarter of 2019 (including non-controlling interests) amounted to NIS 163 million, as compared with income in the amount of NIS 186 million in the corresponding quarter last year.
- In the third quarter of 2019, the Company recorded other comprehensive income in the amount of NIS 117 million, due to the update to the fair value of the convertible subordinated loans from the controlling shareholder, which is attributed to a change in the Company's credit risk. In the corresponding quarter last year, the Company recorded other comprehensive income as stated above, in the amount of NIS 78 million.
- In the third quarter of 2019, other comprehensive loss (including non-controlling interests), net of tax, was recorded in respect of foreign currency translation differences in respect of foreign operations in the amount of NIS 7 million, as compared with comprehensive loss net of tax in the amount of NIS 1 million in the corresponding quarter last year. The difference was due to a decrease of 2.4% in the USD exchange rate in the third quarter of 2019, as compared with a decrease of 0.6% in the corresponding quarter last year.

Comprehensive loss attributed to the shareholders in the Company in the third quarter of 2019 amounted to NIS 55 million, as compared with comprehensive income of NIS 258 million in the corresponding quarter last year.

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

1.6 Summary of the Company's results (consolidated)

Select data from the Company's results	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2019	2018	2019	2018	2018
	NIS millions				
Profit (loss) attributed to shareholders	(416)	(241)	(164)	186	(465)
Profit attributed to non-controlling interests	5	3	1	-	1
Profit (loss) attributed to shareholders and to non-controlling interests	<u>(411)</u>	<u>(238)</u>	<u>(163)</u>	<u>186</u>	<u>(464)</u>
Profit (loss) from discontinued operations (including non-controlling interests)	(106)	227	(177)	579	(307)
Comprehensive income (loss) attributable to Company shareholders	(113)	(327)	(55)	258	(974)

1.7 Details regarding main non-recurring events

1.7.1 Details regarding main non-recurring profits (losses)

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2019	2018	2019	2018	2018
	NIS millions				
Not involving cash flows - in the statements of income					
Increase (decrease) in the fair value of Clal Holdings Insurance Enterprises ⁽¹⁾	(54)	211	(166)	531	(302)
Decrease (increase) in the fair value of convertible subordinated loans from the controlling shareholder, which are attributed to market changes	93	(3)	(3)	(430)	530
Net decrease in the value of the Tivoli project and inventory of real estate in Las Vegas ⁽²⁾	(25)	(40)	(22)	-	(40)
Increase (decrease) in the value of the debenture from Dolphin IL	(276)	(188)	26	108	(326)
Involving cash flows - in the statements of income					
Gain on early redemption of a debenture	69	-	69	-	-
Interest received in respect of the debenture from Dolphin IL	34	-	2	-	-

⁽¹⁾ Presented under discontinued operations. The increase (decrease) in fair value includes shares which are subject to swap transactions. With respect to approximately 5% of the shares of Clal Holdings Insurance Enterprises - the change in value in the third quarter of 2019 was calculated according to the exercise price of the option given to a third party. For details regarding the option, which was exercised subsequent to the date of the statement of financial position, see Note 3.B.4. to the financial statements.

⁽²⁾ For details, see Note 3.D.1. to the financial statements and Appendix C below.

⁽³⁾ For details, see Note 4 B to the financial statements.

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

1.7 Details regarding main non-recurring events (Continued)

1.7.2 Significant non-recurring effects on the Company's capital, which do not involve the recording of profit (loss)

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2019	2018	2019	2018	2018
	NIS millions				
Not involving cash flows - under other comprehensive income					
Other comprehensive income (loss) with respect to the change in fair value of convertible subordinated loans from the controlling shareholder, attributed to the change in the Company's credit risk - see Notes 4.A. and 6. to the financial statements.	327	(105)	117	78	(538)
Initial adoption of the amendment to IAS 28 (see Note 2.E.1. to the financial statements)	(129)	-	-	-	-
Involving cash flows - directly under capital					
Receipt of a subordinate loan from the controlling shareholder	64	-	64	-	-
Increase in capital due to receipt with respect to compromise agreement	-	14	-	-	14

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

1.8 Contribution to the business results of the Company and of investee companies, by operating segment ²³

1.8.1 IDB Tourism segment

The Company's share in the results of the IDB Tourism segment in the third quarter of 2019 amounted to a profit of NIS 6 million, as compared with income of NIS 52 million in the third quarter of 2018. The Company's share of IDB Tourism's results for the third quarter of 2019 does not include the full share of the Company in the results of Israil (a wholly-owned subsidiary of IDB Tourism) during the third quarter of 2019, said under international accounting principles, whereby an asset held for sale is reported at its fair value less costs of disposal.

Summary of the business results of the IDB Tourism segment:

	First nine months of			Third quarter of			Explanation
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)	
	NIS millions			NIS millions			
Revenues	840	1,055	(20.3%)	456	517	(11.7%)	The decrease in income, cost of sales and gross profit in the first nine months of 2019, as compared with the corresponding period last year, was primarily due to the decrease in the domestic activity in view of the closing of the airport in Eilat and the move to Ramon Airport, from the sale of the incoming tourism activity (in December 2018) and from the timing of the Jewish festivals compared with the corresponding period last year.
Cost of revenue	741	935	(20.8%)	381	432	(11.8%)	
Gross profit	99	120	(17.0%)	75	85	(11.1%)	
Rate of gross profit from total revenues	11.8%	11.4%		16.6%	16.5%		The decrease in income, cost of sales and gross profit in the third quarter of 2019, as compared with the corresponding period last year, was primarily due to the decrease in domestic activity in view of the closing of the airport in Eilat and the move to Ramon Airport. And from the timing of the Jewish festivals compared with the corresponding period last year.
Operating expenses	76	88	(13.7%)	31	34	(6.7%)	
Other revenues (expenses), net	2	(6)		-	-		
Operating income	30	30		46	54	(13.3%)	Other revenues in the first nine months of 2019 included a profit update with respect to the sale of incoming tourism. Other expenses in the first nine months of 2018 included expenses in respect of intake and training of pilots and aircrew members, before the receipt of new airplanes in the third quarter of 2018.
EBITDA (including share in the profits of associate companies)	81	60	34.1%	64	62	3.5%	
Rate of EBITDA from total revenues	9.6%	5.7%		14.1%	12.0%		

²³ In the tables presented above, the rate of change in percentage terms of data relating to previous periods last year is calculated on the basis of exact data which is not rounded to the closest million.

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

1.8 Contribution to the business results of the Company and of investee companies, by operating segment (Continued)

1.8.1 IDB Tourism segment (Continued)

Summary of the business results of the IDB Tourism segment (Continued)

	First nine months of		Increase	Third quarter of		Increase	Explanation
	2019	2018	(Decrease)	2019	2018	(Decrease)	
	NIS millions		%	NIS millions		%	
Impairment loss	(39)	(5)		(39)	-		Loss in the first nine months and third quarter of 2019 stems from recording impairment loss in respect of Israil as a result of the presentation of IDB Tourism's financial statements in accordance with IFRS 5. Loss in the first nine months of 2018 included impairment loss in respect of the merger transaction which was expected between Israil and Sun D'or.
Financing expenses, net	(16)	(1)		(6)	(3)		The increase in financing expenses in the first nine months and the third second quarter of 2019 was primarily due to the recording of financing expenses with respect to leases, due to the initial adoption of the provisions of IFRS 16. Moreover, in the nine months of 2018, Israil recorded a profit in a sum of approximately 1.5 million dollars for the replacement of a debt instrument in accordance with the provisions of IFRS 9.
Tax benefit	3	3		-	-		
Profit (loss) for the period	(27)	24		-	51		

For details regarding the main changes in tourism segment during the reporting period, see Note 3.C. to the financial statements.

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

1.8 Contribution to the business results of the Company and of investee companies, by operating segment (Continued)

1.8.2 IDBG segment

The Company's share in the results of the IDBG segment, in respect of the Company's direct holding thereof, amounted in the third quarter of 2019 to a loss of NIS 28million, as compared with a loss of NIS 4 million in the third quarter of 2018. The loss in the third quarter of 2019 includes a loss in respect of the Company's share in the impairment of the Tivoli project and additional land, in the amount of NIS 25 million.

Summary of the business results of the IDBG segment:

	<u>First nine months of</u>			<u>Third quarter of</u>			<u>Explanation</u>
	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>	<u>2019</u>	<u>2018</u>	<u>Increase</u>	
	<u>NIS millions</u>		<u>%</u>	<u>NIS millions</u>		<u>%</u>	
Revenues from rentals	34	32	5.7%	12	11	8.4%	
EBITDA	14	5	160.0%	5	2	77.7%	The increase in the first nine months and the third quarter of 2019, as compared with the corresponding periods last year, was primarily due to the decrease in operating expenses (mostly selling and marketing expenses, legal expenses, doubtful debt expenses and other expenses)
Decrease in fair value of investment property and assets	(50)	(80)		(44)			The changes in fair value were due to updates to the valuations of the Tivoli project and real estate inventory in Las Vegas. See also Note 3.D.1 to the financial statements.
Financing expenses, net, to externals	(29)	(21)	40.2%	(10)	(7)	42.8%	The increase in expenses in the first nine months and the third quarter of 2019, relative to the corresponding periods last year, was mainly due to the impact of the change in the USD/NIS exchange rate on a NIS loan.
Financing expenses in respect of credit from Property & Building (*)	(19)	(13)	39.5%	(6)	(4)	23.6%	The increase in the first nine months and third quarter of 2019, relative to the corresponding periods last year, was due to the increase in the balance of debt, as a result of the accrual of interest.
Loss for the period (**)	(84)	(109)	(23.3%)	(55)	(9)	22.9%	

(*) Due to credit which was received from Property & Building in 2016 (for details, see Note 3.D.4. to the annual financial statements).

(**) Loss before financing effects in respect of the shareholder's loans which were provided by the Company and Property & Building in equal parts.

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

1. Board of Directors' Remarks Regarding the State of the Company's Affairs (Continued)**1.8 Contribution to the business results of the Company and of investee companies, by operating segment (Continued)****1.8.3 Clal Holdings Insurance Enterprises Segment**

The Company's share in the results of the Clal Holdings Insurance Enterprises segment in the third quarter of 2019 amounted to a loss of NIS 184 million, as compared with loss of NIS 527 million in the corresponding quarter last year. Following the transfer of the means of control in Clal Holdings Insurance Enterprises, which are held by the Company, to a trustee in August 2013, the results of Clal Holdings Insurance Enterprises, from the aforementioned date, are presented in accordance with the changes in the market value of the Company's holdings of the shares of Clal Holdings Insurance Enterprises .

For details regarding the market value of the shares of Clal Holdings Insurance Enterprises , which are owned by the Company, as of September 30, 2019, and proximate to the approval date of this report and regarding SWAP transactions which were executed and regarding the method of accounting treatment and the presentation of the investment in the statement of financial position, and the option given to third parties for the acquisition of shares of Clal Holdings Insurance Enterprises which are held by the Company, and which were realized subsequent to the date of the statement of financial position, see sections 4, 7 and 10 of Note 3.B. to the financial statements, and Note 3.B.4. to the annual financial statements.

For details regarding the main changes in the Clal Holdings Insurance Enterprises segment during the reporting period, see Note 3.B. to the financial statements.

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

1.9 Administrative, financing and other expenses, net

	First nine months of		Third quarter of		Explanation
	2019	2018	2019	2018	
	NIS millions		NIS millions		
Administration and other expenses, net:	(18)	(16)	(7)	(5)	In the third quarter of 2019, the Company recorded a provision of NIS 1 million for a burdensome contract in connection with its previous rent and related expenses vis-à-vis its previous premises in the Azrieli Center in Tel Aviv. In addition, in the third quarter and first nine months of 2019, there was an increase of NIS 1 million in consultation expenses, mainly in respect of the Company's financial position and in respect of a claim against the Company in connection with the sale of DIC to Dolphin IL. These expenses were offset by a decrease in the Company's salary expenses, mainly due to the cancellation of part of the share-based payment following the termination of the CEO's employment.
Financing income (expenses), net:	(89)	(203)	23	(62)	The shift from net financing expenses in the third quarter of 2018 to net financing income in the third quarter of 2019 and the decrease in net financing expenses in the first nine months of 2019 compared with the corresponding period last year were mainly due to: 1. A gain from the early redemption of debentures of NIS 69 million in the third quarter of 2019. For details, see Note 4.B to the financial statements. 2. The decrease in the company's debt and changes in the consumer price index * reduced the company's financing expenses by NIS 40 million and NIS 23 million in the first nine months of 2019 and in the third quarter of 2019, compared with the corresponding periods last year. 3. In the first nine months of 2019 and the third quarter of 2019, the Company recorded expenses of NIS 34 million and NIS 17 million for the cost of obtaining collateral for the Company's liabilities to Dolphin IL. This compares with NIS 24 million and NIS 9 million in the corresponding periods last year, respectively. The increase in said expenses was mainly due to the self-purchase of debentures (Series N). 4. In the first nine months of 2018 and in the third quarter of 2018, the Company recorded NIS 19 million and NIS 5 million, respectively, for a decrease in the value of the token (CLN). 5. In the first nine months of 2018 and in the third quarter of 2018, the Company recorded a profit of NIS 2 million and NIS 4 million, respectively, for an increase in the value of the swap transaction it made on DIC shares.
Total	(107)	(219)	16	(67)	

*During the first nine months of 2019 the known CPI increased by 0.5% compared with an increase of 1.1% in the corresponding period last year. During the third quarter of 2019, the known CPI decreased by 0.69% compared with an increase of 0.2% in the corresponding period last year.

2. Exposure to and Management of Market Risks

- 2.1 During the reporting period, no material changes occurred in the Company's exposure to and management of market risks, relative to the Company's reports on this subject in the Company's Board of Directors' Report for 2018.
The Company does not manage the risks of its investee companies.
- 2.2 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, in respect of the Company's reports on the subject in the Company's Board of Directors' Report for 2018.

3. Disclosure Requirements in Connection with the Corporation's Financial Report

- 3.1 Termination of employment of CEO, appointment of a CEO and approval of the terms of office and employment
In September 2019, Mr. Shulam Lapidot completed his term as CEO of the Company. The Company's Board of Directors approved of said, following the approval of the Company's Compensation Committee, the Board of Directors and the General Meeting of Shareholders, and following the recommendation of the Company's Search Committee (appointed by the Company's Board of Directors for this purpose) for Mr. Eran Sa'ar's appointment as CEO of the Company (at a position-status of 25%) as of December 12, 2019 as well as the terms of his tenure and employment. For details see Notes 4 H and I to the financial statements.
- 3.2 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 9 to the financial statements.
- 3.3 Reference by the Company's auditors
The auditors' review report includes a reference to the provisions of Note 1.B. to the financial statements regarding the Company's financial position, the Company's projections and plans that are based on economic assessments, and specifically, to the part relating to the Company's ability to repay its liabilities during the period as from 2022. As stated in the aforementioned note, the Company's ability to repay the balance of its debts when they come due, beginning in 2022, is dependent, inter alia, on factors which are not under its control, and mostly on the economic value of the debenture from Dolphin IL and on the cash flows therefrom until the conclusion date of the Company's liabilities towards its creditors.
- 3.4 Specific disclosure for the debenture holders
See Appendix B to the Board of Directors' Report.

Eduardo Elsztain
Chairman of the Board

Giora Inbar
External Director (*)

(*) On November 28, 2019, the Company's Board of Directors authorized Mr. Giora Inbar, who serves as external director of the Company, to sign this report, in lieu of the Company's CEO, who has not yet begun his term of office .

Tel Aviv, November 28 2019

Appendix A - Qualitative Reports Regarding the Exposure to and Management of Market Risks

Sensitivity tests in respect of market factors

Presented below are tables of sensitivity tests regarding the market value of sensitive financial instruments held by the Group.

The following tables should be read in light of the following remarks:

1. The specified instruments are not necessarily presented in the financial statements at fair value. The above pertains primarily to the Company's debentures.
2. Changes in exchange rates have an effect on both reported results and on the Company's capital as a result of the charging of translation differences, due to the translation of the financial statements of investee companies which are prepared in foreign currency.
3. As of September 30, 2019, the Company's assets include an investment in the debenture from Dolphin IL in the amount of NIS 927 million, which is measured at fair value (level 3) through profit and loss, and is presented in the Company's financial statements under non-current assets. For details regarding sensitivity analyses in respect of the debenture's fair value, see Note 6.B. to the financial statements.

A. Sensitivity tests as of September 30, 2019 (NIS millions)

Sensitivity test to changes in interest rates							
Instrument	Profit (loss) from the change			Fair value as of September 30, 2019	Profit (loss) from the change		
	Absolute interest rate increase of 2%	Interest rate increase of 10%	Interest rate increase of 5%		Interest rate decrease of 5%	Interest rate decrease of 10%	Absolute interest rate decrease of 2%
Debentures (including maturities)	59	63	32	(1,752)	(33)	(69)	(64)

Sensitivity test to changes in US Dollar exchange rate					
Instrument	Profit (loss) from the change		Fair value as of September 30, 2019	Profit (loss) from the change	
	Exchange rate increase of 10%	Exchange rate increase of 5%		Exchange rate decrease of 5%	Exchange rate decrease of 10%
Assets classified as held for sale	18	9	183	(9)	(18)
Other receivables	1	-	7	-	(1)
Cash and cash equivalents	-	-	1	-	-
Liabilities classified as held for sale	(41)	(20)	(407)	20	41
Other payables	-	-	(4)	-	-
Total	(22)	(11)	(220)	11	22

Sensitivity test to changes in the market prices of marketable securities					
Instrument	Profit (loss) from the change		Fair value as of September 30, 2019	Profit (loss) from the change	
	Price increase of 10%	Price increase of 5%		Price decrease of 5%	Price decrease of 10%
Investment in Clal Holdings Insurance Enterprises	89**	44**	1,032*	(44) **	(89) **

* Includes the value of the investment in Clal Holdings Insurance Enterprises, which is measured at fair value through profit and loss and presented in the Company's financial statements under assets held for sale, and the value of the shares on which swap transactions were executed (including the value of the underlying shares in the swap transaction, which is presented net under non-current liabilities). For details regarding the swap transactions which were executed, and the handling method thereof, see Note 3.B.7. to the financial statements and Note 3.B.4. to the annual financial statements.

** The profit (loss) from the change refers to the value of the aforementioned shares, in consideration of the option which the Company gave to a third party for the acquisition of approximately 5% of the share capital of Clal Holdings Insurance Enterprises as detailed in Note 3.B.4. to the financial statements. The option was realized subsequent to the date of the statement of financial position.

Appendix A - Qualitative Reports Regarding the Exposure to and Management of Market Risks (Continued)

Sensitivity tests in respect of market factors (Continued)

B. Sensitivity tests as of September 30, 2018 (NIS millions)

Sensitivity test to changes in interest rates							
Instrument	Profit (loss) from the change			Fair value as of September 30, 2018	Profit (loss) from the change		
	Absolute interest rate increase of 2%	Interest rate increase of 10%	Interest rate increase of 5%		Interest rate decrease of 5%	Interest rate decrease of 10%	Absolute interest rate decrease of 2%
Current investments, not including derivatives	(4)	(1)	-	57	-	1	4
Debentures (including maturities)	143	67	34	(2,877)	(34)	(70)	(158)
Total	139	66	34	(2,820)	(34)	(69)	(154)

Sensitivity test to changes in US Dollar exchange rate					
Instrument	Profit (loss) from the change		Fair value as of September 30, 2018	Profit (loss) from the change	
	Exchange rate increase of 10%	Exchange rate increase of 5%		Exchange rate decrease of 5%	Exchange rate decrease of 10%
Current investments, not including derivatives	4	2	40	(2)	(4)
Assets classified as held for sale	18	9	179	(9)	(18)
Cash and cash equivalents	8	4	77	(4)	(8)
Liabilities classified as held for sale	(27)	(14)	(271)	14	27
Total	3	1	25	(1)	(3)

Sensitivity test to changes in the prices of marketable securities on Israeli and foreign stock exchanges					
Instrument	Profit (loss) from the change		Fair value as of September 30, 2018	Profit (loss) from the change	
	Price increase of 10%	Price increase of 5%		Price decrease of 5%	Price decrease of 10%
Investment in marketable securities	219	110	*2,192	(110)	(219)

* Including an investment in the amount of NIS 2,084 million in Clal Holdings Insurance Enterprises, which is measured at fair value through profit and loss and presented in the Company's financial statement under assets held for sale (including shares on which swap transactions were executed).

Appendix A - Qualitative Reports Regarding the Exposure to and Management of Market Risks (Continued)

Sensitivity tests in respect of market factors (Continued)

C. Sensitivity tests as of December 31, 2018 (NIS millions)

Sensitivity test to changes in interest rates							
Instrument	Profit (loss) from the change			Fair value as of December 31, 2018	Profit (loss) from the change		
	Absolute interest rate increase of 2%	Interest rate increase of 10%	Interest rate increase of 5%		Interest rate decrease of 5%	Interest rate decrease of 10%	Absolute interest rate decrease of 2%
Debentures (including maturities)	93	77	39	(2,202)	(41)	(83)	(104)

Sensitivity test to changes in US Dollar exchange rate					
Instrument	Profit (loss) from the change		Fair value as of December 31, 2018	Profit (loss) from the change	
	Exchange rate increase of 10%	Exchange rate increase of 5%		Exchange rate decrease of 5%	Exchange rate decrease of 10%
Assets classified as held for sale	9	4	86	(4)	(9)
Cash and cash equivalents	-	-	1	-	-
Liabilities classified as held for sale	(23)	(12)	(234)	12	23
Total	(14)	(8)	(147)	8	14

Sensitivity test to changes in the prices of marketable securities on Israeli and foreign stock exchanges					
Instrument	Profit (loss) from the change		Fair value as of December 31, 2018	Profit (loss) from the change	
	Price increase of 10%	Price increase of 5%		Price decrease of 5%	Price decrease of 10%
Investment in Clal Holdings Insurance Enterprises	175	87	1,749*	(87)	(175)

* Includes the value of the investment in Clal Holdings Insurance Enterprises, which is measured at fair value through profit and loss and presented in the Company's financial statements under assets held for sale, and the value of the shares on which swap transactions were executed (including the value of the underlying shares in the swap transaction, which is presented net under non-current liabilities). For details regarding the swap transactions which were executed, and the handling method thereof, see Note 3.B.7. to the financial statements and Note 3.B.4. to the annual financial statements.

Appendix B - Financial Position and Financing Sources

Information regarding the Company's debentures

Presented below is a table specifying the Company's debenture series
Summary of data regarding debentures⁽¹⁾, NIS millions, as of September 30, 2019

Series	Original issuance date	Par value on the issuance date	Outstanding par value balance	Outstanding linked par value balance	Amount of interest accrued in the books	Carrying value of the debenture balance as of September 30, 2019	Material series ⁽²⁾	Market value	Interest rate (fixed)	Principal payment dates ⁽³⁾		Interest payment dates in each year	Linkage terms	Trust company - Name and address of person in charge and telephone number
										From	to			
I ⁽⁴⁾⁽⁵⁾	19/12/2006 24/06/2007* 30/03/2016*	547.5 440.2 138.4												
Total Series I ^{(10),(12),(13)}		1,126.1	880.7	1072.5	15.1	1056.1	Yes	591.0	4.95%	18/12/2020	18/12/2025	18/06, 18/12	CPI	Hermetic Trust (1975) Ltd. (As from April 11, 2013) Person in charge: Dan Avnon, Adv. Sheshet Hayamim St., Bnei Brak 5120261. Tel: 03-5544553
Total Series K ^{(6),(8)} (Original issuance date: August 3, 2016)		325.0	85.5	87.1	0.3	87.3	No	87.4	4.25%	In a single payment on November 28, 2019		28/2, 28/5, 28/8, 28/11	CPI	Reznik Paz Nevo Trustees Ltd. Person in charge: Yossi Reznik, C.P.A., 14 Yad Haroutzim St. Tel Aviv Tel: 03-6393311
Total Series M ^{(7),(8)} (Original issuance date: February 16, 2017)		1,060.0	392.0	392.0	1.9	392.4	Yes	390.5	5.40%	In a single payment on November 28, 2019		28/2, 28/5, 28/8, 28/11	Unlinked	Mishmeret Trust Company Ltd. Person in charge: Rami Sabato, C.P.A. 48 Menachem Begin Road, Tel Aviv Tel: 03-6374351
N ^{(8),(9),(10),(12),(13)}	24/7/2017 7/11/2017*	642.1 351.2												
Total Series N		993.3	934.5	934.5	-	933.0	Yes	682.9	5.00%	In a single payment on December 30, 2022		30/3, 30/6, 30/9, 30/12	Unlinked	Reznik Paz Nevo Trustees Ltd. Person in charge: Yossi Reznik, C.P.A., 14 Yad Haroutzim St. Tel Aviv Tel: 03-6393311
Total			2292.7	2486.1	17.3	2468.6								

* An extension was made to the aforementioned series on this date. The data in the table refer to the entire series, after all its extensions.

Appendix B - Financial Position and Financing Sources (Continued)

Information regarding the Company's debentures (Continued)

Summary of debenture data⁽¹⁾, NIS millions, as of September 30, 2019 (Continued)

Remarks:

- (1) As of September 30, 2019, and as of the publication date of the report, the Company has fulfilled and currently fulfills all of the terms and undertakings in accordance with the trust deeds for the debentures, and conditions which would give rise to grounds for requiring the immediate repayment of the liability certificates have not been fulfilled. For details regarding financial restrictions and covenants and grounds for demanding the immediate repayment of the debentures, see Note 4.B.5. to the financial statements.
- (2) A material series is a series which comprises 5% or more of the Company's total liabilities.
- (3) Annual payments.
- (4) Until January 2019, NIS 106.9 million par value was held by a wholly-owned subsidiary. In January 2019, the aforementioned debentures were transferred to the Company, and were delisted from trading on the stock exchange.
- (5) In August 2009, NIS 230 million par value of Series G (fully repaid) and NIS 6.5 million par value of Series I were exchanged for NIS 274.1 million par value of Series J (fully repaid).
- (6) The debentures (Series K) are secured by a charge on the shares of Clal Holdings Insurance Enterprises, as stated in section 1.4.4.3.5 above. For details regarding the information which is required in respect of Clal Holdings Insurance Enterprises, see also the current reports of Clal Holdings Insurance Enterprises on the MAGNA website. On November 1, 2016, the Company executed a partial early redemption of the debentures. For additional details, see Note 8.B.1. to the annual financial statements. On November 28 2019, final approval of the debentures was executed.
- (7) On February 16, 2017, the Company issued debentures (Series M) which are secured by a charge on the right to receive the entire consideration, in cash and in kind, which will result for the Company from the 27,583,104 shares of Clal Holdings Insurance Enterprises which it owns. In accordance with resolutions which were passed by the Company's Board of Directors, the Company repaid, through prepayment, in May 2017, May 2018, November 2018, February 2019 and May 2019, a total of 136 million par value, 129.6 million par value, 138.6 million par value, 129.5 million par value and 134.3 million par value, respectively. For details regarding the debentures (Series M) and the prepayments, see Note 8.B.2. to the annual financial statements, and Notes 4.B.1. and 4.B.2. to the financial statements. The balance of the shares, where the right to receive their consideration is charged in favor of this series, as of September 30, 2019 amounts to 5,765,008 par value and proximate to the publication date of the financial statements amounts to 3,810,746 shares.
For details regarding the information which is required in respect of Clal Holdings Insurance Enterprises, see also the current reports of Clal Holdings Insurance Enterprises on the MAGNA website. Final repayment of the debentures was executed on November 28 2019.
- (8) The Company has the right of early redemption in respect of the debentures.
- (9) On July 24, 2017, the Company issued debentures (Series N) which are secured by a charge on 60,370,493 DIC shares. On November 7, 2017, the Company issued, by way of a series extension, an additional approximately 351.2 million par value. Against this extension, and against the release of the dividend funds which were received from DIC in respect of the charge DIC shares, the Company charged an additional 38,882,215 DIC shares. For details regarding the sale of the Company's entire stake in DIC to a company owned by the controlling shareholder in November 2017, see Note 3.A. to the annual financial statements. Proximate to the publication date of this report, 99,258,708 shares of DIC and 58,066,344 debentures (Series I) of the Company are charged in favor of the debenture holders (Series N), which are held by Dolphin IL (additional shares of DIC and additional debentures (Series I) of the Company are charged, through lower-ranking charges, in favor of all of the debenture holders). For additional details, see Note 3.A. to the annual financial statements and section 1.4.4.3.5 above. For details regarding the information that is required in respect of DIC, see also DIC's current reports on the MAGNA website.
- (10) For details regarding the purchase of debentures (Series I) and debentures (Series N), which were purchased by DIC (a corporation controlled by the Company's controlling shareholder), and regarding the distribution of most of the acquisitions of the debentures (Series I) as a payment in kind dividend, see Note 17.D.(1) to the annual financial statements, and Note 3.A.2. to the financial statements. For details of the acquisition of the debentures (Series I and N) by the Company in the third quarter of 2019, see Notes 3.B.5 and 4.B.3 to the financial statements.
For details about the purchase of Series I and N by the Company in the fourth quarter of 2019, subsequent to the date of the statement of financial position, see Note 3.B.10.B of the financial statements.
- (11) For details regarding a petition which was filed by the trustee for the holders of the Company's debentures (Series I) (the "Trustee (Series I)"), on April 30, 2019, after a resolution was passed in the meeting of debenture holders (Series I), against the Director of the Capital Market, Insurance and Savings Authority (the "Commissioner"), the trustee for the Company's holdings in Clal Holdings Insurance Enterprises (the "Trustee") and the Company (with the trustees for the Company's other debenture series being added as formal respondents), in which the trustee for the debentures (Series I) requested, *inter alia*, that the Commissioner and the trustee be ordered to suspend the sale of shares of Clal Holdings Insurance Enterprises (the "Petition"), and the striking thereof by the Court, at the request of the trustee for the debentures (Series I). See Immediate Reports released by the Company (reference number 2019-01-041710 dated May 1, 2019, and reference number 2019-01-044632 dated May 7, 2019). It should be noted, in connection with the petition, that the holders of the Company's debentures (Series M) held a meeting for discussion and consultation purposes.

Appendix B - Financial Position and Financing Sources (Continued)

- (12) On July 9, 2019, each of the meetings of the debenture holders (Series I and Series N) resolved to appoint a representation for each series, and to appoint a legal advisor and economic consultant for each representation. For details, see Note 4.B.6. to the financial statements.
- For details regarding the resolutions which were passed in the meetings of the debenture holders (Series I and Series N) on the issues specified below, see the Company's immediate reports:
- A resolution of the meeting of the debenture holders (Series I) regarding the election of several representatives to serve in the representation, the identity of the representation members, and restrictions on professional fees for the economic consultant and legal advisor - immediate report dated July 17, 2019; Reference number 2019-01-073828.
 - A resolution of the meeting of the debenture holders (Series I) to appoint Fischer Behar Chen Well Orion & Co. Law Office as the legal advisor, and Professor Aharoni (Roni) Ofer-Digar Economic and Financial Consulting Ltd. as the economic consultant - immediate report dated July 23, 2019; Reference number 2019-10-063816.
 - A resolution of the meeting of the debenture holders (Series N) to appoint Omer Sarbinski, CPA and Itzhak Idan, CPA as members of the representation and as economic consultants; and to appoint Erdinast, Ben Nathan, Toledano & Co. - through the attorneys Raanan Kalir and Alon Binyamini, as legal advisor - immediate report dated July 29, 2019; Reference number 2019-10-065643.
- (13) On August 31, 2019, the Company published a Letter of Undertaking to the holders of the bonds, and an undertaking of the Company, insofar as it will make self-purchases, to carry out purchase and balancing operations, as they are defined in the Letter of Undertaking. For details, see note 4.B.9 of the financial statements and immediate report, ref. no. 2019-01-091144.
- On October 24, 2019, subsequent to the date of the statement of financial position, the Company issued a letter of pledge to the debenture holders, which was approved by the Company's Board of Directors. The letter of pledge relates primarily to the Company's obligation to notify the debenture holders in advance of certain steps. For details see the Immediate Report, Reference Number 2019-01-090588. Thereafter, on November 16 2019, the Company published an update of the said Letter of Undertaking. For details see Immediate Report, Reference Number 2019-01-098391.
- (14) For details of the issuance of a new series of debentures (Series O) during November 2019, subsequent to the date of the statement of financial position, see Note 4.B.10.A to the financial statements.

Appendix B - Financial Position and Financing Sources (Continued)**Details regarding debenture ratings**

Series	Name rating company	Rating as of 30.9.19	Rating as of 28.11.19	Rating determined on the set issuance date	Date of ra issuance as 28.11.19*	Additional ratings and updates to existing ratings during the period between the original issuance date and the current rating as of 28.11.19	
						Date	Rating
I	Maalot	CC	CC	AA	27.6.2019	18.6.2007, 29.7.2009, 3.1.2011, 3.10.2011, 2.11.2011, 3.5.2012, 19.9.2012, 17.1.2013, 2.5.2013, 4.6.2013, 17.6.2013, 6.7.2014, 20.1.2015, 26.2.2015, 1.1.2016, 29.3.2016, 26.2.2017, 9.8.2018, 18.4.2019	AA, A+, A- BBB+, BB, B, BBB-, CC, D, CCC BB-

* On April 18, 2019, Maalot announced that it was reducing the Company's rating to BB-, negative outlook.

The updated rating report was published by the Company in an immediate report on April 18, 2019 (reference number 2019-01-036732).

On June 27, 2019, Maalot announced, due to the increased risk of insolvency, that it was reducing the Company's rating to CCC, negative rating outlook. Maalot reduced the rating of the debentures (Series I), which are unsecured, to a rating of CC. The updated rating report was published by the Company in an immediate report on June 27, 2019 (reference number 2019-01-064822).

Appendix C

**Details Regarding Economic Papers and Valuations
in Accordance with Regulation 49(A) of the
Securities Regulations (Periodic and Immediate
Reports), 5730-1970 [“Regulation 49(A) of the
Reporting Regulations”]**

Details regarding an economic paper as of September 30, 2019, regarding the fair value of the debenture which was received by the Company within the framework of the transaction for the sale of its holdings in DIC to a company controlled by the controlling shareholder (the “Buyer”) [Regulation 49(A) the Reporting Regulations]:

The aforementioned economic paper is attached to the Company’s financial statements. See also Note 3.A.2. to the annual financial statements and Notes 3.A. and 6 to the financial statements.

Presented below are details regarding the valuation:

- A. Identity of the valuation subject - the fair value of the debenture which was received by the Company within the framework of the transaction for the sale of its holdings in DIC to the buyer on September 30, 2019.
- B. Date of the valuation - September 30, 2019;
- C. Value of the valuation subject in the Company’s books shortly before the valuation - the estimated fair value of the debenture as of December 31, 2018, and as of June 30, 2019, was estimated at NIS 1,203 million and NIS 901 million, respectively.
- D. Value of the valuation subject - the fair value of the debenture as of September 30, 2019, was estimated at NIS 927 million.
- E. Identity and characteristics of the appraiser - Fair Value Ltd. is a private company specialized in the performance of complex professional valuations, economic consulting projects and appraisal of equipment and machines, including projects for accounting purposes. There is no dependence between the appraiser and the party that ordered the paper, the Company. The contractual agreement with the appraiser includes an undertaking by Discount Investment to indemnify the appraiser in respect of any amount which the appraiser may incur in a ruling given in favor of a third party, as well as any reasonable direct legal expenses which it may incur in connection with the valuation, above an amount equal to 3 times the consideration which is paid to the appraiser as part of the engagement with it, save in the event that the appraiser has acted with gross negligence or malice.
- F. Valuation model used by the appraiser -
The value of the convertible subordinated loan was determined using a correlative Monte Carlo model. The Monte Carlo model is an algorithmic model which is used to solve calculation problems by running stochastic parameters through a large number of global situations, and the performance of calculations on the various scenarios which were obtained.

For the purpose of calculating the various scenarios, simulations were prepared regarding the future value of DIC’s holdings, and the fair value of the Company’s holdings, in order to assess the ability to actually repay the debenture and the impact of these values on insolvency situations, both of the Company and of the buyer.

Use was also made of the Merton model, in order to estimate the future value of the debenture at different dates and in different scenarios, in order to assess natural situations of early repayment, both by the buyer and by the Company.

- G. Assumptions used to prepare the paper:
 1. The threshold ratio and/or insolvency trigger were determined based on a VTL ratio of 90%.
 2. Fire sale discount rate of 10% for the assets of Dolphin IL.
 3. Discount rate in respect of the sale of a block for realizations which are not part of an insolvency event - 10%.

Details regarding an economic paper on the subject of the fair value of subordinated loans convertible to shares, as of September 30, 2019 and September 3, 2019 [Regulation 49(A) the Reporting Regulations]:

The aforementioned economic paper is attached to the Company's financial statements. See also Note 7.C. to the annual financial statements and Notes 4.A. and 6 to the financial statements.

Presented below are details regarding the valuation:

- A. Identity of the valuation subject – the fair value of the subordinate loans convertible into shares granted to the Company by the controlling shareholder as of September 30, 2019; and the fair value of a subordinated convertible loan of NIS 70 million granted to the Company by the controlling shareholder on September 3, 2019.
- B. Date of the valuation – September 30, 2019;
- C. Value of the valuation subject in the Company's books proximate to the valuation date - the estimated fair value of the convertible subordinated loans as of December 31, 2018, and June 30, 2019, was estimated at NIS 529 million and NIS 223 million, respectively.
- D. Value of the valuation subject - the estimated fair value of the convertible subordinated loans as of September 30, 2019, was estimated at NIS 115 million. The fair value of the subordinated loan granted to the Company on September 3, 2019 is estimated at NIS 6 million.
- E. Identity and characteristics of the appraiser - Fair Value Ltd. is a private company specialized in the performance of complex professional valuations, economic consulting projects and appraisal of equipment and machines, including projects for accounting purposes. There is no dependence between the appraiser and the party ordering the paper, the Company. The contractual agreement with the appraiser includes an undertaking by Discount Investment to indemnify the appraiser in respect of any amount which the appraiser may incur in a ruling given in favor of a third party, as well as any reasonable direct legal expenses which it may incur in connection with the valuation, above an amount equal to 3 times the consideration which is paid to the appraiser as part of the engagement with it, save in the event that the appraiser has acted with gross negligence or malice.
- F. Valuation model used by the appraiser -
The value of the convertible subordinated loans was determined using the Monte Carlo model, which is an algorithmic model for solving calculation problems by running stochastic parameters through a large number of global scenarios, and performing calculations on the various scenarios which are obtained. The indication regarding the calculation of the underlying asset was estimated based on market indications in respect of the Company's assets and liabilities, less the effect of fire sale factors and the probability of insolvency, as calculated based on market data, and less a discount in respect of the non-marketability of a block, and based on qualitative indicators that were received from Company management.
- G. Assumptions used to prepare the paper:
 1. Annual default probability rate - approximately 52%.
 2. Fire sale factor in case of insolvency - 10%-25%.
 3. Non-marketability factor - approximately 4%-5%.

Details on an economic paper as of March 31, 2019 and September 30, 2019, which the Company received regarding the economic valuation of a commercial and office project in Las Vegas, USA (the “Tivoli project”) which is owned by Great Wash Park LLC (“GW”), an investee company of IDBG, which is held (50%) by the Company: [Regulation 49(A) of the Reporting Regulations].

Said valuation reports are attached to the Company’s financial statements by way of reference to the financial statements of Property & Building Corporation Ltd. For details, see also Note 3.D.1. to the financial statements.

Presented below are the main details of the economic paper:

- A. Identity of the subject under valuation - the Tivoli project;
- B. Date of the valuation - March 31, 2019 and September 30, 2019;
- C. Value of the subject of the valuation in the books of Great Wash Park LLC (“GW”) as of March 31, 2019 and September 30, 2019 , before the valuation was prepared - \$ 250 million and \$248 million, respectively. ;
- D. Value of the subject of the valuation, as determined in the valuation - as of March 31, 2019 - \$248 million and as of September 30, 2019 - NIS 237 million. As a result, the Company recorded, in the first and third quarters of 2019, its share in the amortization in the amount of NIS 3 million and NIS 19 million, respectively. The amortization was included under the item for the Group’s share in the loss of investee companies treated at equity, net.
- E. Identity and characteristics of the appraiser - Cushman & Wakefield (for additional details, see Appendix E to the valuation). There is no dependence between the appraiser and the companies who ordered the valuations.
- F. Primary valuation model used by the appraiser –
Revenue-generating property - discounted cash flows (DCF);
Real estate - comparative approach;
- G. Assumptions used to prepare the valuation:

	March 31, 2019	September 30, 2019
1. NOI, per representative year (third year)	\$ 15 million	\$ 15 million
2. Annual discount rates for the income-producing portion - Triad A and Triad B: For NOI projected for the first 12 years and the expected proceeds from the realization of the asset at the end of the 12th year (Discount Rate)	8.5% 6.5%	8.5% 6.5%
3. Terminal value of total value, as estimated	56.6%	57.0%



IDB Development Corporation Ltd.

Part B - Financial Statements

IDB Development Corporation Ltd.

Part C - Condensed Consolidated Interim Financial Statements

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Auditors' Review Report to the Shareholders of IDB Development Corporation Ltd.

Introduction

We have reviewed the attached financial information of IDB Development Corporation Ltd. and its subsidiaries (hereinafter: the "Group"), which includes the condensed consolidated statement of financial position as of September 30, 2019, as well as the condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine-month and three-month periods then ended. The Board of Directors and management are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting", and are also responsible for compiling the financial information for these interim periods in accordance with Chapter IV of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, insofar as these regulations apply to consolidated companies that are insurance companies. Our responsibility is to express a conclusion regarding the financial information for these interim periods, based on our review.

We have not reviewed the condensed interim financial information of investee companies treated at equity, the investment in which totaled approximately NIS 14 million as of September 30, 2019, and where the Group's share in their losses amounted to approximately NIS 1 million and approximately NIS 0.5 million for the nine-month and three-month periods then ended, respectively. We have also not reviewed the condensed interim financial information of a subsidiary which was included in the financial statements as a discontinued operation, where the total assets in respect thereof, as of September 30, 2019, amount to NIS 891 million, and where the income (loss) from discontinued operations after tax in respect thereof amounts to NIS (1) million and NIS 7 million for the nine-month and three-month periods then ended, respectively. The interim condensed 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 in respect 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 Review Standard 1 of the Institute of Certified Public Accountants in Israel, "Review of Financial Information for Interim Periods Prepared by the Entity's Auditor." A review of interim financial information consists of inquiries, mainly with the people responsible for financial and accounting matters, and of the application of analytical and other review procedures. This review is significantly limited in scope compared to an audit prepared according to generally accepted Israeli auditing standards, and therefore does not allow us to achieve certainty that we are aware of all material issues that may have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

In addition to that stated in the preceding paragraph, 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 is not compliant, in all material respects, with the disclosure provisions of Chapter IV of the Securities Law Regulations (Periodic and Immediate Reports), 5730-1970.

Without qualifying our conclusion, we hereby draw attention to what is stated in Note 1.B. to the financial statements regarding the financial position of the company, the company's projections and plans that are based on economic valuations, and specifically, to the part relating to the Company's ability to service its liabilities during the period beginning in 2022. As stated in that note, the Company's ability to repay the balance of its debts when they come due, beginning in 2022, is dependent, *inter alia*, on factors which are not under its control and mostly on the economic value of the debenture from Dolphin IL, and on the cash flows therefrom until the conclusion date of the Company's liabilities towards its creditors.

Tel Aviv,
November 28, 2019

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

Condensed Consolidated Interim Statements of Financial Position as of

		September 30 2019	September 30 2018	December 31 2018
	Note	NIS millions		
Non-current assets				
Debenture from Dolphin IL	3 A	927	1,341	1,203
Cost of obtaining collateral for the Company's liabilities from Dolphin IL		131	173	165
Investments in investee companies treated at equity		22	207	204
Financial assets presented at fair value		27	27	27
Other assets		2	5	2
Charged deposits		116	208	264
Use rights assets	2 E 2	7	-	-
Fixed assets		1	1	1
Assets classified as held for sale:				
Value of shares of Clal Holdings Insurance Enterprises in swap transactions		-	569	292
Investments in shares of Clal Holdings Insurance Enterprises		-	566	303
		1,233	3,097	2,461
Current assets				
Restricted and charged deposits		427	398	357
Financial assets presented at fair value		3	205	3
Swap transactions on shares of DIC		-	4	-
Other receivables		9	3	3
Assets classified as held for sale:				
Value of shares of Clal Holdings Insurance Enterprises in swap transactions		437	380	438
Investments in shares of Clal Holdings Insurance Enterprises		449	569	570
Assets of IDB Tourism		891	705	664
Cash and cash equivalents		33	178	49
		2,249	2,442	2,084
Total assets		3,482	5,539	4,545

The notes attached to the condensed consolidated interim financial statements constitute an integral part hereof.

		September 30 2019	September 30 2018	December 31 2018
		(Unaudited)	(Unaudited)	(Audited)
	Note	NIS millions		
Capital (capital deficit)				
Premium on shares		3,262	3,262	3,262
Other capital reserves		959	1,015	593
Accumulated losses		(4,630)	(3,860)	(4,085)
Capital (capital deficit) attributed to shareholders in the Company		(409)	417	(230)
Non-controlling interests		9	1	(1)
		(400)	418	(231)
Non-current liabilities				
Debentures		1,974	2,649	2,177
Liabilities to banks in connection with swap transactions ⁽¹⁾		-	493	325
Liabilities in respect of leases		6	-	-
Convertible subordinated loans from the controlling shareholder		115	629	529
Swap transaction on shares of Clal Holdings Insurance Enterprises		31	-	32
		2,126	3,771	3,063
Current liabilities				
Current maturities of debentures		478	501	737
Liabilities to banks in connection with swap transactions ⁽¹⁾		497	316	486
Swap transactions on DIC shares		-	-	6
Derivative financial instruments	3 B 4	40	-	-
Other payables		43	52	30
Provisions		2	2	2
Liabilities classified as held for sale - IDB Tourism		696	479	452
		1,756	1,350	1,713
Total capital and liabilities		3,482	5,539	4,545

⁽¹⁾ Swap transactions which were executed in respect of shares of Clal Holdings Insurance Enterprises.

Eduardo Elsztain
Chairman of the Board

Giora Inbar
External Director (*)

Gil Kotler
CFO

(*) On November 28, 2019, the Company's Board of Directors authorized Mr. Giora Inbar, who serves as external director of the Company, to sign the financial statements in lieu of the Company's CEO, who had not yet begun his term of office

Approval date of the financial statements: November 28, 2019

Condensed Consolidated Interim Statements of Income

		For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
		2019	2018	2019	2018	2018
		(Unaudited)		(Unaudited)		(Audited)
	Note	NIS millions				
Income						
Financing income	7.A	198	5	98	113	540
		198	5	98	113	540
Expenses						
The Group's share in the loss of investee companies treated at equity, net		49	55	27	4	71
General and administrative expenses		16	16	7	5	23
Financing expenses	7.B	436	399	50	497	603
		503	470	84	506	697
Profit (loss) for the period from continuing operations						
		(305)	(465)	14	(393)	(157)
Profit (loss) for the period from discontinued operations, after tax		(106)	227	(177)	579	(307)
Net profit (loss) for the period		<u>(411)</u>	<u>(238)</u>	<u>(163)</u>	<u>186</u>	<u>(464)</u>
Net profit (loss) for the period attributed to:						
The Company's shareholders		(416)	(241)	(164)	186	(465)
Non-controlling interests		5	3	1	-	1
		<u>(411)</u>	<u>(238)</u>	<u>(163)</u>	<u>186</u>	<u>(464)</u>

The notes attached to the condensed consolidated interim financial statements constitute an integral part hereof.

Condensed Consolidated Interim Statements of Comprehensive Income

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2019	2018	2019	2018	2018
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
Net income (loss) for the period	(411)	(238)	(163)	186	(464)
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	(19)	9	(7)	(1)	14
Effective part in changes to the fair value of cash flow hedging	(1)	(2)	-	(4)	-
Net change in the fair value of cash flow hedging, carried to profit and loss	-	-	-	-	(3)
The Group's share in other comprehensive income (loss) in respect of investee companies treated at equity	(4)	12	(1)	(1)	19
Total other comprehensive income (loss) after initial recognition under comprehensive income which has been transferred or will be transferred to profit and loss	(24)	19	(8)	(6)	30
Components of other comprehensive income (loss) which will not be transferred to profit and loss, net of tax					
Net change in the fair value of the subordinated loans, attributed to changes in credit risk	327	(105)	117	78	(538)
Actuarial losses in defined benefit plan	-	-	-	-	(1)
Total other comprehensive income (loss) which will not be transferred to profit and loss	327	(105)	117	78	(539)
Total other comprehensive income (loss) for the period, net of tax	303	(86)	109	72	(509)
Total comprehensive income (loss) for the period	(108)	(324)	(54)	258	(973)
Attributed to:					
The Company's shareholders	(113)	(327)	(55)	258	(974)
Non-controlling interests	5	3	1	-	1
Comprehensive income (loss) for the period	(108)	(324)	(54)	258	(973)
Comprehensive income (loss) for the period attributed to Company shareholders, due to:					
Continuing operations	18	(558)	129	(316)	(676)
Discontinued operations	(131)	231	(184)	574	(298)
	(113)	(327)	(55)	258	(974)

The notes attached to the condensed consolidated interim financial statements constitute an integral part hereof.

Condensed Consolidated Interim Statements of Changes in Equity

	Attributed to the Company's shareholders										
	Premium on shares	Other reserves	Reserves in respect of transactions with non-controlling interests	Reserves from translation differences	Hedging reserves	Capital reserve in respect of fair value changes of the subordinated loans, which is attributed to changes in credit risk	Controlling shareholders reserves	Accumulated loss	Total capital (capital deficit) attributed to shareholders in the Company	Non-controlling interests	Total capital
	NIS millions										
For the nine months ended September 30, 2019											
(Unaudited)											
Balance as of January 1, 2019	3,262	270	(117)	22	(1)	(433)	852	(4,085)	(230)	(1)	(231)
Initial adoption of the amendment to IAS 28 (see Note 2.E.1. below).	-	-	-	-	-	-	-	(129)	(129)	-	(129)
Income (loss) for the period	-	-	-	-	-	-	-	(416)	(416)	5	(411)
Other comprehensive income (loss) for the period	-	-	-	(23)	(1)	327	-	-	303	-	303
Transactions with shareholders reflected directly in equity and distributions to shareholders											
Subordinate loan from the controlling shareholder – receipt (see Note 4.A.2 below)							64		64		64
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(2)	(2)
Rights that do not confer control - business combination										6	6
Acquisition of rights in consolidated company from non-controlling interests	-	-	(1)	-	-	-	-	-	(1)	1	-
Balance as of September 30, 2019	3,262	270	(118)	1	(2)	(106)	916	(4,630)	(409)	92	(400)
For the nine months ended September 30, 2018											
(Unaudited)											
Balance as of January 1, 2018	3,262	270	(117)	(11)	2	-	852	(3,528)	730	1	731
Initial adoption of the final version of IFRS 9	-	-	-	-	-	105	-	(105)	-	-	-
Net income (loss) for the period	-	-	-	-	-	-	-	(241)	(241)	3	(236)
Other comprehensive income (loss) for the period	-	-	-	21	(2)	(105)	-	-	(86)	-	(86)
Transactions with shareholders reflected directly in equity and distributions to shareholders											
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(2)	(2)
Rights that do not confer control - business combination										(1)	(1)
Receipts in respect of settlement regarding claim	-	-	-	-	-	-	-	14	14	-	14
Balance as of September 30, 2018	3,262	270	(117)	10	-	-	852	(3,860)	417	1	418

The notes attached to the condensed consolidated interim financial statements constitute an integral part hereof.

Condensed Consolidated Statements of Changes in Equity (Continued)

	Attributed to the Company's shareholders										
	Premium on shares	Other reserves	Reserves in respect of transactions with non- controlling interests	Reserves from translation differences	Hedging reserves	Capital reserve in respect of fair value changes of the subordinat ed loans, which is attributed to changes in credit risk	Controlling shareholders reserves	Accumulated loss	Total capital (capital deficit) attributed to shareholders in the Company	Non- controlling interests	Total capital
	NIS millions										
For the three months ended September 30, 2019											
(Unaudited)											
Balance as of July 1, 2019	3,262	270	(118)	7	(2)	(223)	852	(4,466)	(418)	2	(416)
Net income (loss) for the period	-	-	-	-	-	-	-	(164)	(416)	1	(163)
Other comprehensive loss for the period	-	-	-	(8)	-	117	-	-	109	-	109
Transactions with shareholders reflected directly in equity and distributions to shareholders											
Subordinate loan from the controlling shareholder – receipt (see Note 4.A.2 below)	-	-	-	-	-	-	64	-	64	-	64
Rights that do not confer control - business combination	-	-	-	-	-	-	-	-	(1)	6	6
Balance as of September 30, 2019	<u>3,262</u>	<u>270</u>	<u>(118)</u>	<u>(1)</u>	<u>(2)</u>	<u>(106)</u>	<u>916</u>	<u>(4,630)</u>	<u>(409)</u>	<u>9</u>	<u>(400)</u>
For the three months ended September 30, 2018											
(Unaudited)											
Balance as of July 1, 2018	3,262	270	(117)	12	4	(78)	852	(4046)	159	3	162
Income for the period	-	-	-	-	-	-	-	186	186		186
Other comprehensive income (loss) for the period	-	-	-	(2)	(4)	78	-	-	72		72
Dividend-rights that do not confer control										(1)	(1)
Rights that do not confer control - business combination										(1)	(1)
Balance as of September 30, 2018	<u>3,262</u>	<u>270</u>	<u>(117)</u>	<u>10</u>		<u>-</u>	<u>852</u>	<u>(3,860)</u>	<u>417</u>	<u>1</u>	<u>418</u>

The notes attached to the condensed consolidated interim financial statements constitute an integral part hereof.

Condensed Consolidated Statements of Changes in Equity (Continued)

	Attributed to the Company's shareholders									Non-controlling interests	Total capital
	Premium on shares	Other reserves	Reserves in respect of transactions with non-controlling interests	Reserves from translation differences	Hedging reserves	Capital reserve in respect of fair value changes of the subordinated loans, which is attributed to changes in credit risk	Controlling shareholders reserves	Accumulated loss	Total capital (capital deficit) attributed to shareholder s in the Company		
	NIS millions										
For the year ended December 31, 2018 (audited)											
Balance as of January 1, 2018	3,262	270	(117)	(11)	2	-	852	(3,528)	730	1	731
Initial adoption of the final version of IFRS 9	-	-	-	-	-	105	-	(105)	-	-	-
Net income (loss) for the year	-	-	-	-	-	-	-	(465)	(465)	1	(464)
Other comprehensive income (loss) for the year	-	-	-	33	(3)	(538)	-	(1)	(509)	-	(509)
Transactions with shareholders carried directly to equity and distributions											
Dividend distributions to non-controlling interests	-	-	-	-	-	-	-	-	-	(2)	(2)
Non-controlling interests in respect of business combination	-	-	-	-	-	-	-	-	-	(1)	(1)
Receipts in respect of settlement	-	-	-	-	-	-	-	14	14	-	14
Balance as of December 31, 2018	<u>3,262</u>	<u>270</u>	<u>(117)</u>	<u>22</u>	<u>(1)</u>	<u>(433)</u>	<u>852</u>	<u>(4,085)</u>	<u>(230)</u>	<u>(1)</u>	<u>(231)</u>

The notes attached to the condensed consolidated interim financial statements constitute an integral part hereof.

Condensed Consolidated Interim Statements of Cash Flows

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2019	2018	2019	2018	2018
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
Cash flows from operating activities					
Net profit (loss) for the period	(411)	(238)	(163)	186	(464)
Profit (loss) from discontinued operations, after tax	106	(227)	177	(579)	307
Profit (loss) from continuing operations	(305)	(465)	14	(393)	(157)
Adjustments:					
The Group's share in the loss of investee companies treated at equity, net	49	55	27	4	71
Financing costs, net	238	394	(48)	384	63
Tax refund received	-	-	-	-	1
	287	449	(21)	388	135
	(18)	(16)	(7)	(5)	(22)
Changes in other balance sheet items					
Change in other receivables	(6)	-	1	1	-
Change in other payables	(5)	(5)	(3)	(1)	(9)
	(11)	(5)	(2)	-	(9)
Net cash used in continuing operating activities	(29)	(21)	(9)	(5)	(31)
Net cash arising from discontinued operating activities	86	75	63	50	58
Net cash arising from operating activities	57	54	54	45	27
Cash flows from investing activities					
Net gain from sale of current investments in financial assets presented at fair value	-	122	-	89	325
Decrease (increase) in charged and restricted deposits, net	78	(462)	(99)	(26)	(476)
Repayment of loan from investee company treated at equity	1	-	-	-	-
Payment in respect of settlement of swap transaction on DIC shares	(6)	-	-	-	-
Investment in investee companies treated at equity	(1)	(6)	-	-	(11)
Interest received	(1)34	5	(1)2	2	5
Net cash arising from (used in) continuing investing activities	106	(341)	(97)	65	(157)
Net cash arising from (used in) discontinued investing activities ⁽²⁾	224	461	(9)	161	469
Net cash arising from (used in) investing activities	330	120	(106)	226	312

⁽¹⁾ Interest received in respect of the debenture from Dolphin IL in the first nine months and the third quarter of 2019 - NIS 34 million and NIS 2 million, respectively.

⁽²⁾ Includes amounts that were received from the sale of shares of Clal Holdings Insurance Enterprises, as detailed below: in the first nine months of 2019 - a total of NIS 259 million in the first nine months and third quarter of 2018 - NIS 499 million and NIS 173 million, respectively, and in 2018 - NIS 503 million. For details, see Notes 3.B.2 and 3.B.4 below.

⁽³⁾

The notes attached to the condensed consolidated interim financial statements constitute an integral part hereof.

Condensed Consolidated Interim Statements of Cash Flows (Continued)

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2019	2018	2019	2018	2018
	(Unaudited)		(Unaudited)		(Audited)
			NIS millions		
Cash flows for financing activities					
Subordinate loan from the controlling shareholder - receipt	70	-	70	-	-
Repayment of non-current financial liabilities	(264)	(458)	-	(129)	(700)
Interest paid	(95)	(127)	(18)	(43)	(191)
Receipts from settlement regarding claim	-	14	-	-	14
Net cash arising from (used for) continuing financing activities	(289)	(571)	52	(172)	(877)
Net cash used for discontinued financing activities	(121)	(11)	(48)	(23)	(8)
Net cash arising from (used for) financing activities	(410)	(582)	4	(195)	(885)
Change in cash and cash equivalents from continuing operations	(212)	(933)	(54)	(112)	(1,065)
Change in cash and cash equivalents from discontinued operations	189	525	6	188	519
Change in cash and cash equivalents from continuing and discontinued operations	(23)	(408)	(48)	76	(546)
Balance of cash and cash equivalents at start of period	49	624	101	124	624
Effects of fluctuations in exchange rates on balances of cash and cash equivalents from continuing operations	-	2	-	-	6
Effects of fluctuations in exchange rates on balances of cash and cash equivalents from discontinued operations	(4)	2	(2)	(1)	1
Effects of fluctuations in exchange rates on balances of cash and cash equivalents	(4)	4	(2)	(1)	7
Change in the balance of cash presented under held for sale assets	11	(42)	(18)	(21)	(36)
Balance of cash and cash equivalents at end of period	33	178	33	178	49

The notes attached to the condensed consolidated interim financial statements constitute an integral part hereof.

Notes to the Condensed Consolidated Interim Financial Statements as of September 30, 2019

Unaudited

Note 1 - General

A. IDB Development Corporation Ltd. (the “Company”) is a company registered in Israel and incorporated in Israel, and its official address is To-Ha Tower, 114 Yigal Alon Street, 27th Floor, Tel Aviv. In recent years, the Company has worked to stabilize and improve its financial position and liquidity, and as part of the above, it has placed a particular emphasis on the evaluation of various financing alternatives, including the execution of recruitments of equity and debt (including the receipt of subordinated loans), the issuance of debentures, *inter alia*, for the purpose of refinancing debts and servicing its debts to its financial creditors, and to finance its operating activities; and the dedication of managerial efforts to private companies which are directly held by the Company, including the evaluation of various possibilities for optimizing and improving the performance of investee companies, *inter alia*, with the aim of maximizing their value.

On April 3, 2016, upon the completion of the amendment to the debt settlement of IDB Holding Ltd., the trading of the Company’s shares was discontinued, and as of the reporting date, the Company’s debentures are listed for trading on the Tel Aviv Stock Exchange.

B. In connection with the Company’s financial position, its cash flows, and its ability to service its liabilities, the following should be noted:

- The Company has a deficit in the capital attributed to the shareholders, which as of September 30, 2019, amounted to a sum of NIS 409 million;
- The Company has an ongoing negative cash flow from ongoing current operations;
- The Company’s bonds are traded at two-digit yield rates, and in the absence of assets free of liens, the Company will apparently find it difficult, from a practical standpoint, to restructure its financial liabilities by way of raising debt;
- The net asset value of the Company (on the basis of the market prices of its marketable holdings close to financial statements’ publication date together with the financial value of other assets less its financial liabilities) is negative, in an amount of NIS 229 million;
- In July 2019, Maalot lowered the company’s rating to a CCC rating with a negative forecast and the series I bonds, which are not secured, to a CC rating, because of the increased risk of insolvency;
- In July 2019, the controlling owner told the company that he had notified the Commissioner of the withdrawal of the application for a control permit in Clal Insurance Enterprises Holdings. For details, see note 3 B 3 below;
- For details of meetings of the company’s bond series, including the appointment of (separate) representations in the debenture series (Series I and Series N), and the appointment of a legal adviser and an economic adviser for each of the aforesaid bond series, and including a Letter of Undertaking that the company gave to its bondholders, see note 4.B.6 below.

The company is acting and will continue to act in order to contend with the uncertainties arising from the aforesaid. On August 31, 2019, the Audit Committee and the Board of Directors of the company approved the acceptance of an irrevocable undertaking of Dolphin Netherlands, the controlling owner of the company, to make capital injections in the company in a total amount of NIS 210 million, in three equal annual payments, which will be made in return for the shares of the company or as a subordinated loan on similar terms to the subordinated loans that were given by the controlling owner. As of reporting date, the Company has received NIS 70 million as a subordinated loan. For details, see note 4.G. below. As part of the company’s competitive process, in September 2019, to sell shares of Clal Insurance Enterprises Holdings, which constitutes about 5% of Clal Insurance Enterprises Holdings, in exchange for the Company’s Debentures (Series I and N), the Company, recorded during the third quarter of 2019, earnings from early repayment of debentures, of NIS 69 million. For details, see Note 3.B.5 below.

In addition, and after reporting date, the Company held a competitive tender for the sale of an additional 5% of the shares of Clal Holdings Insurance Enterprises, in exchange for the Company’s debentures (Series I and N). As a result, the Company is expected to record an early redemption gain in its financial statements of NIS 75 million in the fourth quarter. For details, see Note 3 B 10 B below. In addition, during November 2019, the Company issued to the public a new series of debentures (Series O), secured by a lien, for a total gross consideration of NIS 237 million. The new debenture bears an annual interest rate of 4.7%. For details, see Note 4 B 10 A below.

Note 1 - General (Continued)**B.** (Continued)

As of the third quarter of 2019, DIC has a positive balance of earnings available for distribution, which could allow the Company to receive cash flows on account of debentures from Dolphin IL subject to the terms of the debenture. (for details, see Note 3.A to the annual financial statements).

The Company in its Report of the Board of Directors, which is attached to these financial statements, presents a cash flow projection (unreviewed/unaudited) for the two years ending on September 30, 2021. The balance of the Company's liquid assets as of September 30, 2019 amounts to NIS 578 million, including NIS 543 million of charged deposits. As of the date of publication of the financial statements (after final repayment of Series K and M as of the date of approval of the financial statements), NIS 184 million remained under charged deposits, most of which is expected to be released upon the conclusion of the swap transactions in respect of shares of Clal Holdings Insurance Enterprises (see note 3.B.7. below) or in the period preceding the date of their conclusion, subject to the prior closing of the transactions and the payment of an early repayment commission in an amount that is not material.

The projected cash flow includes the receipts that the Company is expected to receive, *inter alia*, from the sale of shares of Clal Holdings Insurance Enterprises (including actual receipts from the sale of shares of Clal Holdings Insurance Enterprises subsequent to the date of the statement of financial position, as stated in Note 3.B.10.B below, and in accordance with the continued execution of the outline for the sale of the Company's holdings in Clal Holdings Insurance Enterprises), from the sale of the Company's holding in IDB Tourism (see Note 3.C. below) and two injections from Dolphin Netherlands, the controlling owner of the company, in cumulative sum of NIS 140 million (see note 4.G. below). The total receipts in the projected cash flow period amount to NIS 894 million. These projected receipts, together with the balance of the company's liquid assets amount to a sum of NIS 1,472 million.

The balance of expected payments during this period, including the required repayments to the Company's debenture holders, plus a loan to the additional buyer of shares of Clal Holdings Insurance Enterprises (as defined in Note 3.B.4 below) is a sum of NIS 1,262 million.

In light of the above, the Company has sources to repay its liabilities for a period of at least 24 months after the date of the financial statements. It is emphasized that the realization of some of the Company's plans in connection with the sale of its assets and receiving the owner's future injections also depends on factors that are not under the Company's control, and especially the price of the share of Clal Holdings Insurance Enterprises. However, the Company believes that it will be successful in realizing these or other plans and in servicing its liabilities during the aforesaid period.

In connection with periods beginning on October 1, 2021 and until the repayment of all of the Company's liabilities, the following should be noted, *inter alia*: the Company is expected to remain with three main sources, which are expected to be used for the repayment of its liabilities and for the financing of its operating activities throughout this period (in addition to the cash balances which the Company is expected to have at its disposal in a sum of NIS 203 million) - (1) the holdings in IDBG, which is the owner of a commercial center in Las Vegas, USA (see in that context Note 3.D.5 below); and (2) the debenture from Dolphin IL, as stated in Note 3.A. below. The debenture from Dolphin IL is secured by charges of various ranks on approximately 116.4 million DIC shares which are held by Dolphin IL.

Note 1 - General (Continued)**B.** (Continued)

The Company has examined business scenarios, in an orderly and structured process, with the assistance of economic consultants (including independent consultants to the independent directors of the company), various scenarios, assessed their reasonableness and whether they are realistic options, and examined the conditions for realizing them in the timeframes required by the company, the Company's ability to repay its full obligations, on time, along with the company's cash flow forecast, based on a number of possible alternatives. As of the date of publication of the financial statements, the total net value of the Company, in accordance with said economic project, where appropriate fair valuation techniques were used in accordance with the circumstances, and after a reduction of capitalized general and administrative expenses, was positive at the rate which the Company assumed did not exist. As there are no significant doubts about the Company's ability to continue to operate as a "going concern" in the foreseeable future in the circumstances described above, in particular in light of the Company's forecasted cash flow, which gives the Company reasonable and appropriate time to take possible actions to improve the Company's net asset value. The Company's Board of Directors has determined that the Company is solvent, and has the ability to serve its obligations in an orderly and timely manner and intends to do so.

Notwithstanding the aforesaid, the company's ability to repay the remainder of its debts at the required time, starting from 2022, depends, *inter alia*, on future factors that are not within its control, mainly the economic value of the Dolphin IL bond and the cash flows that will derive from it until the date of the termination of the company's liabilities to its creditors. With respect to the company meeting the repayment of its liabilities in the years 2022 and thereafter, the company intends to consider, *inter alia*, a restructuring of its liabilities by way of raising debt, in accordance with opportunities in the market, insofar as there will be any, and improving the value of the aforesaid investments in order to maximize their value on the date of selling them.

For details of the provisions included in the Company's credit agreements with respect to rights to demand immediate repayment, see Notes 3.B.7 and 4.B.5 below.

C. These financial statements were prepared according to a condensed framework as of September 30, 2019, and for the nine-month and three-month periods 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 of December 31, 2018, and for the year then ended, and of the accompanying notes, which were approved on March 28, 2019 (the "Annual Financial Statements"). The notes to the interim financial statements in respect of contingent investments, commitments and contingent liabilities only include the main updates on these matters since the approval date of the annual financial statements.

D. The Company did not include, in the quarterly report, condensed separate financial information of the Company ("Separate Reports"), in accordance with Regulation 38D of the Reporting Regulations, since that information would not add any significant information beyond that which is already presented in the consolidated financial statements. The condensed consolidated financial statements are identical to the condensed separate statements, except for the presentation of the assets and liabilities of IDB Tourism, which are presented separately in the consolidated financial statements, under the items for assets and liabilities classified as held for sale (as well as an immaterial balance of non-controlling interests), and in the separate reports would be presented as a net investment, in the item for investment classified as held for sale, under current assets. The net amount of the investment is presented in Note 3.F. below. Additionally, profit and loss from discontinued operations in respect of IDB Tourism, which are presented in the consolidated report, would be presented in the separate report net of non-controlling interests (immaterial amount - see Note 3.G. below).

Note 1 - General (Continued)

E. Main Definitions:

In these reports (hereinafter and hereinafter):

IDB Development	-	The Company and/or the Company together with its wholly-owned headquarter companies;
The Group	-	The Company and/or its investee companies;
Dolphin IL	-	Dolphin IL Investments Ltd., a company incorporated in Israel and wholly-owned by Dolphin Netherlands B.V. ("Dolphin Netherlands"), which is under the control of Mr. Eduardo Elsztain;
DIC	-	Discount Investment Corporation Ltd.;
Clal Insurance Enterprises Holdings	-	Clal Holdings Insurance Enterprises Ltd.;
Clal Insurance	-	Clal Insurance Company Ltd.;
The Commissioner	-	The Commissioner of Capital Markets, Insurance and Savings at the Ministry of Finance;
IDBG	-	IDB Group USA Investments Inc.;
IDB Tourism	-	IDB Tourism (2009) Ltd.;
Modiin	-	Modiin Energy Limited Partnership;
Subordinated Loans	-	Convertible subordinated loans from Dolphin Netherlands, the controlling shareholder of the Company (see Note 7.C. to the annual financial statements);

Note 2 - Significant Accounting Policies

A. Format for the 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 D 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 November 28, 2019. The significant accounting policies which were applied in the preparation of the consolidated interim financial statements are consistent with those applied in the preparation of the annual financial statements, except as stated in Note 2.E., regarding the initial adoption of the amendment to IAS 28, and regarding the adoption of IFRS 16.

B. Use of estimates and judgment

In their preparation of the Group's condensed financial statements in accordance with international financial reporting standards, 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 regarding the implementation of the Group's accounting policy, regarding the significant issues and assumptions which are used when assessing uncertainty, were consistent with those used in the annual financial statements, excluding significant judgments and assumptions which are associated with the initial adoption of the amendment to IAS 28, as detailed in section E.1. in this note below. See also Note 1.E.(3).A to the annual financial statements regarding the assessment of whether the cash flows in respect of financial assets which were provided include principal and interest only (SPPI).

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, unless stated otherwise. The New Israeli Shekel is the currency that represents the main economic environment in which the Group 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 ("USD")
	Known index	Index in lieu	NIS
	Points		
As of			
September 30, 2019	102.0	101.8	3.482
September 30, 2018	101.4	101.5	3.627
December 31, 2018	101.5	101.2	3.748
<u>Rates of change during the period (in percent):</u>			
For the three months ended			
September 30, 2019	(0.7%)	(0.3%)	(2.4%)
September 30, 2018	0.2%	0.2%	(0.6%)
For the nine months ended			
September 30, 2019	0.5%	0.6%	(7.1%)
September 30, 2018	1.1%	1.1%	4.6%
For the year ended			
December 31, 2018	1.2%	0.8%	8.1%

Note 2 - Significant Accounting Policies (Continued)

E. Initial adoption of new standards

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

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

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

Following the adoption of the provisions of the aforementioned amendment, loans which were provided to investee companies were classified as financial assets measured at fair value through profit or loss, and additionally, the Company included its share in the losses of investee companies, after the provision of the aforementioned loans, at fair value. The impact of the initial adoption of the aforementioned amendment resulted in a reduction of the investment in IDBG as of January 1, 2019, against the Company's balance of retained earnings in the same amount, as detailed in the following table. The fair value of the loans was determined according to the fair value of IDBG's assets, which back those loans, in accordance with IDBG's financial statements, which are attached to the Company's financial statements, in the amount of \$ 280 million, and which primarily include investment properties, as stated in Note 3.D.1. below, after deducting the liability to Property & Building, as referenced in Note 3.D.4. to the annual financial statements, in the amount of USD 65 million, and net of other liabilities in the amount of \$ 119 million.

Additionally, the translation reserve for foreign operations as of January 1, 2019, included a positive balance in the amount of NIS 5 million, in respect of the aforementioned loans. The Company chose to apply the accounting policy according to which foreign currency differences arising from the aforementioned loans will continue being carried to other comprehensive income. Accordingly, the balance of the aforementioned translation reserve remained as part of the Company's capital reserves, including after January 1, 2019.

Implications of the adoption of the amendment to IAS 28 on the financial statements as of January 1, 2019:

	In accordance with the previous policy	Impact of the standard NIS millions	In accordance with the adoption of the amendment to IAS 28
Impact on the Company's assets			
Investments in investee companies treated at equity	204	(129)	75
Effect on capital attributed to shareholders			
Accumulated loss	(4,097)	(129)	(4,226)

The impact of the standard is due to loans which were provided by the Company, together with Property & Building (in equal parts), to IDBG. See also Note 3.D.3. below.

Note 2 - Significant Accounting Policies (Continued)**E. Initial adoption of new standards (Continued)****2. IFRS 16, Leases (“IFRS 16” or the “Standard”)**

IFRS 16 replaces IAS 17, Leases. The standard cancels the classification of leases as operating leases or financial leases. Instead, the standard classifies all leases similarly to a finance lease, in a manner whereby the lessee must recognize a right-of-use asset and a liability in respect of the lease in the Company’s statement of financial position. However, IFRS 16 allows the lessees not to adopt these provisions in respect of short-term leases, by groups of underlying assets, and in respect of leases in which the underlying asset in the lease is of low value.

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

As of the date of initial adoption, the standard had no impact on the Company’s capital, excluding an increase in assets and liabilities held for sale in the amount of approximately NIS 207 million.

Note 3 - Investments**A. Investment in the debenture from Dolphin IL**

1. As of September 30, 2019, the fair value of the debenture from Dolphin IL, as described in Note 3.A. to the annual financial statements, was valued by an independent external appraiser at a total of NIS 927 million, and accordingly, the Company recorded, in the first nine months of 2019, financing expenses in an amount of NIS 278 million and in the third quarter of 2019, the Company recorded financing income of NIS 26 million. For additional details, see Note 6 below.

In accordance with Regulation 49(a) of the Reporting Regulations, attached to these financial statements is the economic paper regarding the fair value, as of September 30, 2019, of the debenture which was received by the Company within the framework of the transaction from November 2017, in which the Company’s holdings in DIC were sold to a company controlled by the controlling shareholder.

2. In January 2019, DIC announced a dividend distribution in cash and in kind to its shareholders. The distribution was executed on February 3, 2019, and included a total of NIS 40 million in cash, and a total of NIS 84 million par value of Company debentures (Series I), with a value of NIS 64 million (as of the distribution date). Accordingly, Dolphin IL received its share in the dividend in the amount of NIS 32 million in cash, and approximately NIS 68 million par value of Company debentures (Series I), with a value of approximately NIS 52 million (as of the distribution date). These balances are subject to charges of various ranks in favor of the Company and in favor of its debenture holders, in accordance with the terms of the debentures, as detailed in Note 3.A.2. to the annual financial statements. The amount of the dividend which Dolphin IL received in cash (NIS 32 million) was used for repayment on account of the accrued and unpaid interest in respect of the debenture that it issued to the Company, where the amount of the cash dividend in respect of DIC shares, which are charged in favor of the debenture holders (Series N), a total of NIS 27 million was deposited in a pledge account in favor of Series N debenture holders, and after said, was used in full to repay the Company’s liabilities to debenture holders (interest on Series N) in accordance with the amortization schedule of those debentures, as detailed in Note 8.B.3. to the annual financial statements.

In addition, in September 2019, a total of approximately NIS 1.5 million was paid to the debenture holders (Series N) from funds received by Dolphin IL on account of debenture interest expense (Series I) received by it as a dividend in-kind, as noted above. Said is also a payment on account of interest accrued on the debenture from Dolphin IL.

3. On May 13, 2019, Dolphin IL notified the Company, in accordance with the terms of the debenture, of the postponement of the interest payment date, which was due on May 22, 2019. On November 5, 2019, after reporting date, Dolphin IL notified the Company, in accordance with the terms of the debenture, of the deferral of the interest payment date, which was due on November 22, 2019.

Note 3 - Investments (Continued)**B. Investment in Clal Holdings Insurance Enterprises (held for sale)**

- For details regarding the appointment of a trustee for the Company's holdings in Clal Holdings Insurance Enterprises regarding the establishment of an outline for the sale of the Company's holdings in Clal Insurance Enterprises Holdings, and regarding the execution of sales of shares of Clal s Insurance Enterprise Holdings in accordance with the sale outline, see sections 1-3 in Note 3.B to the annual financial statements.

The following is a summary of realizations of shares of Clal Insurance Enterprises Holdings' during the reporting period, as well as changes in the swap transactions:

Date	Direct Holdings of Shares	Holdings Through SWAP Transactions	Average selling Price Per Share	Note
	%		NIS	
31/12/2018	29.8%	30%		
02/01/2019	(4.5%)	(1%)	50.8	3B2
03/05/2019	(5%)	(5%)	47.7	3B4
02/09/2019	-	(3%)	50.0	3B4
02/09/2019	(5%)	(1%)	52.5	3B5
30/09/2019	15.3%	20%		
07/11/2019	-	(5%)	47.7	2B4
20/11/2019	(3.5%)	-	52.52	3B10B
21/11/2019	-	(5%)	52.25	3B10B
	11.8%	10%		

- In accordance with understandings which were reached with the Commissioner, as stated in Note 3 B 5. to the annual financial statements, on January 2, 2019, the Company sold 4.5% of the issued capital of Clal Insurance Enterprises Holdings, in consideration of NIS 127 million (NIS 50.8 per share). The consideration in respect of the sold shares was deposited in the trust account which is charged in favor of the debenture holders (Series M). On the other hand, the Company paid a total of NIS 5 million in respect of the partial conclusion, at a rate of 1% of the capital of Clal Insurance Enterprises Holdings, in respect of the swap transaction from May 2017 (relates to 555,788 shares).

Additionally, as part of the aforementioned agreements with the Commissioner, the Company has undertaken to refrain, in the future, from executing any swap transactions in addition to those which currently apply to shares of Clal Holdings Insurance Enterprises, as detailed in the aforementioned notes, and to refrain extending the current swap transactions in connection with shares of Clal Holdings Insurance Enterprises.

- In March 2019, the Company's controlling shareholder submitted to the Commissioner a request for a control permit (the "Request") in Clal Holdings Insurance Enterprises and in Clal Holdings Insurance Company.

The request pertained to shares of Clal Holdings Insurance Enterprises which are held by the Company (shares which constituted, as of the date of the request, approximately 25.3% of the issued capital of Clal Holdings Insurance Enterprises, of which approximately 20.3% through the trustee who was appointed by the Commissioner in accordance with the outline), and to additional shares of Clal Holdings Insurance Enterprises, regarding which the Company engaged in swap transactions on shares which constituted, as of the date of the request, approximately 28.9% of the issued capital of Clal Holdings Insurance Enterprises), in whole or in part.

In July 2019, the controlling shareholder informed the Company that he had notified the Commissioner of his withdrawal of the request.

Note 3 - Investments (Continued)**B. Investment in Clal Holdings Insurance Enterprises (held for sale) (Continued)**

4. On May 2, 2019, the Company entered into agreements with two third parties which are unrelated to the Company (the "Buyers"), according to which each of the buyers will acquire shares of Clal Holdings Insurance Enterprises which constitute approximately 4.99% of its issued capital, in consideration of a cash payment of NIS 47.7 per share. Additionally, one of the buyers ("the second buyer") was provided the option to acquire additional shares of Clal Holdings Insurance Enterprises which constitute approximately 3% of its issued capital, for a period of 120 days, subject to the receipt of a holding permit, and at a price of NIS 50 per share.

Additionally, on May 2, 2019, the Company entered into an agreement with a third buyer, which is unrelated to the Company, which will acquire the shares through a special purpose company, under the full ownership of Mr. Eyal Lapidot (the "additional buyer"), according to which the additional buyer will receive from the Company an option for a period of 50 days to acquire shares of Clal Holdings Insurance Enterprises which constitute up to approximately 4.99% of its issued capital and no less than 3% of its issued capital), in consideration of NIS 47.7 per share.

Subject to the exercise of the option by the additional buyer, the consideration in respect of the option will be paid by the additional buyer in a manner whereby 10% of the consideration will be paid in cash, and the remainder through a loan which will be provided to the additional buyer by the Company and/or by a related party thereof, or alternatively, by a banking corporation and/or financial institution in their place ("Loan"), subject to the following conditions, *inter alia*: Assuming the full exercise of the option, the loan will amount to a total of NIS 118 million. The loan will bear fixed annual interest at a rate of 4%, and will be repaid (principal and interest) in a single payment at the end of 5 years after the date of provision of the loan (subject to prepayments, including in case of dividend distributions by Clal Insurance Enterprises Holdings). Shares of Clal Holdings Insurance Enterprises which will be acquired as part of the exercise of the option will not be charged in favor of the Company; however, the additional buyer undertook to a negative charge in favor of the Company (in other words, the only activity of the aforementioned special purpose company will be the holding of shares of Clal Insurance Enterprises Holdings, that it will not have any other activities and/or transactions, and it will not accept any other loan or debt, and will not sell and/or charge and/or confer any other right to its shares and to shares of Clal Holdings Insurance Enterprises which it will acquire during the loan period of, except if determined otherwise in the agreement). Restrictions were also established in respect of the sale of shares of Clal s Insurance Enterprises Holding which it will acquire as part of its exercise of the option. The agreements with the buyers and the agreement with the additional buyer shall hereinafter be referred to as: the "Agreements".

The agreements include, *inter alia*, an undertaking by one of the buyers and by an additional buyer not to sell the acquired shares during agreed-upon periods. It is hereby clarified that each of the buyers and the additional buyer declared and undertook, towards the Company, that no arrangements or understandings whatsoever have been reached between them and the other buyers and/or the additional buyer (as applicable), regarding the joint holding of the shares of Clal Holdings Insurance Enterprises which form the subject of the agreements.

The total volume of shares of Clal Insurance Enterprise Holdings purchased by the buyers up to September 30, 2019 was approximately 13% of the issued capital of Clal Insurance Enterprise Holdings. Close to the date of publication of this report, the entire transactions was carried out according to the three agreements, in relation to approximately 18% of the issued capital of Clal Insurance Enterprise Holdings (of which 5% to the additional purchaser after reporting date), as detailed below.

Note 3 - Investments (Continued)**B. Investment in Clal Holdings Insurance Enterprises (held for sale) (Continued)**

4. (Continued)

The Company's engagement in the aforementioned agreements was approved by the Company's Board of Directors.

The Company requested the Commissioner's consent for the update to the terms of the swap transactions, in a manner which will allow the sale of shares of Clal Holdings Insurance Enterprises which form the subject of the swap transactions, through over the counter transactions, to a certain buyer (instead of sale by way of distribution of the shares), and in a manner which allows the Company to instruct the financial entities through whom the swap transactions were executed to execute the sales to the buyers and to the additional buyer.

After receiving the Commissioner's consent, the Company executed the following transactions:

- On May 3, 2019, the Company sold 4.99% of the shares of Clal Holdings Insurance Enterprises which were held Mr. Moshe Terry, in an "over-the-counter" transaction, at a price of NIS 47.7 per share (the "Sold Shares"). The total consideration in the aforementioned transaction was approximately NIS 132 million (after fees). In accordance with the provisions of section 6.9.2.3 of the trust deed for the Company's debentures (Series M) (see the shelf offering report which was published by the Company on February 14, 2017), the consideration in respect of the sold shares will remain in the trust account which is charged in favor of the Company's debenture holders (Series M). For details regarding the Board of Directors' resolution to use the funds of the trust account mostly to execute a partial prepayment of the debentures (Series M), see Note 4.B.2. below.
- The Company instructed the financing entity with which it engaged in a swap transaction in connection with shares of Clal Holdings Insurance Enterprises in May 2017, and which concluded on May 2, 2019, and which related to 2,215,521 shares of Clal Holdings Insurance Enterprises, which constitute approximately 4% of the issued capital of Clal Holdings Insurance Enterprises, to conclude the transaction through a sale to the second buyer at a price of NIS 47.7 per share. The swap transaction was concluded in return for a payment of NIS 28million.

The Company also instructed the financing entity with whom it engaged in a swap transaction in connection with shares of Clal Holdings Insurance Enterprises in August 2017, to conclude the transaction in respect of 555,788 shares of Clal Holdings Insurance Enterprises, (out of 2,771,309 shares), which constitute approximately 1% of the issued capital of Clal Holdings Insurance Enterprises through a sale to the second buyer, at a price of NIS 47.7 per share. The swap transaction was concluded against a payment of NIS 5 million.

On August 28, 2019, the second buyer announced the exercise of the option granted to him to acquire 3% of the shares of Clal Insurance Enterprise Holdings at a price of NIS 50 per share. The second acquirer also noted that he had received a holding permit for the shares of Clal Holdings Insurance Enterprise

Accordingly, on September 2, 2019, the Company directed the financing entity with which it entered into a swap transaction, deal in respect of the shares of Clal Insurance Enterprise Holdings of August 2017 ("Swap Transaction") on the conclusion of the swap transaction, in a manner that 1,667,366 shares of Clal Holdings Insurance Enterprise (which constitute approximately 3% of the issued share capital) of which were sold to the second buyer in accordance with the agreement of the company with him. The swap transaction was closed against a cash payment of NIS 8 million (refers to the closing of a SWAP transaction of 3% of the shares of Clal Insurance Enterprise Holdings).

On June 16, 2019, the additional buyer notified the Company of the exercise of the option to purchase shares of Clal Holdings Insurance Enterprise in full.

The Loan Transaction - in September 2019, after reviewing a number of offers, the Company received a binding offer from a financial entity ("Bidder" and "Offer", respectively) whereby the Bidder will acquire from the Company, all of the Company's rights and obligations in respect of the loan to the additional buyer ("Seller's Loan"), in consideration of NIS 93 million (assuming that the total loan amount to be transferred to the additional buyer will total NIS 118 million), which will be transferred to the Company at the time of seller's loan, as well as NIS 500 thousand which will be transferred to the Company at the end of 12 months from the date of providing said loan.

Note 3 - Investments (Continued)**B. Investment in Clal Holdings Insurance Enterprises (held for sale) (Continued)**

4. (Continued)

In addition, under the Offer, to the extent that said loan (and any amounts accrued in respect) will be repaid in full by the additional buyer up to 12 months from the date of its provision, the Bidder shall pay the Company an additional amount equal to 10% of the profit that the Bidder will earn from said transaction, and as such that the loan (and any amounts accrued in respect) will be repaid in full by the additional buyer up to 24 months from the date of its provision. The bidder will pay the company an additional amount equal to 5% of the profit generated by the offeror from the transaction.

As of September 30, 2019, the option held by the additional buyer, as noted above, has not yet been exercised and therefore the Company has not deducted the shares from the statement of financial position. The fair value of the said option, estimated at September 30, 2019 at the intrinsic value of the option in the amount of NIS 14 million, plus the fair value of the inherent benefit in the loan, which the Company undertook to provide to the additional buyer, which was estimated on the basis of the above offer of NIS 26 million, was reported in the statement of financial position under current liabilities - derivative financial instruments.

On October 31, 2019, after financial statement date, the Company entered into agreements to execute the transaction with the bidder and the additional buyer (after approval of the Company's Audit Committee and the Company's Board of Directors that made their decisions, for the sake of caution, as the Company's controlling shareholder may have a personal interest therein), under the terms set out above and on November 7, 2019, the transactions were executed. It should be noted that the shares of Clal Insurance Enterprise Holdings, which were sold to the additional buyer were sold by way of closing the swap transaction in which the Company entered into a contract on January 1, 2018 (see Note 3 B 7 below), against payment to the financing entity of NIS 39 million. In addition, the company transferred its share of financing the loan transaction in the amount of NIS 26 million. After said payment, the Company, as noted, had no rights or obligations for the loan to the additional buyer.

Mr. Eyal Lapidot, the controlling shareholder of the additional buyer, informed the Company's representatives that he had contacted the Head of the Capital Markets, Insurance and Savings Authority and to the Chairman of the Board of Clal Insurance Enterprise Holdings in order to be appointed director of Clal Holdings Insurance Enterprise.

5. On September 2, 2019, after obtaining the approval of the Company's Board of Directors and approvals required by law, the Company notified the various parties that represent classified investors of accepting their offer in the manner in which the Company will execute a sale for the sale of approximately 3.3 million shares of Clal Holdings Insurance Enterprise constituting approximately 6% of the issued capital, (which includes the balance of the shares of the swap transaction of August 2017 (approximately 1% of the issued share capital of Clal Holdings Insurance Enterprise) and the shares ordered by the Commissioner to the Trustee to be sold 1 (approximately 5% of the issued share capital of Clal Holdings Insurance Enterprise), in exchange for (a) a cash payment of approximately NIS 28.8 million for approximately 1% of all shares of Clal Holdings Insurance Enterprise, where such sale will be made by closing the swap transaction. Said consideration reflects a price of NIS 52.5 per share of Clal Holdings Insurance Enterprise, so that the balance of the swap transaction (1% of Clal Holdings Insurance Enterprise' shares) were closed against a net payment of NIS 2 million. (b) NIS 132 million par value debentures (Series I) of the Company, at a price of 75 agorot per NIS 1 par value of Series I debentures and (c) approximately NIS 58.9 million par value debentures (Series N) of the Company at a price of 79 agorot per NIS 1 par value of debentures. The scope of the purchases from each series was determined according to the prices offered under the accepted offer and after applying the restrictions, which the Company undertook in the context of its undertaking to its debenture holders, as per Note 4 B 8. below.

The settlement for part of the transaction as noted in (b) and (c) above, was closed in two parallel transactions that are intertwined: the first, for the sale of shares of Clal Insurance Enterprise Holdings for cash at a price of NIS 52.5 per share, and in total for a total of approximately NIS 145.5 million ("cash consideration") and the second, for purchase by the Company of Series I and Series N debentures in the scope and price specified above. In accordance with the provisions of the Company's Debenture Deed (Series M), the cash consideration from the second transaction, was deposited in a pledged trust account in favor of the Company's debentures (Series M).

Note 3 - Investments (Continued)**B. Investment in Clal Holdings Insurance Enterprises (held for sale) (Continued)**

5. (Continued)

As a result of the purchase of said debentures, the Company recorded in its financial statements for the third quarter of 2019 a gain from an early retirement of NIS 69 million for the purchase of the debentures.

Following the transactions detailed in this note above, the Company invests in Clal Holdings Insurance Enterprise through its direct holding of approximately 15.3% of the shares of Clal Holdings Insurance Enterprise (of which approximately 10.4% through Mr. Moshe Terry) and through swap transactions on approximately 20% of additional shares.

6. On September 2, 2019, the Company's Board of Directors resolved to sell the shares of Clal Holdings Insurance Enterprise, vis-à-vis an additional 5% of the issued share capital of Clal Holdings Insurance Enterprise (whether these shares are the subject of a swap transaction or shares held by the Trustee), said until December 31, 2019. As part, the Company will examine the execution of a competitive process for the sale of said shares, in return for a payment in cash and/or marketable securities (including Debentures I and N). See also Note 4.B.8. Regarding the Company's pledge towards its debenture holders and note 3.B.10.B. regarding the actual sales.

7. Execution of sales of shares of Clal Holdings Insurance Enterprises in accordance with the sale outline with the Commissioner

Presented below are the main details regarding the swap transactions, which were executed and are in effect as of September 30, 2019:

Commencement date of the transaction ⁽¹⁾	Base value NIS	Net value ⁽²⁾	Balance of charged deposit ⁽³⁾	Net value	Balance of charged deposit
		As of September 30, 2019		Proximate to the publication date of the report	
		NIS millions			
01/01/2018 ^{(5),(4)}	61.54	(26)	114	-	-
03/05/2018 ^{(4),(6)}	56.12	(9)	75	-	-
30/08/2018 ⁽⁴⁾	62.38	(27)	87	(19)	87
		<u>*(62)</u>	<u>276</u>	<u>(19)</u>	<u>87</u>
08/11/2018 ⁽⁷⁾	62.00	(31)	116	(22)	93
Total		<u>(93)</u>	<u>392</u>	<u>(41)</u>	<u>180</u>

(1) All of the transactions were executed, each on its commencement date, in respect of 2,771,309 shares of Clal Insurance Enterprises Holdings.

(2) The net value as of September 30, 2019, constitutes the value of shares of Clal Holdings Insurance Enterprises as of September 30, 2019, in the total amount of NIS 437 million, after deducting the balance of the liabilities to banks in connection with swap transactions, in the amount of NIS 499 million (including accrued interest). The value of the aforementioned shares is presented in the statement of financial position under the item for the value of shares of Clal Holdings Insurance Enterprises in swap transactions, under assets classified as held for sale. The aforementioned balances of assets and liabilities are under current assets and liabilities in accordance with the conclusion date of each transaction.

(3) The balance of the charged deposits is presented in the statement of financial position under charged deposits, distributed into current and non-current deposits, in accordance with the expected conclusion date of each transaction. In accordance with the terms of the swap transactions, the Company is obligated to increase the amounts of the charged deposits if the share value declines relative to the price of each transaction, in accordance with the mechanism which was determined in each swap transaction (mark to market). In January 2019, the Company reached an understanding with two banking institutions, regarding an easement in the collateral supplementation terms (mark to market) for swap transactions which were executed by the Company on approximately 25% of the shares of Clal Insurance Enterprises Holdings. These easements are no longer in effect.

(4) For additional details regarding the accounting treatment of the sales which were executed in respect of the aforementioned transactions and in the swap transactions, see Note 3.B.3. to the annual financial statements.

(5) This transaction was concluded on November 7, 2019 after reporting date as a sale to the additional buyer as per Note 3 B 4 above. Closure was made against a payment of NIS 39 million to the financing entity.

(6) This transaction was closed on November 21, 2019, the statement of financial position date, by the exchange of the shares part of the transaction in the Company's debentures. For details see Note 3 B 10 B below.

(7) For details regarding this transaction and the accounting treatment thereof, see Note 3 B 4. to the annual financial statements.

Note 3 - Investments (Continued)**B. Investment in Clal Holdings Insurance Enterprises (held for sale) (Continued)**7. Execution of sales of shares of Clal Holdings Insurance Enterprises in accordance with the sale outline with the Commissioner (Continued)

The provisions of the agreements with the banks, by virtue of which the aforementioned swap transactions were executed, include standard provisions regarding the right to demand immediate repayment, including, *inter alia*, in the following circumstances (all or some, as applicable): in case of a breach of any payment obligation whatsoever towards the banking corporation; in case a motion has been filed to liquidate or to appoint a provisional pre-liquidator, receiver, or special manager, or in case a motion has been filed for a stay of proceedings or for the grant of a receivership order or for the initiation of recovery proceedings, or in case a creditors' meeting has been convened for the purpose of a creditors' settlement; in case the Company has initiated liquidation proceedings, or an order has been issued regarding liquidation or compromise or settlement with all or some of the creditors, or the Company has ceased paying its debts (in general); in case a foreclosure has been imposed on the majority of the Company's assets, or on a significant part thereof, or in case enforcement actions have been taken against them; in case the Company has ceased managing its business affairs for a period exceeding 60 days; in case the Company has become a "restricted customer" (for the purpose of the Uncovered Checks Law); In case of a change in control of the Company; in case of a breach of the terms of the agreement between the Company and the bank; in case the bank has determined that the Company's exposure to the derivative transaction has increased, or may increase, due to changes which have occurred or may occur in market prices and/or volatility and/or according to scenario methods and/or according to other methods, as will be determined by the bank, in its discretion, and/or in any other case where the bank will decide that a concern may arise of an increase in the Company's exposure to the derivative transaction, based on, *inter alia*, the balance of the Company's contingent liabilities towards the bank with respect to the swap transaction; in case of a suspension of trading of the shares of Clal Holdings Insurance Enterprises for 5 consecutive trading days, subject to the Company's right to increase collateral; in case an event or circumstance has occurred, at any time, which, in the bank's opinion, worsens or endangers the bank's possibility of receiving repayment and/or of receiving any asset with respect to the swap transaction, including a material change for the worse in the Company's financial position and/or activities and/or business affairs, and/or in case there is any concern, in the bank's opinion, that the aforementioned event or circumstance is expected to occur, regardless of whether or not the occurrence of the aforementioned event or the materialization of the aforementioned circumstances depends on the Company.

Note 3 - Investments (Continued)**B. Investment in Clal Holdings Insurance Enterprises (held for sale) (Continued)**

8. The investment in Clal Holdings Insurance Enterprises is presented in the Company's financial statements as of September 30, 2019, as an asset held for sale, and it is measured at fair value through profit and loss.
The investment in Clal Holdings Insurance Enterprises in the statement of financial position is presented as follows:

Section in the statement of financial position	Rate of capital of Clal Holdings Insurance Enterprises	Amount of the asset (liability) NIS millions
Current assets held for sale		
Value of shares of Clal Holdings Insurance Enterprises in swap transactions	15%	437
Investment in shares of Clal Insurance Enterprises Holdings	15.3%	449
Non-current liabilities		
Swap transaction on shares of Clal Insurance Enterprises Holdings	5%	(31)

The resultant effects on the Company's holdings in Clal Insurance Enterprises Holdings, mostly the changes in the fair value of the Company's holdings, are presented under discontinued operations, in light of the Commissioner's outline for the sale of the shares. The Company intends to work towards the sale of the shares also in accordance with its financing requirements, and with the intention of maximizing the consideration for them. The aforementioned presentation is in accordance with the provisions of IFRS 5.

9. The market value of the shares of Clal Holdings Insurance Enterprises which are held by the Company (including the market value of the shares regarding which the Holdings swap transactions were executed, as detailed in section 7 above, and including the value of the shares for which the option was given, as detailed in section 4 above - according to the option exercise prices) as of September 30, 2019 amounts to NIS 1,018 million. The difference between the value of the shares of Clal Holdings Insurance Enterprises which the Company holds as of September 30, 2019, and the value of the shares as of December 31, 2018, amounted to a negative total of NIS 54 million, and was carried to the statement of income, under discontinued operations. The aforementioned difference includes taking into account the sale of shares of Clal Holdings Insurance Enterprises (including the options) and the closing of the swap transactions on shares of Clal Insurance Enterprises Holdings, as detailed in section 2,4, and 5 above.
10. Developments after the date of the statement of financial position
- A. For details regarding the sale of 5% of Clal Holdings Insurance Enterprises to the additional buyer (as per Note 3 B 4 above) and regarding the Company's contract for the sale of all its rights and obligations in connection with the loan transaction, see Note 3 B 4. above.
- B. During November 2019, and after getting the approval of the Company's Board of Directors and legal affirmations, the Company sold, to certain parties representing classified investors, 4.34 million shares of Clal Holdings Insurance Enterprises, reflecting 8.5% of its issued share capital for (a) a cash payment of NIS 102.6 million for 3.5% of the shares of Clal Holdings Insurance Enterprises. Said consideration reflects a price of NIS 52.52 per share of Clal Holdings Insurance Enterprises. Under the Deed of Trust vis-à-vis the Company's debentures (Series M), the cash consideration was deposited in a pledged trust account for the Company's debentures (Series M); (b) NIS 136 million par value of the Company's debentures (Series I) at a price of 75 agorot per NIS 1 par value of debentures (Series I); and (c) NIS 55 million par value of the Company's debentures (Series N), at a price of 78 agorot per NIS 1 face value of debentures (Series N). Each series purchase was determined in accordance with the Company's agreed limitations under the Company's Deed of Liability to its debenture holders, as per section 8 and 9 of Note 4 B below.
The settlement for part of the transaction noted in (B) and (C) above was closed as follows: The Company closed the May 2018 SWAP transaction, against a financial entity at NIS 52.25 per share, which represents a loss of NIS 11 million, which was paid in cash, and against a deposit of NIS 145 million for the purpose of releasing the shares from a lien and effecting a purchase of Series I and Series N debentures in the scope and price, as noted above.

Note 3 - Investments (Continued)

B. Investment in Clal Holdings Insurance Enterprises (held for sale) (Continued)

10. (Continued)

Because of the purchase of said debentures, the Company is expected to record, in its financial statements for the fourth quarter of 2019, a gain of NIS 75 million from the early repayment of debentures.

After effecting the transactions noted above, the Company invests in Clal Holdings Insurance Enterprises through direct holdings, 11.8% of Clal Holdings Insurance Enterprises (of which about 6.9% through Mr. Moshe Terry) and through SWAP transactions - 10% additional shares.

The Company continues to explore various alternatives for the sale of Clal Holdings Insurance Enterprises shares, amounting to an up to an additional 5% of the issued share capital of Clal Insurance Enterprises Holdings. Accordingly, the Company will consider a competitive sales process for the sale of said shares as noted, in consideration that may be paid in cash and/or for marketable securities (including Series I and Series N debentures).

- C. Close to approval date of the financial statements, there was a negative difference of NIS 36 million, between the value of shares of Clal Holdings Insurance Enterprise (including the shares executed in respect of the swap transactions) close to the date of approval of the financial statements and the value of the shares as of September 30, 2019.

C. Investment in IDB Tourism (held for sale)

Further to that stated in Note 3.C.1. to the annual financial statements, the Company is continuing to assess, with the assistance of external consultants, as detailed in the aforementioned note, alternatives in connection with the sale of its holdings in IDB Tourism and/or in Israil, and therefore, the Company is continuing to treat IDB Tourism, in the financial statements as of September 30, 2019, as held for sale and as a discontinued operation, in accordance with the provisions of IFRS 5. In the third quarter of 2019, the Company did not include its share of Israil's results (a fully-owned company of IDB Tourism), according to which an asset held for sale is reported at its fair value less selling costs.

D. Investment in IDBG (an investee treated at equity)

1. The valuation of the Tivoli project in Las Vegas was updated in the first quarter of 2019 to a total of USD 248 million. As a result, the Company recorded its share in the net amortization in the amount of NIS 3 million, which was included under the item for the Group's share in the loss of investee companies accounted for by the equity method, net.

The valuation of the Las Vegas Tivoli Project was updated in the third quarter of 2019 to \$ 237 million. As a result, the Company recorded its share of a net impairment of NIS 19 million, which was included in the Group's share of losses of investee companies reported under the net equity method. Most of the impairment was due to a decrease in expected net rental income. The valuation report of the Tivoli Project is attached to the financial statements by way of reference to the financial statements of Property and Building as of September 30, 2019, filed with the Israel Securities Authority and published on November 28, 2019 (reference number 2019-01-116365).

2. In January 2019, IDBG signed an addendum to a loan agreement (the "Loan Agreement") dated January 3, 2017, from an Israeli financing entity (the "Lender"). The original loan was in US Dollars and amounted to a total of \$41.4 million. It was taken in January 2017, and was due in January 2019. The new loan, in the amount of NIS 153 million, is in shekels, and bears annual interest at a rate of 5.93%, or 7.93%, so long as a default event occurs, as detailed below. The main terms of the loan agreement are specified in Note 3.D.3. to the annual financial statements, including a guarantee which was provided by the Company and Property & Building, jointly and severally, to secure the loan.

The following is a brief description of the ground for demanding immediate repayment of IDBG's aforesaid loan that relate to the Company and to Property & Building ("the Guarantors"): if it transpires that a representation or declaration of the Guarantors is incorrect or imprecise and this is not amended (insofar as it is possible to amend it); if the Guarantors adopted a voluntary liquidation resolution or insolvency proceedings are filed against it (in the broad sense of the term, including an arrangement) that are not canceled within 30 days.

Note 3 - Investments (Continued)**D. Investment in IDBG (an investee treated at equity) (Continued)**

2. (Continued)

Insofar as a proceeding as aforesaid is carried out by holders of the Company's bonds that were in circulation on the date of taking the original loan or on the date of the amendment to it (January 2017 and January 2019, respectively), or by financial lenders with respect to debts that existed on the aforesaid dates, this event will be regarded as taking place only if a judicial order will be given with respect to the appointment of a functionary; if a receivership motion will be filed against the Guarantors with respect to an asset or debt that exceeds NIS 300 million, and it is not repaired within 14 days. With respect to the Company, the same exclusion stated above applies; if the Guarantors do not repay a debt that exceeds 10 million dollars in a timely manner, unless the postponement is made with the lender's consent; if the Guarantors stop managing their businesses for a period exceeding 30 days; if a third party declared that it is demanding immediate repayment of a debt of the Guarantors that exceeds \$ 10 million.

Insofar as this step is taken against the Company and the Company will claim that it is being done unlawfully, the event will be regarded as occurring only if a competent court will approve that it was done lawfully; if the Guarantors reach a settlement with respect to bringing forward the date of repayment of a loan, credit or bonds that is not in accordance with the payment schedule (unless it is an act that is carried out for the purpose of complying with the Centralization Law, or it is a replacement or repayment of a series of bonds that is not against the background of an arrangement; if the guarantees that were given by the Guarantors can be canceled without the consent of the lender or will be declared as void or if a restriction will apply to the ability to realize the guarantee; if an event that has a material adverse effect on the Guarantors (as defined in the agreement) occurs, which includes, *inter alia*, any factor, event or circumstances that has or it is reasonable to believe will have or is materially likely to have a material adverse effect on: (a) the assets and/or financial position and/or liquidity and/or the results of the operations and/or business of any of the Guarantors; and/or (b) the ability of any of the Guarantors to carry out and comply with the undertakings imposed on it pursuant to the loan documents in full and in a timely manner; and/or (c) the validity of the letters of guarantee, or any of them, on the ability to enforce any of them or on any of the lender's rights pursuant to them; and/or (d) the ability of any of the Guarantors to pay (all or a significant portion of) its debts in a timely manner (including by way of refinancing), and/or insofar as any of the aforesaid stopped its payments as a rule.

The following events will constitute a "material adverse effect on the Guarantors": (1) if the equity attributed to the shareholders of any of the Guarantors according to its financial statements (audited or reviewed) is less than NIS 850 million, in relation to the capital attributed to the shareholders according to the financial statements of that Guarantor as of September 30, 2018; (2) if the rating of any of the Guarantors or the rating of any of the bonds of any of the Guarantors, as applicable, will decrease by four ratings or more from the rating that exists on the date of the signing of the agreement and/or if any of the Guarantors or any of the series of bonds of any of the Guarantors, as applicable, stops being rated by a rating company that has been approved by the Commissioner of the Capital Market; (3) if a merger is made of any of the Guarantors, other than a merger with a corporation held by it.

Moreover, it has been agreed that with respect to the Guarantors, any event that had occurred on the date of signing the agreement will not be regarded as having a material adverse effect on the Guarantors.

Following the reduction of the rating for the Company's debentures (Series I) in June 2019, as detailed in Note 4.E. below, and in accordance with the aforesaid loan agreement, the lowering of the rating as aforesaid entitled the lender to demand the immediate repayment of the loan. The lowering of the rating also led to an increase of the interest rate to 7.93%. According to the position of the Company's legal advisers, as of the date of the report, IDBG has good defense claims against a demand for immediate repayment of the loan, insofar as such a step will be taken. Thus the loan was classified in IDBG's financial statements under current liabilities.

Note 3 - Investments (Continued)**D. Investment in IDBG (an investee treated at equity) (Continued)**

3. In January 2019, the Company and Property & Building decided to waive the accrued interest and some of the principal of the loans, which they had invested in IDBG over the years, excluding the principal of loans in the amount of approximately \$100 million (the Company's share - USD 50 million). The aforementioned waiver had no effect on the Company's results. On the date of the aforementioned waiver, which constituted a significant change to the terms of the loans, IDBG designated the balance of the loans to fair value through profit and loss.
Following the initial adoption of the amendment to IAS 28, as detailed in Note 2.E.1. above, until the waiver date, the Company recorded impairment in respect of the aforementioned loans in the amount of NIS 8 million.
4. Further to that stated in Note 3.D.5. to the annual financial statements, regarding an agreement for the sale of residential land that is attached to the Tivoli project, due to the non-fulfillment of a condition precedent, the agreement was terminated. In July 2019, GW, a wholly-owned company of IDBG, signed a new agreement for the sale of the aforementioned land, in consideration of a total of \$ 18 million. The buyer was given a due diligence period. During November 2019, and after reporting date, the agreement was canceled. In accordance with the valuation report, as per section 1 of this note, the value of said land was reduced to \$15.6 million.
5. Further to Note 3 D 4 to the annual financial statements on the Framework Agreement submitted to IDBG by Property and Building on September 20, 2019, the term of the loan was terminated. In accordance with the provisions of the framework agreement, the conversion mechanism provided for in the agreement will be activated, according to which the balance of the debt provided by Property and Building to IDBG will be converted into IDBG's share capital, which will be allocated to Property and Building by IDBG, and Property & Building will receive the right to repay shareholders' loans in accordance with its share of the share capital after said conversion. Accordingly, the Company's share of IDBG equity and shareholder loans will be diluted. IDBG's value and the conversion ratio will be determined by an external evaluator, appointed by the Property & Building Audit Committee, subject to the mechanism put in place in the framework agreement.

On March 28 2019, after statement of financial position date and after the Company's Board of Director discussed the matter, the Company contacted Property & Building with the offer of conducting negotiations to purchase all of the Company's rights in IDBG. It should be noted that as part of its aforesaid proposal, the Company did not suggest any conditions for the transaction, and that Property & Building' response to the proposal has not yet been received. It should be noted that the aforesaid transaction shall be subject to the provisions of the law, to the approval of the Company's competent organs (and if relevant also to the approval of Property & Building's competent organs. There is not certainty that the said negotiations will come to fruition and result in a binding agreement, nor is there any certainty as to the conditions of the transaction or the completion thereof.

E. Investment in Modiin (an investee partnership treated at equity)

In March 2019, Modiin Energy Management (1992) Ltd., the general partner of Modiin (the "General Partner"), distributed its holdings in Modiin as a payment in kind dividend to its shareholders. The share of Noia Oil and Gas Explorations Ltd. ("Noia"), the general partner's controlling shareholder, which is held 47.5% by the Company, in the aforementioned dividend, was 204,613 participation units of Modiin. The Company acquired half of the aforementioned participation units from Noia, at a price of NIS 8.84 per participation unit, and its direct holding rate in Modiin increased to 20.2%. The aforementioned acquisition was executed against the repayment of a shareholder's loan of the Company to Noia. The difference between the cost of the shares and the balance of the loan was financed by a cash dividend in a negligible amount, which Noia distributed to its shareholders.

Note 3 - Investments (Continued)

F. Summary of main companies directly held by the Company, and additional details regarding those companies ⁽¹⁾

	Holding rate in share capital and in voting rights	Scope of investment in investee company	Reserves ⁽²⁾	Total	Country of incorporation
	%		NIS millions		
Consolidated company					
IDB Tourism ^{(3),(5)}	100	186	16	202	Israel
Investee companies treated at equity					
IDBG ^{(4),(5)}	50	8	(11)	(3)	United States
Modiin Energy Limited Partnership ⁽⁶⁾	20.2	13	(3)	11	Israel
Noia Oil and Gas Explorations	47.5	1	-	1	Israel
Total		<u>208</u>			

⁽¹⁾ The foregoing investments do not include investments in the Company's wholly-owned headquarter companies.

⁽²⁾ 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.

⁽³⁾ Assets and liabilities of IDB Tourism are presented under assets classified as held for sale and liabilities classified as held for sale, respectively.

⁽⁴⁾ The holding in capital is through a wholly-owned subsidiary. The scope of the investment in the investee company was after the adoption of the amendment to IAS 28, as stated in Notes 2.E.1. and 3.D.3. above. The Company's share in the net asset value of IDBG as of September 30, 2019, was NIS 136 million.

⁽⁵⁾ The scope of the investment includes investment in loans and/or capital notes.

⁽⁶⁾ The participation units of Modiin are traded on the Tel Aviv Stock Exchange. The market value of the Company's stake in Modiin as of September 30, 2019, and November 26, 2019, was NIS 22 million and NIS 23 million, respectively.

Note 3 - Investments (Continued)

G. Discontinued operations

- Further to what is stated in Note 3.B. above, and in accordance with international accounting standards, the resulting effect of the Company's stake in Clal Holdings Insurance Enterprises (mostly changes in the investment's fair value, including through swap transactions) are presented under discontinued operations;
- Further to that stated in Note 3.C. above, the Company is evaluating alternatives in connection with the sale of shares of IDB Tourism, and therefore, is continuing to treat IDB Tourism as a discontinued operation.

Presented below are the summary results of discontinued operations:

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2019	2018	2019	2018	2018
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
Clal Holdings Insurance Enterprises	(105)	198	(184)	527	(319)
IDB Tourism	(1)	29	7	52	12
Profit (loss) for the period from discontinued operations	(106)	227	(177)	579	(307)
Attributed to shareholders in the Company	(111)	224	(178)	579	(308)
Attributed to non-controlling interests	5	3	1	-	1
Profit (loss) for the period from discontinued operations	(106)	227	(177)	579	(307)
Other comprehensive income (loss) for the period from discontinued operations attributed to:					
The Company's shareholders	(20)	7	(6)	(5)	10
Non-controlling interests	-	-	-	-	-
	(20)	7	(6)	(5)	10
Comprehensive income (loss) for the period from discontinued operations attributed to:					
The Company's shareholders	(131)	231	(184)	574	(298)
Non-controlling interests	5	3	1	-	1
	(126)	234	(183)	574	(297)

Note 3 - Investments (Continued)

H. Data regarding associate companies and joint ventures

1. Addition of the reports of material associate companies

The Company is attaching to these financial statements the financial statements as of September 30, 2019, of IDBG, which is a material investee company under the joint control of the Company and Property & Building, and which is treated at equity.

2. Summary information regarding a material joint venture - IDBG

	As of September 30		As of December 31
	2019	2018	2018
	(Unaudited)		(Audited)
	NIS millions		
IDB Group USA Investments Inc. ^{(a),(b)}			
Cash and cash equivalents	10	20	17
Total current assets	71	108	96
Total non-current assets	858	895	964
Current financial liabilities (excluding trade payables, other payables and provisions) *	(153)	(587)	(392)
Total current liabilities *	(178)	(607)	(420)
Non-current financial liabilities (excluding trade payables, other payables and provisions)**	(751)	(587)	(898)
Total non-current liabilities **	(751)	(587)	(898)

* Includes shareholder's loans which were provided by Property & Building (for details, see Note 3.D.4. to the annual financial statements) in the amount of NIS 238 million, NIS 223 million and NIS 237 million as of September 30, 2019, September 30, 2018, and December 31, 2018, respectively.

** Mostly including shareholder's loans which were provided to the joint venture, in equal parts, by the Company and by Property & Building.

^(a) IDBG's field of activity is holding rights to commercial and office areas (built in stages), its country of incorporation is the United States, its business operations are in the United States, and the Group's rate of ownership in its capital and voting rights is 50% (held by Property & Building).

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

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2019	2018	2019	2018	2018
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
IDB Group USA Investments Inc. ^(a)					
Income	34	32	12	11	42
Financing income (expenses)*	20	(116)	39	(41)	(163)
Loss and comprehensive loss from continuing operations *	(16)	(190)	-	(39)	(251)
Total comprehensive loss attributed to shareholders of IDBG *	(16)	(190)	-	(39)	(251)
* Includes interest income (expenses) with respect to shareholder's loans in the amount of	49	(95)	49	(34)	(134)
Of which, income (expenses) against loans from the Company	34	(41)	27	(15)	(57)
The Company's share in net loss, after deducting financing income in respect of shareholder's loans	(50)	(54)	(28)	(4)	(69)

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

Note 4 - Events During the Reporting Period

A. Subordinated convertible loans from the controlling shareholder

(1) The subordinate loans issued by the controlling shareholder are as follows:

Year	NIS Million	Additional Details
2015	210	Note 7 C (1) to the annual financial statements
2016	348	Notes 7 C (2) and (3) to the annual financial statements
2019	70	Section (2) below

(2) On September 3, 2019, Dolphin Holland, the controlling shareholder, injected a total of NIS 70 million as a subordinated convertible loan, under the same terms as the other subordinated loans issued to the Company, as per Note 7 C to the annual financial statements. This injection was the first of three as per Note 4. G below.

The fair value of the loan at the time it was granted was assessed by an independent external valuator and the Company also designated this loan at fair value through profit and loss. At the date of initial recognition, the fair value of this loan was estimated at NIS 6 million, with the difference between the cash received and the fair value of NIS 64 million being credited to a capital reserve from transactions with controlling shareholders.

(3) As of September 30, 2019, the fair value of the subordinated loans which are described in Note 7.C. to the annual financial statements, along with said loan, was valued by an independent external appraiser in the total amount of NIS 115 million.

Following are the changes in fair value:

Period	Financing income (expense)*	Other comprehensive income (loss) **	Explanation
	NIS millions		
Nine months ended September 30, 2019	93	327	The financing income was due to the decrease in the value of the subordinated loans, which was due to market changes, relative to the calculation that was made as of December 31, 2018, with parameters which reflect the same credit risk of the Company. Regarding the injection during the third quarter of 2019, the calculation was made using parameters that reflect the Company's credit risk as of the injection date. The decline was mostly due to the decrease in the value of the holdings in Clal Holdings Insurance Enterprises, in the first quarter of 2019, and as a result of the decrease in the value of the debenture from Dolphin IL, as stated in Note 3.A. above. The balance of the decrease in the value of the subordinated loans is attributed to the change in the Company's credit risk, and is presented under other comprehensive income.
Nine months ended September 30, 2018	(3)	(105)	The financing expense was due to an increase in the value of the subordinated loans, which was due to market changes, mostly as a result of a decrease of approximately NIS 211 million in the value of the holdings in Clal Insurance Enterprises Holdings, less a decrease of approximately NIS 188 million in the value of the debenture from Dolphin IL. The other comprehensive loss was due to the increase in the value of the subordinated loans, which is attributed to the increase of the Company's credit risk, as reflected in the decrease of the fair value of the Company's liabilities towards its debenture holders.
Three months ended September 30, 2019	(3)	117	The financing expenses are due to an increase in the value of the subordinate loan that was provided to the Company during the third quarter. The increase in value is mainly due to an increase in the value of the Dolphin IL Debenture. The change in the value of inferior loans in the second quarter of 2019 streamed in previous years to the company is attributed to the increase in the credit risk of the company.

Note 4 - Events During the Reporting Period (Continued)

A. Subordinated convertible loans from the controlling shareholder (Continued)

	Financing income (expense)*	Other comprehensive income (loss) **	
Period	NIS millions		Explanation
Three months ended September 30, 2018	(430)	78	The financing expense was due to the increase in the value of the subordinated loans, which was due to market changes, mostly as a result of an increase decrease of approximately NIS 531 million in the value of the holdings in Clal Holdings Insurance Enterprises, and an increase of approximately NIS 108 million in the value of the debenture from Dolphin IL. Other comprehensive income was due, primarily to the theoretical increase in the value of the subordinated loans, which was attributed to the decrease in the Company's credit risk, as reflected in the increase of the fair value of the Company's liabilities to its debenture holders.
2018	530	(538)	The financing income was due to the decrease in the value of the subordinated loans, which was due to market changes, mostly as a result of the decline in the value of the holdings in Clal Holdings Insurance Enterprises, as stated in Note 3.B.7. to the annual financial statements and regarding the decrease in value of the debenture from Dolphin IL, as stated in Note 3.A.4. to the annual financial statements. The other comprehensive loss was mostly due to the increase in the value of the subordinated loans, which was attributed to the increase of the Company's credit risk, as reflected in the decrease of the fair value of the Company's liabilities towards its debenture holders.

* In the statement of income.

** In the statement of other comprehensive income, under the item for net change in the fair value of subordinated loans.

Note 4 - Events During the Reporting Period (Continued)**A. Subordinated loans (Continued)**

For additional details, see Note 6.B. below.

In accordance with Regulation 49(a) of the Reports Regulations, the economic paper regarding the fair value of the subordinated loans as of September 3, 2019 and September 30, 2019, is attached to these financial statements.

B. The Company's liabilities

1. On February 6, 2019, the Company's Board of Directors resolved to execute a prepayment in the amount of approximately NIS 129.5 million par value of Company debentures (Series M). The repayment, in the total amount of NIS 141 million (including interest and payment of additional interest on the repaid part of the prepayment) was executed on February 28, 2019, and was paid out of funds which were charged in favor of the debenture holders (Series M), which were received from the sale of shares of Clal Holdings Insurance Enterprises.
2. After additional realization of the shares of Clal Holdings Insurance Enterprises (see Note 3.B.4. above), on May 8, 2019, the Company's Board of Directors resolved to execute a prepayment in the amount of approximately NIS 134.3 million par value of Company debentures (Series M). The prepayment, in the total amount of NIS 142.9 million (including interest and payment of additional interest on the repaid part of the prepayment), was executed on May 28, 2019, and was paid out of the consideration from the sale of the aforementioned shares of Clal Holdings Insurance Enterprises, which was held by the trustee for the debentures (Series M).
3. For details of another 5% sale of Clal Holdings Insurance Enterprise in September 2019, in exchange for NIS 145 million (in a swap transaction of the Company's Series I and N debentures), which were deposited in a pledged deposit account in favor of the debenture holders (Series M) See Note 3.B.5 above.

Accordingly, as of September 30, 2019, 5.77 million shares of Clal Holdings Insurance Enterprise remained, the proceeds of which are pledged for the benefit of the debenture holders (Series M). In addition, the balance of the pledged funds in the trust account in favor of the debenture holders (Series M) is NIS 151 million.

The consideration of NIS 145 million, as per 3 above, was used to purchase debentures (Series I and N) as detailed in Note 3.B.5 above. As a result of the purchase of said debentures, the Company recorded a gain in the third quarter of 2019 of NIS 69 million from the early redemption of debentures.

4. For details regarding interest payments on the debentures (Series N), in the amount of NIS 28 million, out of the funds of a deposit that was received from Dolphin IL, following the dividend that was distributed by DIC, and funds of a deposit based on interest on debentures (Series I) received by Dolphin IL, see Note 3 A 2. above.
5. Financial restrictions and covenants - In connection with the Company's debentures (Series M and N), the balance of which (principal and interest), as of September 30, 2019, amounted to NIS 1,328 million, the Company undertook, in accordance with the trust deed, to fulfill, throughout the entire period of the debentures, grounds for adjustment of the interest rate and financial covenants. For additional details, see sections 2 and 3 in Note 8.B. to the annual financial statements. As of September 30, 2019, the Company fulfilled the financial covenants which it had undertaken. In addition to the aforementioned restrictions, the debentures (Series K, M and N) which were issued by the Company, the balance of which as of September 30, 2019, amounted to NIS 1,416 million, also include standard provisions regarding the right to demand immediate repayment, including, *inter alia*, all or some of the following circumstances, as applicable: non-payment or non-fulfillment of an undertaking in the trust deed, in a manner which, in the trustee's opinion, significantly prejudices the rights of the debenture holders, insolvency events (stay of proceedings, settlement in accordance with section 350, settlement or arrangement, liquidation, foreclosure of (all or some of) the Company's assets, and realization of a charge on the Company's main assets, receivership, etc.), and various enforcement actions taken against the Company, merger subject to exceptions, or a fundamental breach of the debenture terms. Additionally, immediate repayment of the debentures may be demanded in a case where the Company has ceased engaging in and/or managing its business affairs, as they stand from time to time, or intends to do so, and in a case where the Company will discontinue or will give notice of its intention to discontinue the payment of its debts, the trustee will view this as a danger to the rights of the debenture holders.

Note 4 - Events During the Reporting Period (Continued)**B. The Company's liabilities (Continued)****5. Financial restrictions and covenants (Continued)**

In addition to the standard grounds specified above, the debentures (Series K, M and N) also include the following grounds: Cross Default - if a lawful demand for immediate repayment has been issued with respect to one of the following: (A) Another debenture series that the Company has issued; (B) A debt of the Company to any financial institution, including any institutional entity, the balance of which, as of the date of the demand for its immediate repayment, exceeds a total of NIS 30-50 million; a material adverse change - if a material adverse change has taken place in the Company's business, as compared with the situation on the issuance date of the debentures, and there is real concern that the Company will be unable to repay the debentures on time; a change in control - if Mr. Eduardo Elsztain (directly or indirectly, including through corporations under his control) ceases being the Company's controlling shareholder, for any reason whatsoever, and there is real concern that the Company will be unable to repay the debentures on time; a series expansion - if the Company has breached its undertakings in connection with a series expansion, as stated in the trust deed; if the Company has breached its undertakings in connection with the sale of the assets that are charged in favor of the debenture holders, as stated in the trust deeds.

As of the date of approval of the financial statements, final repayment of the debentures (Series K and M) was executed.

The debentures (Series I), the balance of which, as of September 30, 2019, amounted to NIS 1,056 million. A demand may be made for immediate repayment of the debentures (Series I) upon the occurrence of standard grounds for repayment, including, inter alia, non-repayment or non-fulfillment of an undertaking in the trust deed, in a manner which, in the trustee's opinion, significantly prejudices the rights of the debenture holders, events involving insolvency (stay of proceedings, liquidation, forfeiture of a charge on a majority of the Company's assets, receivership, etc.), and various enforcement actions taken against the Company. Additionally, it is possible to demand immediate repayment of the debentures (Series I) in a case where the Company has discontinued engaging in and/or managing its business affairs, as they stand from time to time, or intends to do so; and in a case where the Company has discontinued, or has announced its intention to discontinue, the payment of its debts, the trustee will view this as a danger to the debenture holders' rights.

6. On July 1, 2019, meetings of the holders of each of the Company's debenture series were convened for the purpose of receiving a report from the Company's representatives regarding the Company's business position, and for the purpose of holding a discussion of the debenture holders regarding the Company's position, whether there is any need to take action to protect the debenture holders' rights, including the appointment of a representation for the debenture holders, an economic consultant and a legal advisor on behalf of the debenture holders and the trustees for the debenture series.
7. On July 9, 2019, each of the meetings of the debenture holders (Series I and Series N) resolved to appoint a representation for each series. The representations will have the following main authorities:
 - a. To assist the trustee, and to act as an agent of the trustee for each series, and of the debenture holders.
 - b. Conducting negotiations with the Company towards reaching understandings which, insofar as they are formulated, will lead to approvals of the meetings of each debenture series.
 - c. Formulation of alternative methods of action to protect the debenture holders' rights.

Additionally, each of the meetings resolved to appoint a legal counsel and an economic consultant (for each series separately), to represent and assist the representations and the trustees for the debentures.
8. Further to the conversations that have been held between representatives of the Company and some of the holders of the Company's debentures and of the trustees, and as a goodwill gesture and an intention to act in cooperation between the Company and its creditors, on August 15, 2019, the Company gave notice of an undertaking of the Company to its bondholders as follows:
 - a. The Company undertakes that the Company, by itself or through a third party acting on its behalf, and every company under its control (except for the public companies under its control) will not execute and will not undertake to execute any of the transactions that are set forth below, unless at least 10 days in advance the Company will publish an immediate report or will deliver notification to the trustees in writing, at its sole discretion:

Note 4 - Events During the Reporting Period (Continued)**B. The Company's liabilities (Continued)****8. (Continued)****1. (Continued)**

- 1.1 The purchase of debentures (Series I) ("Debentures I") of the Company in cash or against some other consideration;
- 1.2 Any payment of any sort and type, in cash or a cash equivalent, directly or indirectly, to all or some of the holders of the Company's Debentures I (or anyone acting on their behalf), except pursuant to the repayment schedule that exists at this time for the Debentures I (without any change thereto), except for payments in respect of the current expenses of the trustee for the Debentures (Series I) and his agents, such as fees, etc.;
- 1.3 Any transaction or act in connection with a direct or indirect sale or transfer of (or a grant of a right in) shares of Clal Holdings Insurance Enterprises, in (all or some of) which the Company has rights, and which - (1) is made, directly or indirectly, in return for Debentures I (as the sole consideration or together with additional consideration); and/or (2) including, directly or indirectly, a waiver of any type or kind by the holders of the Debentures I or which has implications for the volume of the Company's debt in respect of Debentures I; and/or (3) is connected, directly or indirectly, to Debentures I (it should be clarified that the mere holding of a purchaser of Debentures I alone shall not cause the transaction to be subject to the restriction that is determined in this subsection 3).

2. The Company's undertakings, as set forth above, will be cancelled at the end of a period of 10 days from the occurrence of one or more of the events that are detailed below, with respect to each series that institutes proceedings or passes a resolution, as set forth in this Section 2, as follows:

- 2.1 The passing of a resolution at a meeting of the holders of (all or some of) the Company's debentures regarding the institution of legal proceedings against the Company of any sort whatsoever, including, *inter alia*, a demand for immediate repayment of the Company's debt to (all or some of) the holders of the Company's debentures.
- 2.2 The institution of legal proceedings of any sort whatsoever by the trustees or the representatives of (all or some of) the holders of the debentures against the Company, including, *inter alia*, a demand for immediate repayment of (all or some of) the debentures.

It should be clarified that the cancellation of the Company's undertaking pursuant to what is stated in this Section 2, shall only apply in relation to one or more series of debentures, in respect of which any of the events that are set forth above has occurred and there shall be nothing in this that detracts from the Company's undertaking with respect to the other series of the Company's debentures, regarding which none of the events that are set forth above have occurred, such that the provisions of this letter of undertaking shall continue to apply to them, without any change.

3. In addition to what is stated in section 2 above, the company's undertakings as stated above to all the company's bondholders shall be canceled within 10 days of the date of the company's written notice to the trustees regarding the cancelation of this Letter of Undertaking at its sole discretion.
4. For the avoidance of doubt, it is clarified that cancelation of the company's undertakings pursuant to what is stated in section B or section C above shall not constitute and shall not be regarded as any breach by the company of this letter of undertaking and/or of the terms of the trust deeds and the company's bonds.
5. For the avoidance of doubt, it is clarified, without derogating from the company's undertakings as stated above, that the company's undertakings as stated above do not apply to the controlling shareholder of the company.

Note 4 - Events During the Reporting Period (Continued)**B. The Company's liabilities (Continued)****8. (Continued)**

6. It should be emphasized that the undertakings stated above are being given voluntarily and out of a desire to cooperate with the holders of the company's bonds and not because of a duty that applies to the company pursuant to the provisions of the law and/or the provisions of the trust deeds, and nothing stated above shall impose on the company any obligation and/or give the shareholders of the company or the trustees any right beyond what is expressly stated above.

9. On August 29, 2019, the Company's Board of Directors approved a pledge to holders of debentures (Series I, K, M and N) of the Company (together - "debenture holders"). In November 2019, after reporting date, several obligations of the Company were amended. The following are the pledges as they were in effect at the date of publication of the report: Under the pledge, the Company has pledged that, as it is in effect, until May 30, 2020 or 10 days after the Company announces the cancellation of the obligation - whichever is earlier, the purchase of bonds by the Company of any of the series I, K, M or N of the Company's bonds ("the repaid series") will actually take place by November 30, 2019, and insofar as the debt to that series, in whole or in part, is an unsecured debt ("purchase operation"), then the Company will act, within 60 days of the date of making the purchase operation ("the balancing period") to buy bonds of each of the other series of bonds, which has an unsecured debt (the adjusted (par) balance of the relevant series, less the value of the collateral at the market price for that series, insofar as there will be any (provided that the resulting amount is positive) ("unsecured debt") and which is not the repaid series ("the relevant series"), in an amount (at par) out of the relevant series ("the amount of the balancing bonds") which will be equal to the acquired liability value (at par) of the repaid series divided by the unsecured debt of the repaid series before the purchase operation multiplied by the unsecured debt of the relevant series ("the balancing operation"), which shall be calculated as of the date of performing the purchase operation.

On the date of performing the purchase operation, the Company shall deposit with the trustee for the relevant series a sum in cash that is equal to the amount of the par value of the amount of the balancing bonds multiplied by the closing price of the bonds of the relevant series on the trading day preceding the date of performing purchase operation, plus the amount of the premium ("the amount in the deposit"). The amount of the premium will be determined in accordance with the average price that the company paid within the framework of the purchase operation for the bonds from there paid the series divided by the closing price of that bond on the trading day that preceded the date of performing the purchase operation.

The amount in the deposit will be charged with a first-degree charge in favor of the trustee for the relevant series and shall serve as collateral for the Company's undertaking to the relevant series pursuant to the Letter of Undertaking. The Company shall be entitled to order the trustee to make a purchase of bonds from the relevant series out of the amount in the deposit, up to the completion of the purchase of the amount of the balancing bonds as stated in the above paragraph, with respect to the relevant series, by the end of the balancing period. If the Company bought, during the balancing period, the whole amount of the balancing bonds, the amount in the deposit or the balance thereof shall be returned to the Company, immediately upon the Company's first demand. For the avoidance of doubt, if the Company bought the whole amount of the balancing bonds, during the balancing period, the amount of the deposit or the balance thereof shall be returned to it, and in such a case, the trustee shall not be entitled to delay its repayment for any reason whatsoever. If the Company does not buy the whole amount of the balancing bonds during the balancing period, then the Company undertakes that the balance of the amount in the deposit shall be used for the early redemption of the bonds from the relevant series, on the earliest date possible after the end of the balancing period, and the trustee of the relevant series will be entitled to carry out any operation in order to realize the amount in the deposit for this purpose.

A failure to purchase the whole amount of the balancing bonds shall not be regarded as a breach of the Company's undertaking, provided that the amount has been deposited in the deposit.

In a case where a purchase operation of more than one series of bonds will be made on the same date, then for the purpose of calculating the amount of the balancing bonds, each purchase operation will be taken into account as balancing bonds with respect to the second series.

Note 4 - Events During the Reporting Period (Continued)**B. The Company's liabilities (Continued)****9. (Continued)**

In addition, the Company undertook that a purchase operation can be made only in a case where before the making of the purchase operation or at the same time as making it, a cumulative injection of capital is made into the company (with the options stated in the Letter of Undertaking), in a minimum amount, that is dependent on the preferred premium according to which the Company buys its own debentures.

The "preferred premium" - the total amount by which the average price paid by the Company exceeded 5% above the closing price of the purchased bond on the trading day that preceded the date of the purchase operation.

A purchase or balancing operation shall be made solely in cash or by means of a transfer of shares of Clal Holdings Insurance Enterprises to the seller. In the event of a purchase of bonds by means of a transfer of shares of Clal Holdings Insurance Enterprises to the seller as aforesaid, it will be taken into account, for the purpose of calculating the preferred premium (in order to calculate the need for a capital injection, as noted above), that the value of the shares of Clal Insurance Enterprises Holdings is equal to the average closing price on the stock exchange of the shares of Clal Holdings Insurance Enterprises during the 30 trading days that preceded the date of performing the purchase or balancing operation, as applicable.

During the period of the Company's undertaking, no early payment shall be made of bonds from a series of bonds where the debt to it in whole or in part is unsecured debt, unless the trustees of all the series of the bonds give at least ten days' written notice before making the prepayment. The aforesaid shall not apply with respect to early repayment that will be made pursuant to the Letter of Undertaking. It was also clarified in the letter of Undertaking that, in the Company's estimation, in view of the scope of the unsecured debt that exists on the date of giving the Letter of Undertaking, during the period of the undertaking, the order of the purchases, insofar as there will be any, will be the purchase of (series I) bonds, and on the same date or thereafter, the making of a balancing operation with respect to (series N) bonds. Insofar as the Company will plan to act in accordance with a different order, it will be liable to deliver seven days' written notice of this to all the trustees.

The Company's undertakings as stated above shall be immediately canceled with respect to bondholders of one or more series that will perform one or more of the following acts:

- a. Adopt a resolution at a meeting of (all or some of) the company's bondholders with respect to the filing of legal proceedings against the company of any kind, including, without derogating from the generality of the aforesaid, demanding immediate repayment of (all or some of) the debt to the company's bondholders, the realization of collateral or any other matter of a similar nature to the aforesaid matters.
- b. The filing of legal proceedings of any kind whatsoever by the trustee or the representation of (all or some of) the bondholders against the company, including, without derogating from the generality of the aforesaid, demanding immediate repayment of (all or some of) the bonds or the realization of collateral.

It should be noted that the purchases of the Debentures (Series I and N) as per Notes 3 B 5. and 3.B.10.B above was made in accordance with the terms of the aforementioned undertaking.

Note 4 - Events During the Reporting Period (Continued)**B. The Company's liabilities (Continued)****10. Developments after statement of financial position date:**

- A. During November 2019, the Company issued NIS 236.8 million debentures (Series O) to the public for a total gross consideration of NIS 236.8 million. The debentures are not linked and bear an annual interest rate of 4.7%. Considering the expected issue costs, the expected net proceeds reflect an effective interest rate of 5.3% per year. The debentures were listed for trading on the stock exchange and began trading on November 21, 2019. The balance of the debenture principal will be repaid in two equal installments - the first on September 30, 2020 and the second on June 30, 2022. Interest payments will be made in 4 quarterly payments each year (1.175% each quarter), on the 30th of each of the following months - March, June, September, and December for the three months ending on the payment date. The first interest payment will be made on December 30, 2019 for the period from issue of the debentures to December 30, 2019. The Company may early-redeem the debentures (Series O), in whole or in part, under provisions of the Deed of Trust.

To ensure maximum fulfillment of the Company's obligations to repay all debenture principal and interest, the Company has recorded the following liens:

1. A fixed, second-ranking lien, unlimited in amount on 2,765,071 shares of Clal Holdings Insurance Enterprises, and on all related rights and/or rights arising from said shares.
2. A fixed, second-ranking lien, unlimited in amount on the right to receive any consideration arising from 2993,699 shares of Clal Holdings Insurance Enterprises.
3. Cash amounting to approximately NIS 4.7 million.

It should be noted in connection with the liens referred to in sections 1 and 2 above, after full repayment of the Series K and M debentures as of the date of approval of the financial statements, the said liens shall be recorded as first-ranking charges in favor of Series O debenture holders.

- B. For details of a SWAP transaction vis-à-vis debentures (Series I and N) against 5% of shares of Clal Holdings Insurance Enterprises, against which the Company entered a SWAP transaction in May 2018 and closed said SWAP transaction, see Note 3 B 10 B above.

- C. Further to that stated in Note 9 to the annual financial statements, regarding swap transactions which were executed by the Company with a banking institution (the "Banking Institution"), in connection with approximately 6.5 million shares of DIC, a company controlled by the Company's controlling shareholder, and which was controlled, until November 2017, by the Company, it should be noted that, in January 2019, the Company paid a total of NIS 6 million in respect of the conclusion of all of the swap transactions, and the balance of the deposit funds, in the amount of NIS 66 million, was released in favor of the Company.

- D. Cost distribution agreement (service agreement) with DIC and agreement for shared use and office expenses

Further to that stated in Note 17.B.(2) to the annual financial statements, on March 20, 2019, the Company's Board of Directors approved (after approval for this purpose was given by the Company's audit committee) an extension of the Company's engagement in an agreement for a period of three additional years, under identical terms as the terms of the current agreement, effective from April 1, 2019 to March 31, 2022. On April 30, 2019, the shareholders' meeting of DIC approved the extension of DIC's engagement in the aforementioned agreement with the Company.

On November 28 2019, the Company's Board of Directors (after approval by the Company's Audit Committee on November 26 2019) approved the Company's engagement with DIC and three of its investees – Property & Building, Bayside Land Corp and Elron in an agreement for shared use and office expenses in joint offices to which the Company moved its offices in the ToHa project at 114 Igal Alon St. Tel Aviv, pursuant to a lease agreement entered into between DIC and Bayside Land Corp and Amot Investments Ltd., for the lease of offices and parking spaces for a period starting on July 1 2019 and ending after 15 years or after two option periods (of app. 5 years each) (hereafter – the "Lease Agreement"). The agreement regulates the distribution of the costs of the rented property, related costs and asset adaptation costs, in a manner reflecting each of the parties' proportionate share in the leased property (hereafter – the "Expenses Distribution Agreement"). DIC and IDB development shall be considered as a single party for purposes of the distribution of the joint expenses between the parties to the agreement, and they shall bear the joint expenses in accordance with the cost of services allocation

Note 4 - Events During the Reporting Period (Continued)

- D. Cost distribution agreement (service agreement) with DIC and agreement for shared use and office expenses (Continued)

ratio, as defined in the Expenses Distribution Agreement (services agreement) they have entered into (as of the date of entering into this agreement, DIC 60%, IDB Development 40%), as approved to extend on March 20 2019 as aforesaid. For details, see Note 17.B.2 of the annual financial statements.

Each of the parties to the Expenses Distribution Agreement shall bear the costs of the leased property in respect of its share in the area of the offices and parking spaces attributed to it in a land use scheme. Pursuant to the terms of the lease agreement, leased property's costs in respect of the joint areas that will be used by all parties to the Expenses Distribution Agreement and related expenses (such as: cleaning, insurance, logistic and kitchen services and ongoing maintenance) shall be paid by the parties based on the ratio between the number of employees employed by each of the parties at the offices' area and the total number of employees employed by all parties to the Expenses Distribution Agreement in the offices' area (such as logistics, cleaning team and ongoing maintenance). Furthermore, the agreement also regulates the distribution of leased property's costs in respect of office holder and employees who serve in/ are employed by, as the case may be, a number of companies which are parties to the Expenses Distribution Agreement. The parties to the said agreement will also bear, in accordance with their proportionate share as described above, the costs of adapting the offices, including payments to performance contractors, purchase of furniture, white goods and other equipment, as well as advisory services and management and supervision services.

- E. On April 18, 2019, S&P Maalot ("Maalot") announced that it was reducing the Company's rating to BB- negative outlook. On June 27, 2019, Maalot announced, due to the increased risk of insolvency, that it was reducing the Company's rating to CCC, negative rating outlook. Maalot reduced the rating of the debentures (Series I), which are unsecured, to a rating of CC.

- F. In May 2019, the Israel Securities Authority approved the extension of the Company's shelf prospectus dated May 10, 2017, for one additional year. Accordingly, the Company will be able to offer securities in accordance with the shelf prospectus until May 10, 2020.

- G. On August 31, 2019, the Company's Board of Directors (after receiving approval from the Audit Committee) approved a commitment from Dolphin Holland for a capital injection to the Company ("undertaking"), the main points of which are as follows: Dolphin Holland undertook irrevocably to make a capital injection to the Company amounting to NIS 210 million, in three equal annual payments (NIS 70 million) on September 2, in each of the years 2019-2021 ("payments" and "payment dates," respectively). The payments will be made in exchange for the Company's shares or as a deferred loan under similar conditions to subordinate loans previously provided by Dolphin Holland to the Company, as per Note 4 A above. In the event that the Company does not have the cash source required for and in connection with financing of the seller's loan, as per Note 3 B 4. above, the Company shall have the right to demand the advance of an amount of up to NIS 40 million on account of the second payment account, subject to the approval of the Audit Committee and the Company's Board of Directors which required such financing.

IRSA Inversiones Y Representaciones Sociedad Anonima ("Irsa") undertook unilaterally and irrevocably to Dolphin Holland to transfer to Dolphin Holland, in accordance with its demand, the amounts it required to meet its obligation ("Irsa Obligation"). If Dolphin Holland does not make the capital injection in accordance with the obligation, then Dolphin Holland's rights under the Irsa obligation will automatically be transferred to the Company and the Company will have the right to exercise the Irsa obligation. The liability will automatically expire in any of the following events: (a) insolvency proceedings will be taken against the Company (whether voluntary or involuntary) which will be valid at any of the payment dates, then the relevant payment date will be deferred for 90 days and the relevant payment will be transferred to the Company only if said process will be cancelled during said 90 period. If the process is not cancelled within said 90 day period, the undertaking will expire, (b) an insolvency order as provided for in section 3 of the Insolvency and Economic Rehabilitation Act, 2018; and (c) a receiver, trustee special manager or any person of this position shall be appointed (temporary or permanent), or if a similar order is issued (in connection with the Company's insolvency) by the court.

On September 2, 2019, the Company received a total of approximately NIS 70 million from Dolphin IL as a subordinate loan under the same terms as the previous subordinate loans (see Note 7 C to the Annual Financial Statements).

Note 4 - Events During the Reporting Period (Continued)

- H. On September 25, 2019, Mr. Shulam Lapidot completed his term as CEO of the Company. During September 2019, the Company's General Meeting, approved, following the approval of the Compensation Committee and the Board of Directors, a grant to Mr. Shulem Lapidot 4 monthly salaries (gross), amounting to NIS 522 thousand (DIC's share - 75%, the Company's share - 25%).
- I. In September 2019, the Company's Board of Directors, following the approval of the Company's Compensation Committee and the General Meeting of Shareholders of the Company, and following the recommendation of the Company's Search Committee (which was appointed by the Company's Board of Directors for this purpose), Mr. Eran Sa'ar was appointed CEO of the Company. ("CEO") as well as the terms of office and employment of the CEO, which include:
1. Scope of the position: The CEO will work under a 25 % scope.
 2. Period of Employment: The CEO will be employed by the Company under the Employment Agreement for an unspecified period, beginning December 12, 2019 ("Term of Commencement").
 3. Fixed salary: The monthly basic salary for fulfilling all obligations under the employment agreement will be NIS 40,000 for a 25% scope. The salary will be linked to the rate of increase in the CPI (where the base index is the index known at the beginning of the term) and other terms as common for Company officers.
 4. A bonus based on NAV increase:
 - A. The CEO will be entitled to a cash bonus of 4% (gross) of the increase (to the extent applicable) of the net asset value ("NAV") adjusted as defined below ("NAV Adjusted"), for the period beginning December 31, 2019, and ending at the dates set forth below ("NAV-based bonus").
 - B. The NAV-based bonus will be calculated for the adjusted NAV on each of the following dates: (1) December 31, 2021 ("First Calculation Date"); and (2) December 31, 2024 ("Second Calculation Date") (each of the dates - "Calculation Date") compared to the NAV Adjusted on December 31, 2019. If a NAV bonus is paid for the First Calculation Date, then the Bonus is calculation relative to the second calculation will only be done for the period beginning on January 1, 2022, and ending on December 31, 2024 (that is, compared to the NAV adjusted on the first calculation date). It is clarified that said bonus will be paid to the extent that the CEO serves as the CEO of the Company on the relevant calculation date and meets all conditions set out in the agreement.
 - C. NAV Adjusted - The net asset value of the Company as reported in the Company's financial statements for a period of 12 months ending on the relevant date of calculation, after neutralizing the investment in the Dolphin IL Debenture and/or any other asset interest and/or interest in DIC. For clarity purposes, the adjusted NAV will be calculated at each calculation date, in accordance with the principles stated in Section 1.4.3 of the Board of Directors' Report.
 5. Variable Component - Annual Bonus: The CEO will be entitled to an annual bonus, starting in 2020, not to exceed 6 monthly salaries.

Note 5 - Claims and Contingent Liabilities

- A. No material changes occurred in the claims and contingent liabilities against the Company which are described in Note 13 to the annual financial statements, save as detailed below.

Further to that stated in Note 21.C.(1).B.7 to the Company's financial statements for 2016, in connection with a motion to approve a derivative lawsuit on behalf of DIC (the "Motion to Approve"), which was filed by two petitioners who allege to be shareholders of DIC, with the Economic Department of the District Court of Tel Aviv-Yafo (the "Court"), against directors and corporate officers who served in DIC during the years 2010-2011, certain shareholders of DIC (excluding the Company, which has been removed from the proceedings), and against its auditors during the relevant period (the "Respondents"), with respect to DIC's tender offer for shares of Shufersal Ltd. in 2010, and regarding dividend distributions which were subsequently announced by DIC, on May 23, 2019, concurrently with their responses to the motion to approve, a majority of the respondents filed with the Court a motion to file a third party notice against the Company.

- B. Further to what is stated in Note 13.B.(1) to the annual financial statements, regarding an amended motion to certify a class action, which was filed in January 2018 with the Central District Court of Lod (the "Court"), by petitioners who allege that they hold shares of the Company, and that they are entitled parties under the debt settlement in IDB Holding Corporation Ltd. (the "Petitioners" and the "Debt Settlement", respectively), against the Company; Mr. Eduardo Elsztain, the Company's controlling shareholder; Dolphin Netherlands, the Company's controlling shareholder; and other parties; on causes of action involving damages which were incurred, as alleged by the petitioners, due to prejudice of rights by virtue

of consideration that was given in the debt settlement (and particularly, in connection with the expiration of a transaction for the sale of the Company's holdings in Clal Holdings Insurance Enterprises in May 2014, and in connection with an alternative Clal transaction), on May 30, 2019, the petitioners filed with the Court a notice stating that the petitioners intend to act to file a motion to withdraw from the proceeding with respect to the Company, Mr. Eduardo Elsztain and Dolphin Netherlands. Following a decision of the Court, and after several extensions were granted, on July 19, 2019, the applicants filed a motion to withdraw from the Motion for Certification. On November 26 2019, after the date of the statement of financial position, the Court issued a ruling approving petitioners' motion to withdraw from the proceedings, without a court expenses warrant.

The financial statements of the Company as of September 30, 2019, do not include provisions for legal claims against the Company.

Note 6 - Financial Instruments

A. Fair value of financial instruments for disclosure purposes only

The carrying value of certain financial assets and liabilities, including cash and cash equivalents, trade receivables, other receivables, deposits, other investments, derivatives, the debenture from Dolphin IL, liabilities to banks in connection with swap transactions and other payables, correspond to or approximate their fair value.

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

	As of September 30, 2019 (Unaudited)		As of September 30, 2018 (Unaudited)		As of December 31, 2018 (Audited)	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
	NIS millions					
Financial assets						
Debenture from Dolphin IL ⁽¹⁾	927	927	1,341	1,341	1,203	1,203
Swap transaction – DIC shares	-	-	4	4	-	-
Investment in Colu	27	27	27	27	27	27
	<u>954</u>	<u>954</u>	<u>1,372</u>	<u>1,372</u>	<u>1,230</u>	<u>1,230</u>
Financial liabilities						
Debentures ^{(2),(3)}	(2,469)	(1,752)	(3,177)	(2,877)	(2,920)	(2,202)
Subordinated loans ⁽⁴⁾	(115)	(115)	(629)	(629)	(529)	(529)
Swap transaction on shares of Clal Holdings Insurance Enterprises	(31)	(31)	-	-	(32)	(32)
Options for the sale of 8% of the shares of Clal Holdings Insurance Enterprises ⁽⁵⁾	(40)	(40)	-	-	-	-
Swap transaction on DIC shares	-	-	-	-	(6)	(6)
	<u>(2,655)</u>	<u>(1,938)</u>	<u>(3,806)</u>	<u>(3,506)</u>	<u>(3,487)</u>	<u>(2,769)</u>

⁽¹⁾ The fair value of the debenture from Dolphin IL was determined by an external appraiser using the correlative Monte Carlo model. The Monte Carlo model is an algorithmic model which is used to solve calculation problems by running stochastic parameters through a large number of global situations and performing calculations on the various scenarios which were obtained. For the purpose of calculating the various scenarios, simulations were prepared regarding the future value of DIC's holdings, and the fair value of the Company's holdings, in order to assess the ability to actually repay the debenture and the impact of these values on insolvency situations, both of the Company and of the buyer. Use was also made of the Merton model, in order to estimate the future value of the debenture at different dates and in different scenarios, in order to assess natural situations of early repayment, both on the part of the Buyer, and on the part of the Company. For additional details regarding the debenture and its terms, see Note 3.A. to the annual financial statements.

⁽²⁾ Carrying value including current maturities and accrued interest.

⁽³⁾ The fair value of debentures traded on the stock exchange was estimated based on their quoted price, and the interest rate in respect of them reflects the yield to maturity embodied in the aforementioned quoted price.

⁽⁴⁾ The convertible subordinated loans are presented in the Company's books at fair value. The fair value of the aforementioned loans was determined by an external appraiser based on a calculation used to estimate indications of the value of the Company's capital.

⁽⁵⁾ See Note 3 B 4 for details. above. The fair value of the option is determined by the option's intrinsic value, as the exercise notice of the option was issued as of June 16, 2019. Said value also includes a total of approximately NIS 26 million, which constitutes the value of the benefit, as assessed by the Company in accordance with the offer accepted by the Company in September 2019 from the bidder for the execution of the loan transaction (as defined in Note 3 B 4 above) to the sale of the Company's entire rights and obligations in connection with the Seller's loan (as defined in Note 3 B 4 above). On November 7 2019, after reporting date, the loan transaction was executed in accordance with the aforesaid offer.

Note 6 - Financial Instruments (Continued)

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 of 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 of September 30, 2019 (Unaudited)	As of September 30, 2018 (Unaudited)	As of December 31, 2018 (Audited)
	NIS millions		
Financial assets	-	4	-
Financial liabilities	* (71)	-	(38)

* Includes a total of NIS 40 million with respect to an option as per (5) in section A of this note above.

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

Financial instruments measured at fair value level 3

	For the nine months ended September 30, 2019 (Unaudited)			Financial liabilities
	Financial assets			
	Debt from Dolphin IL and other ^(b)	Loan to IDBG ^(c)	Total Assets	Subordinate loans ^(d)
	NIS millions			
Balance as of January 1, 2019	1,230	-	1,230	(529)
Initial measurement of fair value following initial application of an amendment to IAS 28 (c)		190	190	
Fair value of the subordinate loan received				(6)
Total income (loss) recognized:				
Under profit and loss ^(a)	(276)	(42)	(318)	93
Under other comprehensive income		^(e) (12)	(12)	^(f) 327
Balance as of September 30, 2019	954	136	1,090	(115)
(a) Total income (loss) for the period included under the income statement in respect of held assets and liabilities as of September 30, 2019:				
Financing (income) expenses	(276)	-	(276)	93
The Group's share in the loss of investee companies treated at equity	-	(42)	(42)	-

(b) For additional details regarding the debentures, see Note 3.A. above.

(c) For additional details regarding the loan to IDBG, and regarding the amendment to IAS 28, see Notes 3.D.3. and 2.E.1. above.

(d) See also Note 4.A above.

(e) The Group's share in other comprehensive income (loss) in respect of investee companies treated at equity. The comprehensive loss is attributed to capital reserves from translation differences.

(f) Under the item for net changes in the fair value of the subordinated loans, which is attributed to changes in credit risk.

Note 6 - Financial Instruments (Continued)

B. Fair value hierarchy of financial instruments measured at fair value (Continued) Financial instruments measured at fair value level 3 (Continued)

	For the nine months ended September 30, 2018 (Unaudited)	
	Financial assets	Financial liabilities
	Debenture from Dolphin IL and other ^(b)	Subordinated loans ^(c)
	NIS millions	
Balance as of January 1, 2018	1,556	(521)
Total income (loss) recognized:		
Under profit and loss ^(a)	(188)	(3)
Under other comprehensive income	-	^(d) (105)
Balance as of September 30, 2018	1,368	(629)
(a) Financing (income) expenses with respect to assets and liabilities held as of September 30, 2018	(188)	(3)

^(b) For additional details regarding the debenture, see Note 3.A. above.

^(c) See also Note 4.A. above.

^(d) Under the item for net changes in the fair value of the subordinated loans, which is attributed to changes in credit risk.

	For the three months ended September 30, 2019 (Unaudited)			
	Financial assets			Financial liabilities
	Debenture from Dolphin IL and other ^(b)	Loan to IDBG ^(c)	Total Assets	Subordinate loans ^(d)
	NIS millions			
Balance as of July 1, 2019	928	167	1,095	(223)
Fair value of the subordinate loan received				(6)
Total income (loss) recognized:				
Under profit and loss ^(a)	26	(28)	(2)	(3)
Under other comprehensive income	-	€(3)	(3)	^(f) 117
Balance as of September 30, 2019	954	136	1,090	(115)
(a) Total loss for the period included under the income statement in respect of assets and liabilities held as of September 30, 2019:				
Financing income (expenses)	26	-	26	(3)
The Group's share in the loss of investee companies treated at equity	-	(28)	(28)	-

^(b) For additional details regarding the debenture, see Note 3.A. above.

^(c) For additional details regarding the loan to IDBG, see Notes 3.D.3. and 2.E.1. above.

^(d) See also Note 4.A. above.

^(e) The Group's share in other comprehensive income (loss) in respect of investee companies treated at equity. The comprehensive loss is attributed to capital reserves from translation differences.

^(f) Under the item for net changes in the fair value of the subordinated loans, which is attributed to changes in credit risk.

Note 6 - Financial Instruments (Continued)

B. Fair value hierarchy of financial instruments measured at fair value (Continued) **Financial instruments measured at fair value level 3 (Continued)**

	For the three months ended September 30, 2018 (Unaudited)	
	Financial assets	Financial liabilities
	Debenture from Dolphin IL and other ^(b)	Subordinated loans ^(c)
	NIS millions	
Balance at start of period	1,260	(277)
Total income (loss) recognized:		
Under profit and loss ^(a)	108	430
Under other comprehensive income	-	^(d) 78
Balance at end of period	1,368	(629)
(a) Financing (income) expenses with respect to assets and liabilities held as of September 30, 2018	108	(430)
^(b) For additional details regarding the debenture, see Note 3.A. above.		
^(c) See also Note 4.A. above.		
^(d) Under the item for net changes in the fair value of the subordinated loans, which is attributed to changes in credit risk.		

	For the year ended December 31, 2018 (Audited)	
	Financial assets	Financial liabilities
	Debenture from Dolphin IL and other ^(b)	Subordinated loans ^(c)
	NIS millions	
Balance as of January 1, 2018	1,556	(521)
Total income (loss) recognized:		
Under profit and loss ^(a)	(326)	530
Under other comprehensive income	-	^(d) (538)
Balance as of December 31, 2018	1,230	(529)
(a) Financing (income) expenses with respect to assets and liabilities held as of December 31, 2018	(326)	530
^(b) For additional details regarding the debenture, see Note 3.A. above.		
^(c) See also Note 4.A. above.		
^(d) Under the item for net changes in the fair value of the subordinated loans, which is attributed to changes in credit risk.		

Note 6 - Financial Instruments (Continued)

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

Financial instruments measured at fair value level 3 (Continued)

Although the Group believes that the fair value figures which were determined for the purpose of measuring the fair value of financial instruments at which are measured at fair value are adequate, the use of different assumptions or measurement methods may significantly change the fair value figures.

- In respect of the fair value measurement of the debenture from Dolphin IL, a possible and reasonable change in each of the following non-observable inputs would increase (decrease) profit and loss, and capital, as follows:

	As of September 30, 2019			
	Impact on Total capital		Impact on Profit or loss	
	Increase of	Decrease of	Increase of	Decrease of
	(Unaudited)			
	NIS millions			
Absolute change of 5% in the estimated volatility of DIC as a synthetic asset *	-	5	-	5
Absolute change of 5% in the discount factor in respect of quick exercise of holdings of Dolphin IL	(45)	46	(45)	46

	As of September 30, 2018			
	Impact on Total capital		Impact on Profit or loss	
	Increase of	Decrease of	Increase of	Decrease of
	(Unaudited)			
	NIS millions			
Absolute change of 5% in the estimated volatility of DIC as a synthetic asset *	(35)	33	(35)	33
Absolute change of 5% in the fire sale factor in respect of the holdings of Dolphin IL	(66)	66	(66)	66
Absolute change of 10% in the limit ratio of assets to liabilities (VTL) at which insolvency proceedings will be initiated against the Company or against Dolphin IL	37	(55)	37	(55)

	As of December 31, 2018			
	Impact on Total capital		Impact on Profit or loss	
	Increase of	Decrease of	Increase of	Decrease of
	(Audited)			
	NIS millions			
Absolute change of 5% in the estimated volatility of DIC as a synthetic asset *	(20)	4	(20)	4
Absolute change of 5% in the fire sale factor in respect of the holdings of Dolphin IL	(64)	64	(64)	64
Absolute change of 10% in the limit ratio of assets to liabilities (VTL) at which insolvency proceedings will be initiated against the Company or against Dolphin IL	7	(23)	7	(23)

* For the purpose of the valuation, a synthetic normative asset (sum of parts) was used, based on the value of DIC's various holdings.

Note 6 - Financial Instruments (Continued)

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

Fair value sensitivity analysis in respect of financial instruments measured at fair value level 3 (Continued)

- In respect of the fair value measurement of the subordinated loans from the controlling shareholder, a possible and reasonable change in each of the following non-observable inputs would have increased (decrease) profit and loss, and capital, as follows:

	As of September 30, 2019			
	Impact on		Impact on	
	Total capital		Profit or loss*	
	Increase of	Decrease of	Increase of	Decrease of
	(Unaudited)			
	NIS millions			
Absolute change of 10% in estimated indications of the Company's equity value	(11)	11	(11)	11
Absolute change of 5% in the fire sale factor in respect of assets	44	(44)	44	(44)
Absolute change of 2.5% in the discount rate in respect of block	5	(5)	5	(5)

	As of December 31, 2018			
	Impact on		Impact on	
	Total capital		Profit or loss*	
	Increase of	Decrease of	Increase of	Decrease of
	(Audited)			
	NIS millions			
Absolute change of 10% in estimated indications of the Company's equity value	(53)	53	(53)	53
Absolute change of 5% in the fire sale factor in respect of assets	76	(76)	76	(76)
Absolute change of 2.5% in the discount rate in respect of block	13	(13)	13	(13)

* The data presented above are based on the assumption that the changes were due to market changes, and not the Company's credit risk. In accordance with the provisions of IFRS 9, insofar as the changes are due to the Company's credit risk, such changes will not be carried to other comprehensive income.

** Changes in unobserved data as above would not have changed the value of the subordinate loans as of September 30, 2018 and therefore no sensitivity table was given for this date

- In respect of other financial instruments that are classified at level 3 of the fair value hierarchy, the possible effect as a result of a reasonable change in the non-observed data is immaterial.

Note 7 - Financing Income and Expenses

A. Financing income

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2019	2018	2019	2018	2018
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
Financial assets and financial liabilities at fair value					
Increase in fair value of a debenture from Dolphin IL (1)	-	-	26	108	-
Decrease in the fair value of the subordinated loans ⁽²⁾	93	-	-	-	530
Interest income from the Dolphin IL debenture	34	-	2	-	-
Net positive change in the fair value of financial assets measured at fair value through profit or loss	1	-	-	-	3
Increase in fair value of SWAP from transaction of DIC shares	-	2	-	4	-
Other					
Gain on early redemption of a debenture	69	-	69		
Net profit from changes in foreign currency exchange rates	-	2	-		6
Financial instruments at amortized cost					
Interest income from deposits in banks	1	1	1	1	1
	198	5	96	113	540

Note 7 - Financing Income and Expenses (Continued)

B. Financing expenses

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2019	2018	2019	2018	2018
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
Financial liabilities measured at amortized cost					
Interest expenses and linkage differentials on financial liabilities measured at amortized cost	125	165	28	51	215
Amortization of cost of obtaining collateral for the Company's liabilities from Dolphin IL	34	24	17	9	32
Financial assets and financial liabilities at fair value					
Decrease in the fair value of the debenture from Dolphin IL ⁽¹⁾	276	188	-		326
Negative change, net , in fair value of financial assets measured at fair value through profit and loss			1	2	
Increase in fair value of subordinate loans ⁽²⁾		3	3	430	
Decrease in fair value of swap transaction on DIC shares					8
Other					
Loss, net – change in exchange rate of foreign currency	1		1		
Impairment of other assets		19		5	22
	<u>436</u>	<u>399</u>	<u>50</u>	<u>497</u>	<u>603</u>

(1) See note 3.A above.

(2) See note 4 A above.

Note 8 - Operating Segments

The Company considers as segments those companies which constitute a significant economic component for the Company, including as regards the allocation of resources (the “Segment Companies”). The segmental separation basis and the measurement basis used for segmental profit and loss is identical to that presented in Note 18, regarding operating segments, in the annual financial statements.

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

			Discontinued operations				
	IDBG	Debtore from Dolphin IL	IDB Tourism	Clal Holdings Insurance Enterprises NIS millions	Others ⁽¹⁾	Adjustments for the consolidation	Consolidated
For the nine-month period ended September 30, 2019 (Unaudited)							
Sales and services	34	-	840	-	12	(886)	-
Segmental results - attributed to the shareholders in the Company	(50)	(242)	(6)	(105)	1	⁽²⁾ (14)	(416)
For the nine-month period ended September 30, 2018 (Unaudited)							
Sales and services	32	-	1,055	-	7	(1,094)	-
Segmental results - attributed to the shareholders in the Company	(54)	(188)	26	198	(1)	⁽²⁾ (222)	(241)
For the three-month period ended September 30, 2019 (Unaudited)							
Sales and services	12	-	456	-	4	(472)	-
Segmental results - attributed to the shareholders in the Company	(28)	28	6	(184)	1	⁽²⁾ 13	(164)
For the three-month period ended September 30, 2018 (Unaudited)							
Sales and services	11	-	517	-	5	(533)	-
Segmental results - attributed to the shareholders in the Company	(4)	108	52	527	-	⁽²⁾ (497)	186
For the year ended December 31, 2018 (audited)							
Sales and services	42	-	1,281	-	10	(1,333)	-
Segmental results - attributed to the shareholders in the Company	(69)	(326)	11	(319)	(2)	⁽²⁾ 240	(465)

(1) Including holdings in the oil and gas segment.

(2) Represents the results of the Company and of headquarter companies - mostly general and administrative expenses, and financing expenses.

Note 8 - Operating Segments (Continued)

A. Segmental results (Continued)

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

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2019	2018	2019	2018	2018
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
Cancellation of amounts in respect of segments classified as associate companies	(46)	(39)	(16)	(16)	(52)
Segments classified as discontinued operations	(840)	(1,055)	(456)	(517)	(1,281)
	(886)	(1,094)	(472)	(533)	(1,333)

B. Segmental assets

	IDBG	Debtore from Dolphin IL (3)	Assets held for sale			Adjustments for the consolidation	Consolidated
			IDB Tourism (1)	Clal Holdings Insurance Enterprises (1)	Others(2)		
			NIS millions				
As of September 30, 2019 (Unaudited)	929	927	891	886	58	(209)	3,482
As of September 30, 2018 (Unaudited)	1,003	1,341	705	2,084	45	361	5,539
As of December 31, 2018 (Audited)	1,061	1,203	664	1,603	64	(50)	4,545

(1) Discontinued segment. See Note 3.G. above.

(2) Including oil and gas assets.

(3) In addition to the value of the debenture, as detailed above, the Chief Operating Decision Maker regularly receives information regarding the principal balance of the debenture and the accrued interest, and also regarding the value of the balance of DIC shares which are charged against the debenture. The Chief Operating Decision Maker is also given information regarding the asset value of investments which are directly held by DIC, and regarding its net debt. The asset value is calculated based on the value of DIC's investments, as follows: (A) In respect of non-marketable holdings - according to their value in DIC's financial statements; (B) In respect of marketable holdings - according to their average market value in the five trading days preceding the relevant date.

The following are the aforementioned figures:

	As of September 30		As of December 31
	2019	2018	2018
	(Unaudited)		(Audited)
	NIS millions		
Principal balance and accrued interest	1,964	1,873	1,904
Market value of the balance of DIC shares which are charged against the debenture	645	1,261	1,072
Additional assets which are charged against the debentures **	46	-	-
Asset value of investments directly held by DIC *	3838	4,649	4,138
Net financial debt of DIC *	(2,670)	(2,574)	(2,368)
Rate of DIC shares which are charged in favor of the debenture (in percent)	82.3%	76.5%	76.8%

* Refers to 100% of DIC.

** For details regarding a dividend distribution in cash and in kind by DIC, where Dolphin IL's share therein is charged to secure the debenture, see Note 3.A.2. above.

Note 8 - Operating Segments (Continued)

B. Segmental assets (Continued)

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

	As of September 30		As of December 31
	2019	2018	2018
	(Unaudited)		(Audited)
	NIS millions		
Cancellation of amounts in respect of segments classified in the financial statements as investee companies treated at equity	(987)	(1,048)	(1,125)
Inclusion of the total amount of investments in investee companies treated at equity, as included in the financial statements	22	207	204
Inclusion of assets of the Company and of headquarter companies *	756	1,202	871
	(209)	361	(50)

* Assets of the Company and wholly-owned companies (excluding IDB Tourism).

C. Segmental liabilities

	IDBG ⁽³⁾	IDB Tourism ⁽¹⁾	Clal Holdings Insurance Enterprises ⁽¹⁾	Other segments ⁽²⁾	Adjustments for the consolidation	Consolidated
	NIS millions					
As of September 30, 2019 (unaudited)	658	696	570	3	1955	3,882
As of September 30, 2018 (unaudited)	⁽⁵⁾ 606	479	811	5	3,220	5,121
As of December 31, 2018 (Audited)	680	452	843	6	2,795	4,776

⁽¹⁾ Discontinued segment. See Note 3.G. above.

⁽²⁾ Includes gas and oil liabilities.

⁽³⁾ Including a total of NIS 238 million, NIS 223 million and NIS 237 million as of September 30, 2019, September 30, 2018, and December 31, 2018, respectively, in respect of an undertaking towards Property & Building. For details, see Note 3.D.4. to the annual financial statements.

Composition of adjustments to segmental liabilities in the consolidated report:

	As of September 30		As of December 31
	2019	2018	2018
	(Unaudited)		(Audited)
	NIS millions		
Cancellation of amounts in respect of segments classified in the financial statements as investee companies treated at equity	(661)	(611)	(686)
Inclusion of the liabilities of the Company and the headquarter companies *	2,616	3,831	3,481
	1,955	3,220	2,795

* Liabilities of the Company and wholly-owned companies (excluding IDB Tourism).

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

- A. For details of developments in connection with the Company's debentures, see Note 4 B 10 above.
- B. For details of developments regarding the Company's investment in Clal Insurance Enterprises Holdings, see Note 3 B 10. above.
- C. For details of the exercise of the option by the additional buyer and regarding the sale all Company rights and obligations in connection with the loan to the additional buyer, see Note 3 B 4 above.
- D. In October 2019, the Company received a \$ 5 million loan from IDB Tourism. The loan is linked to the Dollar rate and bears an interest rate of 5.1%. The loan will be repaid no later than December 31, 2019.
- E. On November 5, 2019, Dolphin IL notified the Company, in accordance with the terms of the debenture, of the deferral of the interest payment date, which was due on November 22, 2019. For details of the debenture, see Note 3 A above.
- F. For details about the agreement for shared use and office expenses in joint offices to which the Company moved its offices in the ToHa project at 114 Igal Alon St. Tel Aviv, pursuant to a lease agreement entered into by DIC for the lease of offices and parking spaces, effective July 1 2019, see Note 4.D. above.
- G. For details about Company's suggestion to Property & Building in connection with the sale of Company's holdings in IDBG, see Note 3.D.5 above.