Discount Investment Corporation Ltd.

Consolidated Interim Financial Statements as at March 31, 2011
(Unaudited)

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Financial data [in Hebrew] attributable to the Company itself from the consolidated financial statements of the Company as at March 31, 2011.

All these statements are translations from the Hebrew

Discount Investment Corporation Ltd.

Board of Directors' Report for the First Quarter of 2011

We are pleased to present the unaudited financial statements of Discount Investment Corporation Ltd. for the first quarter of 2011 which ended on March 31, 2011.
Discount Investment Corporation (the "Company"), a member of the IDB Group, is one of Israel's largest holding companies, which invests in companies that operate in a variety of areas. The Company together with its wholly owned headquarter companies ("DIC") generally invests in investee companies in a manner that vests in it influence on their direction and management. See the annex to the financial statements for details on the holdings of DIC.
The net profit in the financial statements relates to the Company's owners and to the non-controlling interests. The net profit in this Board of Directors' report relates to the Company's owners net of the non-controlling interests, unless stated otherwise.
The numerical data is presented in rounded figures.

A. Board of Directors' Explanation to the Entity's Business Condition

1. Business Operations Results

The Company is a holding company, which mainly holds shares of investee companies. As such, its net profit mainly includes and is affected by the following components:

- The Company's share of the results of investee companies, net.
- Net realization gains, adjustment of the value of investments and other non-recurring effects of the Company and its investee companies.
- The corporate activity of the Company, which includes net financing expenses, general and administrative expenses and revenues from management fees.

Furthermore, the equity of the Company is affected mainly by capital reserves in respect of the revaluation to market value of investments accounted for as available-for-sale financial assets and capital reserves from the translation of foreign operations.
The profits of the Company may fluctuate a great deal between the various reporting periods, mainly due to the timing of realizing investments by DIC and its investee companies, to changes in prices of securities on the capital markets and to changes in the financing expenses (net) of DIC and its investee companies, the scope of which is affected by the net amount of debt, the linkage bases of the debt and net financial assets, and the rate of change in the Consumer Price Index ("CPI") and in the exchange rates of the relevant foreign currencies in the reporting period, mainly the exchange rates of the dollar and the Swiss franc.
In the first quarter of 2011 DIC recorded a net profit of NIS 253 million, compared with a net profit of NIS 1,548 million in the first quarter of 2010. The earnings per share amounted to NIS 3.0 in the first quarter of 2011, compared with earnings per share of NIS 18.2 in the first quarter of 2010.

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Composition of the business operations results of DIC:

	First quarter		Year
	2011	2010	2010
	Unaudited		Audited
	NIS millions		
DIC's share of the business operations results of investee companies	248	316	549
Gain (loss) from realization and revaluation of investments less reductions, net	103	1,307	1,252
Financing, management and other expenses, net	(98)	(75)	(559)
Net profit	**253**	**1,548**	**1,242**
Basic earnings per share (NIS)	3.0	18.2	14.5

1.1 DIC's share of the business operations results of investee companies

	DIC's share of profit (loss) for the first quarter		
	2011	2010	Change
	Unaudited		
	NIS millions		
Cellcom	148	153	(5)
Shufersal	29	32	(3)
Property & Building Corp.	17	47	(30)
Koor	82	130	(48)
Given Imaging	-	2	(2)
Elron	(8)	(23)	15
Netvision	9	8	1
Ham-Let	10	3	7
Maxima	2	2	-
Other companies	1	-	1
Amortization of excess cost *	(42)	(38)	(4)
Total DIC's share of profits of investee companies, net	248	316	(68)

* See Paragraph 2.3 hereunder.

1.2 Realization of investments and reductions

	First quarter	
	2011	2010
	NIS millions	
Gain from realization and revaluation of investments less reductions, net	103	1,307

In the first quarter of 2011 this item mainly included a capital gain in the amount of NIS 93 million from reversing the balance of impairment provisions the Company recorded in the past in connection with the investment in Makhteshim Agan, based on the value of this investment as reflected in the merger transaction described in Paragraph 3.c of Note 4.A to the financial statements.

In the first quarter of 2010 this item mainly included a capital gain in the amount of NIS 1,290 million that was recorded by DIC as a result of rising to control of Shufersal and a capital gain in the amount of NIS 19 million from the sale of part of DIC's shareholding in Isrotel Ltd.

1.3 Management, financing and other expenses, net

	First quarter	
	2011	2010
	NIS millions	
Management, tax and other income (expenses), net	6	(26)
Financing expenses, net	(104)	(49)
Total management, financing and other expense, net	**(98)**	**(75)**

1.3.1 The decrease in management, tax and other income (expenses), net, in the first quarter of 2011 compared with the corresponding quarter of last year was mainly due to a non-recurring income from taxes in the amount of NIS 12 million that was recorded by a wholly owned subsidiary of the Company (see Note 6.B to the financial statements for further details on this matter), and to a decrease in the item of contributions and salary expenses.

1.3.2 The increase in financing expenses, net, in the first quarter of 2011 compared with the corresponding quarter of last year was mainly due to:

1. An increase in the amount of NIS 46 million in net expenses in respect of linkage differences on DIC's liabilities that are linked to the known CPI less income from hedging transactions for part of the said CPI-linked liabilities of DIC, as the result of an increase of 0.9% in the known CPI in the first quarter of 2011 compared with a decrease of 1% in the corresponding quarter of last year.
2. An increase of NIS 8 million in net interest expenses in respect of DIC's liabilities net of bank deposits as the result of an increase in the net debt.

2. Business Operations Results of Investee Companies that Constitute a Reportable Segment

The Company's segment report is based on DIC's investment in each company it owns. The contribution to profit takes into account DIC's share of the profits of the investee company and the taxes relating to that investment less/plus amortization of excess cost, and does not take into account any gain or loss derived by DIC from the realization, rise to control, and reduction or reversal of a reduction of an investment in the investee company.

In the tables presented in this section, the percentage of change in the data as compared with the corresponding periods of last year is calculated on the basis of exact data that is not rounded to the nearest million.

2.1 Presented below are details regarding the principal companies that are considered a reportable segment:

2.1.1 Cellcom

	First quarter	
	2011	2010
	NIS millions	
Cellcom's contribution to profit for the period	149	148
The amount of the investment in Cellcom at the end of the period	2,086	2,130

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Board of Directors' Report for the First Quarter of 2011

Cellcom (held at the rate of 48.3%*), Israel's largest cellular communication services provider, reported the following business operations results:

	First quarter		Increase (decrease)
	2011	2010	
	NIS millions		%
Revenues	1,587	1,580	0.4
EBITDA	639	638	0.2
Operating profit	471	457	3.1
Net profit	306	314	(2.5)

* 51.7% of voting.

The revenues of Cellcom in the first quarter of 2011 were 0.4% higher than in the corresponding quarter of last year and amounted to NIS 1,587 million. The increase in revenues is attributed to an increase of 130% in revenues from end user equipment, which amounted to NIS 382 million in the first quarter of 2011 compared with NIS 166 million in the corresponding quarter of last year. This increase was mainly due to an increase in the number of phones that were sold (mainly smart phones and advanced third generation phones), as a result of the acceleration of competition that followed the regulatory changes. The increase in these revenues was for the most part offset by a decrease of 15% in revenues from services, which in the first quarter of 2011 amounted to NIS 1,205 million compared with NIS 1,414 million in the corresponding quarter of last year. The decrease in revenues from services was due to a significant decrease in interconnect fees Cellcom received from other local operators, in light of the decrease in the interconnect tariff as from January 1, 2011, as well as to a continuing erosion in air time rates as a result of the growing competition in the industry. The decrease in revenues from services was partly offset by an increase of 13.5% in revenues from content and added value services (including SMS), which in the first quarter of 2011 amounted to NIS 285 million compared with NIS 251 million in the corresponding quarter of last year.

In the first quarter of 2011 the operating profit of Cellcom increased by 3.1% and amounted to NIS 471 million, compared with NIS 457 million in the corresponding quarter of last year. The improvement in operating profit that was presented by Cellcom was mainly due to an improvement in gross profit. The improvement in gross profit derives from the increase in revenues described above, a significant decrease in the interconnect fees Cellcom paid to other local operators in light of the decrease in the interconnect tariff and a decrease in amortization expenses that is attributed, inter alia, to the capitalization of subsidies on handsets. This improvement in gross profit was partly offset by a significant increase in the cost of handsets that were sold in the current quarter as detailed above and mainly by an increase in the operating expenses of Cellcom that in the first quarter of 2011 amounted to NIS 366 million, compared with NIS 322 million in the corresponding quarter of last year. The increase in these expenses first and foremost reflects the effect of the regulatory changes relating to the reduction in exit fees that caused an increase in the number of approaches of customers of Cellcom to the sales and service centers, following which Cellcom had to increase the number of its sales personnel, which in turn caused an increase in payroll expenses as well as in sales commissions. Furthermore, the acquisition of Dynamica's operation in the second quarter of 2010 also contributed to an increase in payroll expenses and to an increase in Cellcom's rent expenses in the first quarter of 2011 compared with the corresponding quarter of last year.

Cellcom's EBITDA in the first quarter of 2011 increased by 0.2% and amounted to NIS 639 million compared with NIS 638 million in the first quarter of 2010. The rate of EBITDA from total revenues was 40.3% in the first quarter of 2011 compared with 40.4% in the corresponding quarter of last year.

Notwithstanding the aforementioned increase in operating profit, in the current quarter Cellcom reported a decrease in net profit compared with the corresponding quarter of last year, as a result of the increase in financing expenses in the current quarter. Cellcom's net financing expenses in the first quarter of 2011 amounted to NIS 67 million, compared with NIS 36 million in the corresponding quarter of last year. The

increase in Cellcom's financing expenses was mainly due to expenses from CPI linkage differences in respect of the debentures of Cellcom compared with income from CPI linkage differences in the corresponding quarter of last year as a result of the increase in the CPI in 2011 as described in Paragraph 1.3.2 above. The increase was offset in part by a gain from Cellcom's hedging transactions in the first quarter of 2011 compared with a loss from hedging transactions in the corresponding quarter of last year.
The net profit of Cellcom in the first quarter of 2011 amounted to NIS 306 million, compared with NIS 314 million in the corresponding quarter of last year.
As at the end of the first quarter of 2011, the customer base of Cellcom amounted to 3.395 million subscribers. In the first quarter of 2011 Cellcom acquired 1,000 new subscribers, net, and also added 48,000 new subscribers, net, to its third generation customer base, which reached 1.188 million subscribers at the end of the first quarter of 2011 and constituted 35% of the total subscriber base of Cellcom.
The regulatory changes (part of which came into effect only in the first quarter of 2011), which caused competition to intensify, affected only part of the first quarter of 2011 and therefore this quarter includes only part of the effect of these changes. In the opinion of Cellcom the full effect of the reduction in the exit fees and of the erosion in prices on the revenues from services and the profitability of Cellcom will be seen mainly in the forthcoming quarters. In addition, increased sales of end user equipment is expected to cause an increase in the immediate payment to suppliers for end user equipment, while on the other hand customer payments for the equipment are made in installments (usually 36 installments), which will reduce the free cash flow of Cellcom.

2.1.2 Shufersal

	First quarter	
	2011	2010
	NIS millions	
Shufersal's contribution to profit for the period	13	25
The amount of the investment in Shufersal at the end of the period	2,177	2,356

Shufersal (held at the rate of 48.1%*) reported the following business operations results:

	First quarter		Increase
	2011	2010	(decrease)
	NIS millions		%
Revenues	2,792	2,765	1
Gross profit	767	728	5.4
Operating profit (after other income and expenses)	118	114	3.5
Net profit	61	71	(14.1)

* DIC's holding rate of Shufersal brings into account a proportionate part of the shares of Shufersal that are held by a wholly owned subsidiary of Shufersal. The holding rate of voting power is 50.2% (including all the shares of Shufersal held by that same subsidiary).

The revenues of Shufersal in the first quarter of 2011 increased by 1% and amounted to NIS 2,792 million compared with NIS 2,765 million in the corresponding quarter of last year. Unlike the corresponding quarter of last year, this quarter was not affected by the Passover holiday sales, but due to implementing a growth strategy and addition of selling space Shufersal presented an improvement in retail sales in the first quarter of 2011 which amounted to NIS 2,777 million, compared with NIS 2,750 million in the corresponding quarter of last year, an increase of 1%, and without the effect of the holiday – an increase of 4%. Same store sales in the current quarter decreased by 2.9% compared with the corresponding quarter of last year, and without the effect of the holiday there was an increase of 2% in sales. The revenues of Shufersal from the revenue generating real estate segment in the first quarter of 2011 amounted to NIS 15 million, being similar to the corresponding quarter of last year. Shufersal's gross profit in the first quarter of 2011 amounted to NIS 767

million compared with NIS 728 million in the corresponding quarter of last year, and it constituted 27.5% of sales compared with 26.3% in the corresponding quarter of last year. The increase in the rate of gross profit was mainly due to an increase in sales, an improvement in trade terms and to the timing of the Passover holiday campaigns. In the first quarter of 2011 the selling, marketing and general and administrative expenses of Shufersal amounted to NIS 649 million compared with NIS 613 million in the corresponding quarter of last year. The increase in these expenses was mainly due to an increase in payroll expenses (following the signing of a new collective agreement), marketing, advertising and rent expenses (following the addition of selling space and an increase in the CPI). In the first quarter of 2011 the operating profit before depreciation and amortization and other expenses (EBITDA) increased by 4% and amounted to NIS 174 million which constituted 6.2% of sales, compared with NIS 168 million which constituted 6.1% of sales in the corresponding quarter of last year.

Notwithstanding the increase in gross and operating profit as described above, in the current quarter Shufersal reported a decrease in net profit compared with the corresponding quarter of last year, due to the increase in financing expenses to an amount of NIS 37 million in the current quarter, compared with financing expenses in an amount of NIS 22 million in the corresponding quarter of last year. The increase in net financing expenses was mainly due to the increase in the CPI in 2011 as described in Paragraph 1.3.2 above and to an increase in net debt, following an issuance of debentures.

In the first quarter of 2011 the net profit of Shufersal amounted to NIS 61 million compared with NIS 71 million in the corresponding quarter of last year.

2.1.3 Property & Building

	First quarter	
	2011	2010
	NIS millions	
Property & Building's contribution to profit for the period	17	47
The amount of the investment in Property & Building at the end of the period	1,415	1,652

Property & Building (held at the rate of 78.4%) reported the following business operations results:

	First quarter		
	2011	2010	Decrease
	NIS millions		%
Revenues	440	463	(5)
Profit before taxes	60	119	(49.6)
Net profit	22	57	(61.4)

The revenues of Property & Building from rental of assets in the first quarter of 2011 increased by 20% and amounted to NIS 155 million compared with NIS 129 million in the corresponding quarter of last year. The said increase was achieved mainly due to assets that were acquired in 2010 and to the occupation of new projects in 2010 and in the first quarter of 2011. The revenues of Property & Building from the sale of apartments and real estate in the first quarter of 2011 amounted to NIS 71 million compared with NIS 142 million in the corresponding quarter of last year. It is noted that the recognition of revenues from the sale of apartments and real estate is affected by the timing of occupation of the apartments. The revenues of Property & Building from the sale of agricultural produce in the first quarter of 2011 amounted to NIS 202 million compared with NIS 204 million in the corresponding quarter of last year.

The EBITDA of Property & Building in the first quarter of 2011 amounted to NIS 168 million compared with NIS 155 million in the corresponding quarter of last year.

Revenues of Property & Building from the increase in the fair value of investment property in the first quarter of 2011 amounted to NIS 36 million compared with NIS 9 million in the first quarter of last year.

These revenues were due to the valuation of properties under construction, available land and property in Chicago, USA, as described in Paragraph 2.a of Note 4.A to the financial statements.
Property & Building's share of the results of affiliated companies in the first quarter of 2011 amounted to a loss of NIS 23 million compared with a loss of NIS 17 million in the corresponding quarter of last year. The loss in both years was mainly due to financing expenses that were recorded by the investee companies in respect of loans they received from Property & Building, for which Property & Building recorded corresponding financing income.
The net financing expenses of Property & Building in the first quarter of 2011 amounted to NIS 115 million compared with NIS 19 million in the corresponding period of last year. The increase in net financing expenses was mainly due to an increase in expenses from CPI linkage differences on the financial liabilities of Property & Building as a result of the increase in the known CPI in the current quarter, compared with a decrease in the corresponding quarter of 2010 as described in Paragraph 1.3.2 above. It is noted that in Israel the rent payable to Property & Building is linked to the Consumer Price Index, and that the fair value of its aforesaid revenue generating real estate is based on the linked rent, among other factors. Therefore, Property & Building views its investment properties as a long term economic hedge against its financial liabilities that are mostly linked to the Consumer Price Index.
In the first quarter of 2011 Property & Building recorded a net profit in an amount of NIS 22 million compared with a net profit in an amount of NIS 57 million in the first quarter of 2010.

2.1.4 Makhteshim Agan

	First quarter	
	2011	2010
	NIS millions	
Makhteshim Agan's contribution to profit for the period	140	44
The amount of the investment in Makhteshim Agan at the end of the period	2,439	2,821

The financial data in this table is according to the concatenated holding rate of DIC in Makhteshim Agan and takes into consideration the effect of the excess cost allocated to it on the books of DIC.

Makhteshim Agan (held by Koor at the rate of 47%) reported the following business operations results:

	First quarter		
	2011	2010	Increase
	$ millions		%
Revenues	781	723	7.9
EBITDA	143	133	7.8
Operating profit	112	107	5.3
Net profit	92	71	29.4

The sales of Makhteshim Agan in the first quarter of 2011 amounted to $ 781 million, 7.9% more than in the corresponding quarter of last year. The increase in sales was mainly a result of the quantitative increase in the sales of plant protection products, in most of the areas of activity in which Makhteshim Agan operates and the expansion of its activity in Mexico and Korea. These sales in the first quarter of 2011 amounted to $ 734 million compared with $ 679 million in the corresponding quarter of last year. The increase in sales of plant protection products was affected by an increase in prices of agricultural products compared with the corresponding quarter of last year and by relatively comfortable weather conditions in most of Europe and most of the American continent, which contributed to an increase in demand for plant protection products in these regions. On the other hand, the currency effects to which Makhteshim Agan is exposed partly offset these effects. The gross profit of Makhteshim Agan in the first quarter of 2011 amounted to $ 255 million which constituted 32.7% of sales, compared with $ 233 million which constituted 32.2% of sales in the

corresponding period of last year. The increase in gross profit and in its rate from sales was mainly due to an increase in quantities sold, efficiency measures that were implemented by Makhteshim Agan in 2010 and are continuing in 2011, sales of inventory that was acquired at a lower price compared with the cost of inventory that was sold in the corresponding quarter of last year, and the effect of a more profitable product mix of Makhteshim Agan compared with the corresponding quarter of last year. On the other hand, currency effects offset part of the effects described above.

The operating profit of Makhteshim Agan in the first quarter of 2011 amounted to $ 112 million which constituted 14.4% of sales, compared with $ 107 million which constituted 14.7% of sales in the corresponding quarter of last year. The operating expenses in the first quarter of 2011 increased and amounted to NIS 143 million being 18.4% of sales, compared with NIS 126 million which constituted 17.5% of sales in the corresponding quarter of last year. The aforementioned increase in expenses was mainly due to a strengthening of the currencies in which Makhteshim Agan operates in relation to the dollar, an increase in activities through new companies and an increase in depreciation and amortization expenses. This increase in operating expenses offset part of the increase in gross profit.

The EBITDA of Makhteshim Agan in the first quarter of 2011 increased by 7.8% and amounted to $ 143 million compared with $ 133 million in the first quarter of 2010. The EBITDA to revenues ratio was 18.3% compared with 18.4% in the corresponding quarter of last year.

The financing expenses of Makhteshim Agan in the first quarter of 2011 amounted to $ 23 million compared with $ 31 million in the corresponding quarter of last year. The decrease in financing expenses was mainly due to a strengthening of the European currencies and of the Brazilian real and to financing income from customers, which was partly offset from revaluation expenses of CPI-linked liabilities following the increase in the known CPI in the current quarter compared with a decrease in the CPI in the corresponding quarter of 2010 as described in Paragraph 1.3.2 above.

The tax income of Makhteshim Agan in the first quarter of 2011 amounted to $ 4 million compared with tax expenses in an amount of $ 5 million in the corresponding quarter of last year. The decrease in tax expenses was due to tax expenses in inter-company sales being recorded according to IFRSs at the tax rate applicable to the buying company, which resulted in tax income, from profits in companies that have a significantly lower tax rate than the effective tax rate of Makhteshim Agan, and to tax income in respect of former years following final tax assessments of Makhteshim Agan up to and including the 2008 tax year.

The net profit of Makhteshim Agan in the first quarter of 2011 amounted to $ 92 million compared with $ 71 million in the corresponding quarter of last year.

In the opinion of the management of Makhteshim Agan, the actions Makhteshim Agan completed in 2010 as mentioned in Paragraph 12.22 of Chapter A of the company’s periodic report for 2010 regarding business objectives and strategy, as well as the stability in basic long-term developments that affect the area of plant protection products, along a slight increase in crop areas and a high price level of agricultural products, have begun to show an effect on its activity, as reflected in the results of this quarter. In the opinion of the management of Makhteshim Agan, based among other things on very initial indications it has regarding its activity in the second quarter of 2011, the positive effect of these trends will continue and may bring to a significant improvement in the business operations results of Makhteshim Agan in the second quarter of 2011, on both the level of its sales and its profit items (gross profit, operating profit, EBITDA and net profit), as compared with the second quarter of 2010.

The aforementioned regarding the assessments of Makhteshim Agan as to the positive effect of the said trends on its results for the second quarter of 2011 is forward looking information as such term is defined in the Securities Law, based on very initial indications it has with respect to its operations in the second quarter of 2011. There is no certainty regarding realization of the assessments of Makhteshim Agan due, inter alia, to the fact that it is not able to foresee non-recurring, extraordinary or significant events, or due to the occurrence of any of the risks that affect it or the effect of other external factors that are beyond its control.

2.1.5 Credit Suisse Group AG ("Credit Suisse")

	First quarter	
	2011	2010
	NIS millions	
Credit Suisse's contribution to profit for the period	6	51
The amount of the investment in Credit Suisse at the end of the period *	3,610	4,420

* The amount recorded on the books of Koor multiplied by the percentage of DIC's holding in Koor.

In the first quarter of 2011 Koor recorded a net gain amounting to NIS 9 million (DIC's share of this gain is NIS 6 million) in respect of taxes relating to its investment in Credit Suisse. In the first quarter of 2010 Koor recorded a gain in the amount of NIS 81 million on sales of Credit Suisse shares and taxes relating to this investment (DIC's share of this gain was NIS 51 million).

As at March 31, 2011 Koor held together with a wholly owned subsidiary about 38.60 million shares of Credit Suisse, which constituted about 3.21% of the shares of Credit Suisse listed for trade net of treasury shares, the cost of which was about NIS 6.97 billion. The value of Koor's investment in shares of Credit Suisse according to their price on the stock exchange on the same date was NIS 5.72 billion, bringing to a negative difference of NIS 1.25 billion relative to their original cost (the share of DIC in the said negative difference amounted to some NIS 0.79 billion). The said difference constituted 17.9% of their aforesaid original cost. See Paragraph 3.g of Note 4.A to the financial statements regarding the accounting treatment of this investment and for additional details regarding Koor's holding of Credit Suisse shares as at March 31, 2011.

As at the date of approval of the financial statements, the value of the investment in shares of Credit Suisse, according to their price on the stock exchange on that date, is NIS 5.75 billion, bringing to a negative difference of NIS 1.22 billion relative to their original cost which is NIS 6.97 billion.

2.2 Koor – a subsidiary holding the Makhteshim Agan and Credit Suisse segments

Koor (held at the rate of 63.1%) reported the following business operations results:

	First quarter		Increase
	2011	2010	(decrease)
	NIS millions		%
Koor's share of the business operations results of investee companies, net	116	106	9.4
Gain from realization of investments less reductions, net	3	15	(80)
Financing, management and other income, net	2	20	(90)
Income from taxes	10	66	(84.8)
Net profit	131	207	(36.7)

In the first quarter of 2011 Koor recorded a net profit in an amount of NIS 131 million, compared with a net profit in an amount of NIS 207 million in the corresponding quarter of last year. The said decrease in Koor's net profit was due to a decrease in income from taxes mainly from deferred taxes relating to Koor's investment in Credit Suisse, and to a decrease in net financing income of Koor in the first quarter of 2011, which amounted to NIS 10 million, compared with financing income of NIS 25 million in the corresponding quarter of last year. The decrease in net financing income of Koor was mainly due to an increase in expenses from foreign exchange differences relating to Koor's Swiss franc denominated loans as a result of the increase in the exchange rate of the Swiss franc, and to an increase in expenses from linkage differences relating to liabilities of Koor that are linked to the known CPI as a result of the increase in the CPI in the current quarter as described in Paragraph 1.3.2 above. These financing expenses were offset from the increase in income from Swiss franc hedging transactions, which in the current quarter amounted to NIS 95

million, compared with income from hedging transactions in an amount of NIS 28 million in the corresponding quarter of last year.
See Notes 6.G and 6.J to the financial statements for details regarding Koor's liability in respect of options on the Swiss franc exchange rate as at May 16, 2011 and regarding financing expenses from the beginning of the second quarter of 2011 until the aforementioned date. Since May 16, 2011 there was an increase of 1.7% in the exchange rate of the Swiss franc. See the sensitivity test to changes in the exchange rate of the Swiss franc as at March 31, 2011 that is included in Annex A hereunder regarding the effect of the aforementioned increase in the Swiss franc exchange rate on the financing expenses.

2.3 Amortization of excess cost

In the first quarter of 2011 this item included an expense in an amount of NIS 16 million in respect of the amortization of excess cost allocated on the books of DIC to Shufersal, compared with an expense in an amount of NIS 6 million that was recorded in the corresponding quarter of last year in respect of the aforesaid excess cost, which began being amortized on February 25, 2010 the date of rising to control in Shufersal.

3. Major Changes in the Holdings of the Company and Investee Companies in the first quarter of 2011

See Note 4 to the financial statements for details on investments in investee companies, realization of investments in investee companies and other changes in investments.

4. Financial Position and Financing Sources

4.1 Financial position

	As at March 31, 2011	As at December 31, 2010
	NIS millions	
Total assets in the consolidated statement of financial position	46,837	45,534
investments in affiliated and other companies including non-current derivatives in the consolidated statement of financial position	12,244	11,760
Equity (including non-controlling interests)	8,732	8,600
Surplus of current assets over current liabilities in the consolidated statement of financial position	4,196	4,431
Surplus of financial liabilities over liquid resources of DIC *:		
Financial liabilities of DIC	(6,639)	(6,930)
Less liquid resources of DIC	804	1,483
Surplus of financial liabilities over liquid resources of DIC **	(5,835)	(5,447)
Interest accrued on financial liabilities	(180)	(200)

* Not including dividend receivable and dividend payable.
** See Paragraph A in the annex to the financial statements for details on the market value of DIC's holdings.
Due to being a holding company, the Company examines in connection with financing and liquidity issues the market value of its assets compared with its liabilities as well as having liquid means necessary for its operations and the repayment of its debts, including an assessment of reasonable access to these means.

4.2 Principal cash flows of DIC:

	First quarter	
	2011	2010
	NIS millions	
Proceeds from realization of non-current investments of DIC	3	24
Dividends from investee companies of DIC	50	125
Dividends distributed by DIC	270	-
Investments in investee companies of DIC	-	423
Repayment of debt of DIC	330	74

Dividends received from investee companies of DIC in the first quarter of 2011 included NIS 50 million from Shufersal.

5. Equity Attributable to the Owners of the Company

5.1 The equity attributable to the owners of the Company amounted to NIS 3,925 million as at March 31, 2011 compared with NIS 3,837 million as at December 31, 2010. The change was due to profit in an amount of NIS 253 million, a dividend distribution in an amount of NIS 180 million, a negative change in an amount of NIS 94 million in capital reserves from foreign currency translation differences in respect of investee companies whose functional currency is not the NIS, a positive change in an amount of NIS 100 million in capital reserves in respect of available-for-sale financial assets mainly with respect to the investment in shares of Credit Suisse, and a change in other capital reserves.

5.2 Dividend distribution

In the first quarter of 2011 the Company declared a distribution of a dividend in a total amount of NIS 180 million, which constituted NIS 2.11 per share. The dividend was distributed on April 28, 2011.

B. Exposure to Market Risks and Methods of their Management

6. DIC

6.1 In the reporting period there were no material changes in DIC's exposure to market risks and in the methods of managing such risks relative to the Company's report on this matter in its directors' report for 2010. DIC does not manage its investee companies' risks.

6.2 Below is the linkage balance of DIC as at March 31, 2011 (including the headquarter companies of the Company for which the Company manages their currency exposure).

Linkage bases of DIC's assets and liabilities as at March 31, 2011 (in NIS millions):

	Linked to the Consumer Price Index	In dollars or linked thereto	Unlinked	Non-monetary items	Total
Assets					
Investments in investee and other companies including derivatives	11	-	-	9,991	10,002
Long-term deposits and loans (including maturities)	2	-	20	-	22
Fixed and other assets	-	-	-	2	2
Current assets	15	1	988	84	1,088
Total assets	**28**	**1**	**1,008**	**10,077**	**11,114**
Liabilities					
Long-term liabilities (including maturities)	4,558	-	2,082	7	6,647
Dividend payable	-	-	180	-	180
Other current liabilities	161	2	46	153	362
Total liabilities	**4,719**	**2**	**2,308**	**160**	**7,189**
Assets less liabilities, net	**(4,691)**	**(1)**	**(1,300)**	**9,917**	**3,925**

The foreign currency exposure of DIC was discussed at meetings of the Company's Audit Committee and Board of Directors during and subsequent to the quarter.

7. Investee Companies

During the reporting period no material changes occurred in the exposure of material investee companies of DIC to market risks and in the methods of managing such risks relative to the Company's report on this matter in its directors' report for 2010, other than changes in the linkage bases of the net liabilities of Group companies as described hereunder and the change in the scope of Swiss franc/NIS cylinder transactions, as described in Paragraph 3.g of Note 4.A and Note 6.G to the financial statements.

8. Linkage bases of assets and liabilities in the consolidated statement of financial position as at March 31, 2011 (in NIS millions):

	Linked to the Consumer Price Index	In dollars or linked thereto	In Swiss francs or linked thereto	In other foreign currency or linked thereto	Unlinked	Non-monetary items	Total
Assets							
Non-current assets							
Investments in affiliated and other companies including derivatives	65	-	-	-	-	12,179	12,244
Fixed assets, investment property and other assets	-	-	-	-	-	14,420	14,420
Inventory, deferred expenses and intangible assets	-	-	-	-	-	6,218	6,218
Other non-current assets (including maturities)	35	142	423	1	1,442	237	2,280
Current assets	831	574	73	193	7,185	2,819	11,675
Total assets	**931**	**716**	**496**	**194**	**8,627**	**35,873**	**46,837**
Liabilities							
Long-term financial liabilities (including maturities)	17,796	1,608	3,622	18	7,460	167	30,671
Other long-term liabilities (including maturities)	-	35	-	-	-	1,304	1,339
Dividend payable	-	-	-	-	180	-	180
Other current liabilities	336	275	86	60	3,855	1,303	5,915
Total liabilities	**18,132**	**1,918**	**3,708**	**78**	**11,495**	**2,774**	**38,105**
Assets less liabilities, net	**(17,201)**	**(1,202)**	**(3,212)**	**116**	**(2,868)**	**33,099**	**8,732**

* In addition to the data set forth in the table above, it should be noted that in the point of view of Koor's management, also shares of Credit Suisse, which as at March 31, 2011 were traded on a stock exchange in Switzerland at a value of NIS 5,721 million, and also shares of Carrefour, which as at March 31, 2011 were traded on a stock exchange in France at a value of NIS 123 million, and which are classified as a non-monetary item according to the accounting principles, are exposed to changes in the Swiss franc and in the euro, respectively.

9. The condition of the Economy

While 2010 was marked by an economic recovery along with continuing concerns regarding the implications of the financial crisis, mainly in Europe and the USA, since the beginning of 2011 there was a rise in the level of uncertainty in the global financial markets. This is due to, inter alia, geopolitical changes in a number of Arab countries in the Middle East and in northern Africa that contributed to a rise in oil prices, as well as due to the earthquake in Japan that damaged nuclear power plants in the country and created concerns of harm to the third largest economy in the world, and to a sharp rise in 2010 in price of commodities in general and prices of oil in particular.

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In the Israeli economy the year of 2011 opened with a continued trend of rapid growth and a certain increase in inflation. On the other hand, the aforesaid geopolitical developments in a number of Arab countries increased the uncertainty and fluctuations on the Israeli capital market. Continuation of the geopolitical instability in the Middle East and the possibility of a unilateral declaration of a Palestinian state in September 2011 may, in certain scenarios, have an adverse effect on the condition of the Israeli economy, although its effect on real economic activity has been limited for the time being. Since the beginning of 2011 the monetary contraction of the Israeli economy continued (inter alia as a reaction to the continuing and fast rise in prices of housing in Israel and to the rise in the amount of housing loans) along with a similar process of contraction in other emerging markets around the world and the beginning of a similar process in the Euro zone.
The developments on the global markets, and particularly in the Euro zone and in the USA, which include also fluctuations in prices of securities and in exchange rates in Israel and around the world, have affected and may continue to affect the business operations results of DIC and its investee companies, their liquidity, the value of their equity, the value of their assets and their ability to realize them, their business condition (including the demand for products of the investee companies), their financial covenants, their credit rating, their ability to distribute dividends and their ability to raise financing for their current and long-term operations, as well as the terms of the financing.

Investments of institutional entities
A new draft of Supervision of Financial Services Regulations (Provident Funds) (Investment Rules Applicable to Management Companies and Insurers) – 2011 and a draft circular of the Commissioner of the Capital Market, Insurance and Saving regarding investment rules applicable to institutional entities (provident funds, pension funds and insurance companies) (hereinafter together – "the new investment regulations") were published in April 2011. The aforesaid new investment regulations are supposed to replace and unify the legal framework of the investment rules applicable to institutional entities that are presently dealt with in two different provisions of the law. The new investment regulations include many changes in investment rules compared with the existing provisions of the law including, inter alia, an increase in the free portion available to the old pension funds for investing in the capital market, while on the other hand they somewhat reduce the maximum exposure rates of an institutional entity to a single entity and to a group of entities.

10. Sensitivity Tests of Financial Instruments

See Annex A hereunder for details on sensitivity tests of sensitive financial instruments included in the consolidated financial statements as at March 31, 2011 according to changes in market factors.
Presented hereunder are the summing-up lines of the sensitivity tests tables:

As at March 31, 2011

		Gain (loss) from changes in parameters examined in the sensitivity test					
		Increase in parameter			Decrease in parameter		
	Fair value	2% in absolute value	10%	5%	2% in absolute value	10%	5%
			N I S	m i l l i o n s			
Sensitivity to changes in interest rate	(24,843)	(1,841)	360	182	(2,092)	(371)	(184)

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	Fair value	Gain (loss) from changes in parameters examined in the sensitivity test			
		Increase in parameter		Decrease in parameter	
		10%	5%	10%	5%
		NIS millions			
Sensitivity to changes in dollar exchange rate	4	48	19	(33)	(16)
Sensitivity to changes in Swiss franc exchange rate	(3,210)	(551)	(274)	541	272
Sensitivity to changes in exchange rates of other currencies	298	28	13	(27)	(13)
Sensitivity to changes in prices of marketable securities	7,874	787	393	(787)	(393)
Sensitivity to changes in standard deviation	(66)	(4)	(2)	6	3

	Fair value	Gain (loss) from changes in parameters examined in the sensitivity test			
		Increase in parameter		Decrease in parameter	
		2%	1%	2%	1%
		NIS millions			
Sensitivity of CPI forward and Swap to changes in the CPI	53	68	35	(68)	(35)

As at March 31, 2010

	Fair value	Gain (loss) from changes in parameters examined in the sensitivity test					
		Increase in parameter			Decrease in parameter		
		2% in absolute value	10%	5%	2% in absolute value	10%	5%
		NIS millions					
Sensitivity to changes in interest rate	(22,294)	1,884	363	184	(2,214)	(376)	(188)

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	Fair value	Gain (loss) from changes in parameters examined in the sensitivity test			
		Increase in parameter		Decrease in parameter	
		10%	5%	10%	5%
		NIS millions			
Sensitivity to changes in dollar exchange rate	473	121	57	(86)	(45)
Sensitivity to changes in Swiss franc exchange rate	(1,636)	(270)	(123)	357	154
Sensitivity to changes in exchange rates of other currencies	269	26	12	(25)	(12)
Sensitivity to changes in prices of marketable securities	8,614	862	430	(862)	(430)
Sensitivity to changes in standard deviation	10	7	3	(3)	(2)

	Fair value	Gain (loss) from changes in parameters examined in the sensitivity test			
		Increase in parameter		Decrease in parameter	
		2%	1%	2%	1%
		NIS millions			
Sensitivity of CPI forward to changes in the CPI	4	171	85	(171)	(85)

As at December 31, 2010

	Fair Value	Gain (loss) from changes in parameters examined in the sensitivity test					
		Increase in parameter			Decrease in parameter		
		2% in absolute value	10%	5%	2% in absolute value	10%	5%
		NIS millions					
Sensitivity to changes in interest rate	(24,349)	1,829	348	177	(2,107)	(357)	(179)

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	Fair value	Gain (loss) from changes in parameters examined in the sensitivity test			
		Increase in parameter		Decrease in parameter	
		10%	5%	10%	5%
		N I S m i l l i o n s			
Sensitivity to changes in dollar exchange rate	(52)	47	21	(28)	(15)
Sensitivity to changes in Swiss franc exchange rate	(3,050)	(632)	(317)	643	315
Sensitivity to changes in exchange rates of other currencies	219	18	9	(18)	(8)
Sensitivity to changes in prices of marketable securities	7,632	764	382	(764)	(382)
Sensitivity to changes in standard deviation	(119)	(1)	(1)	2	1

	Fair value	Gain (loss) from changes in parameters examined in the sensitivity test			
		Increase in parameter		Decrease in parameter	
		2%	1%	2%	1%
		N I S m i l l i o n s			
Sensitivity of CPI forward and Swap to changes in the CPI	34	82	40	(82)	(40)

C. Corporate Governance Aspects

Disclosure Regarding the Process of Approval of the Financial Statements

The Company's Board of Directors is the body responsible for the corporate governance of the Company and the approval of its financial statements.

The Company's Board of Directors has appointed a committee for examining the financial statements (hereinafter – "the balance sheet committee") and its responsibilities are as set forth in the Companies Regulations (Instructions and Conditions Regarding the Process of Approval of Financial Statements) – 2010, which include discussing and providing recommendations to the Board of Directors with respect to approval of the Company's financial statements.

Composition of the balance sheet committee: The balance sheet committee is not the Company's audit committee. The balance sheet committee is comprised of four members: Prof. Niv Ahituv (Chairman of the Committee) – external director; Prof. Dan Oppenheim – external director; Prof. Yair Orgler – independent director; and Gideon Lahav. Other than Prof. Dan Oppenheim all the members of the balance sheet committee have accounting and financial expertise, and before they were appointed as members of the balance sheet committee they provided to the Company a declaration according to Regulation 3 of the Companies Regulations (Conditions and Tests for a Director with Accounting and Financial Expertise and a Director with Professional Skills) – 2005 with respect to the skills, education, experience and knowledge of each one of the balance sheet committee's members, as specified in Paragraph 2.1 of Section C of the

Company's directors' report for 2010, on the basis of which the Company considers him as having accounting and financial expertise. Before being appointed as a member of the balance sheet committee, Prof. Dan Oppenheim provided to the Company such a declaration in accordance with Regulation 1 of the Companies Regulations (Instructions and Conditions Regarding the Process of Approval of Financial Statements) – 2010 regarding his skills, as specified in the declaration attached to the report on his appointment dated May 3, 2011, on the basis of which the Company considers him as having the ability to read and understand financial statements.

The process of approval of the financial statements: Approval of the Company's financial statements for the first quarter of 2011 involved two meetings – (1) a meeting of the balance sheet committee for a comprehensive discussion of the material reporting issues and for preparing recommendations to the Board of Directors regarding approval of the financial statements; (2) a meeting of the Board of Directors for discussing the financial statements and the recommendations of the balance sheet committee, and for approving the financial statements. The aforesaid meeting of the balance sheet committee took place on May 24, 2011 and its participants were the committee members Prof. Niv Ahituv, Prof. Dan Oppenheim, Prof. Yair Orgler and Gideon Lahav. Besides the members of the balance sheet committee, other participants in the meeting were Messrs. Ami Erel – the Company's President and Chief Executive Officer, Michel Dahan – the Company's Vice President and Chief Financial Officer, Motti Berenstain – the Company's Comptroller, Adv. Shlomo Cohen – the Company's Legal Counsel, Adv. Kurt Keren – the Company's Corporate Secretary, Eli Cohen – a director in the Company and also Idit Varol-Blank, CPA and Elinor Kaikov, CPA from the firm of Somekh Chaikin (the Company's auditors) and Yitzchak Ravid, CPA – the Company's internal auditor. In the course of the meeting the balance sheet committee examined, inter alia, the following issues: an update to the Company's actions with respect to effectiveness of internal controls relating to financial reporting and disclosure, the accounting policies that were adopted and the accounting treatment that was applied in the financial statements with respect to the material issues of the Company, as well as the assessments and estimates that were made in connection with the financial statements. The aforesaid examination was performed by means of a detailed presentation of the aforesaid issues by Messrs. Ami Erel, Michel Dahan and Motti Berenstain and a discussion of each issue.
The Company's auditors also provided their comments regarding the issues that were presented. The recommendations of the balance sheet committee were conveyed to the directors in writing on May 24, 2011. The aforesaid meeting of the Board of Directors took place on May 29, 2011. In this meeting the Board of Directors discussed the financial statements and the aforesaid recommendations of the balance sheet committee, accepted all the recommendations of the balance sheet committee, and subsequently approved the financial statements. The Board of Directors was satisfied that considering the extent and complexity of the recommendations of the balance sheet committee, they had been conveyed to the directors at a reasonable amount of time before the aforesaid Board meeting. In this respect, the Board of Directors has determined that in the circumstances of the matter at least one business day is a reasonable time with respect to the financial statements of the year's first quarter.
It is noted that before each one of the aforesaid meetings the members of the balance sheet committee and the Board of Directors, as relevant, received background material regarding the principal issues that were discussed in the meeting including a draft of the financial statements.

D. Disclosure Requirements regarding the Entity's Financial Reporting

Major Events Succeeding the Date of the Statement of Financial Position
For details see Note 6 and Paragraphs B and C of Note 7 to the financial statements.

E. Disclosure Requirements regarding Investment Property

In the reporting period there were no material changes in the valuations of investment property relative to the Company's reports on this matter in the Company's Periodic Report for 2010.

See also Paragraph 1 of Annex B hereunder of this report.

F. Specific Disclosure for the Holders of the Series of Debentures

1. Information regarding the series of debentures of the Company

Data on series of debentures that were issued by the Company [1], in NIS millions

Series	Original date of issuance	Par value on date of issuance	Data as at March 31, 2011					Data as at May 22, 2011		Interest rate (fixed)	Repayment dates of principal [3]		Interest payment dates [3]	Linkage terms	Trust company – name of person in charge, address and telephone number
			Outstanding par value	Linked outstanding par value	Amount of interest accrued on the books	Carrying amount of balance of debentures [2]	Value on the stock exchange	Outstanding par value	Linked outstanding par value		First date	Last date			
A	Oct. 22, 2003	250	28	33	1	34	Non tradable	28	33	5.90%	Oct. 22, 2007	Oct. 22, 2011	Oct. 22	CPI-linked	**The Bank Leumi le-Israel Trust Company Ltd.** In charge: Shmuel Meirav and Idit Twizer. 8 Rothschild Blvd., Tel Aviv 66881. Tel: 03-5170777
B	April 22, 2004	297	76	91	5	96	Non tradable	61	73	5.50%	April 22, 2006	April 22, 2015	April 22	CPI-linked	**The Bank Leumi le-Israel Trust Company Ltd.** In charge: Shmuel Meirav and Idit Twizer. 8 Rothschild Blvd., Tel Aviv 66881. Tel: 03-5170777
C	April 18, 2005 November 22, 2005 * April 5, 2006 * May 30, 2006 *	897	359	424	17	440	452	179	214	4.30%	April 18, 2008	April 18, 2012	April 18	CPI-linked	**Hermetic Trust (1975) Ltd.** Person in charge: Dan Avnon, Adv. 113 Hayarkon St., Tel Aviv 63573 Tel: 03-5274867
D	April 18, 2005 November 22, 2005 * April 5, 2006 * May 30, 2006 * April 15, 2007 *	2,263	1,962	2,318	110	2,432	2,627	1,962	2,336	5.00%	April 18, 2012	April 18, 2016	April 18	CPI-linked	**S.A.G. Trust Company Ltd.** Person in charge: David Gotliv, Adv. 7 Menachem Begin Road, Ramat Gan 52681 Tel: 03-6113000

Series	Original date of issuance	Par value on date of issuance	Data as at March 31, 2011					Data as at May 22, 2011		Interest rate (fixed)	Repayment dates of principal [3]		Interest payment dates [3]	Linkage terms	Trust company – name of person in charge, address and telephone number
			Outstanding par value	Linked outstanding par value	Amount of interest accrued on the books	Carrying amount of balance of debentures [2]	Value on the stock exchange	Outstanding par value	Linked outstanding par value		First date	Last date			
F [4]	December 28, 2006 April 1, 2007 * June 28, 2007 *	1,410	1,254	1,443	18	1,458	1,518	1,254	1,455	4.95%	December 31, 2017	December 31, 2025	December 31	CPI-linked	**U-Bank Trust Company Ltd.** Person in charge: Sarit Domani 38 Rothschild Blvd., Tel Aviv 66883 Tel: 03-5645205
G	December 28, 2006 May 1, 2007 *	39	39	39	1	40	41	39	39	6.35%	December 31, 2012	December 31, 2016	December 31	Unlinked	**Kaldan Escrow Company Ltd.** Person in charge: Idan Tzachar, Adv. 7 Menachem Begin Road, Ramat Gan 52681 Tel: 03-6109000
H	June 28, 2007	187	187	215	7	221	235	187	216	4.45%	June 28, 2014	June 28, 2019	June 28	CPI-linked	**Strauss, Lazar Trust Company (1992) Ltd.** Person in charge: Uri Lazar, CPA 17 Yitzchak Sadeh St., Tel Aviv 67775 Tel: 03-6237777

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Series	Original date of issuance	Par value on date of issuance	Data as at March 31, 2011					Data as at May 22, 2011		Interest rate (fixed)	Repayment dates of principal (3)		Interest payment dates (3)	Linkage terms	Trust company – name of person in charge, address and telephone number
			Outstanding par value	Linked outstanding par value	Amount of interest accrued on the books	Carrying amount of balance of debentures (2)	Value on the stock exchange	Outstanding par value	Linked outstanding par value		First date	Last date			
I	July 12, 2009 July 21, 2009 (5) August 6, 2009 *	1,482	1,111	1,111	17	1,129	1,165	1,111	1,111	6.70%	January 8, 2010 (5)	January 8, 2018 (5)	January 8	Unlinked	**Reznik Paz Nevo Trustees Ltd.** Person in charge: Yossi Reznik, CPA 14 Yad Harutzim St., Tel Aviv 67778 Tel: 03-6393311
Total		6,825	5,016	5,674	176	5,850	6,038	4,821	5,477						

Notes:
(1) The Company is in compliance with all the terms of the debentures as well as all the terms of the trust deed.
(2) Including accrued interest on the books.
(3) Annual payments.
(4) A wholly owned subsidiary of the Company purchased NIS 20 million par value of this series.
(5) The original amount of principal of the Series I debentures will be repaid in eight unequal installments.

* On these dates the series was expanded. The data in the table relate to the entire series. ** Series D, F and I are material debentures, constituting 5% or more of the total liabilities of the Company, as presented in the separate financial statements.

Discount Investment Corporation Ltd.

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Details regarding the rating of the debentures

Series	Name of rating company	Rating as at March 31, 2011	Rating as at May 22, 2011	Rating on date of issuance of the series	The date for which the current rating as at May 22, 2011 was given	Additional ratings between the original date of issuance and the current rating as at May 22, 2011	
						Date	Rating
C	Midroog Ltd.	Aa3	Aa3	Aa2	August 2010	Nov. 2005, Mar. 2006, July 2008, June 2009	Aa2, Aa3
D	Midroog Ltd.	Aa3	Aa3	Aa2	August 2010	Nov. 2005, Mar. 2006, July 2008, June 2009	Aa2, Aa3
F	Midroog Ltd.	Aa3	Aa3	Aa2	August 2010	Mar. 2007, June 2007, July 2008, June 2009	Aa2, Aa3
G	Midroog Ltd.	Aa3	Aa3	Aa2	August 2010	July 2008, June 2009	Aa2, Aa3
H	Midroog Ltd.	Aa3	Aa3	Aa2	August 2010	July 2008, June 2009	Aa2, Aa3
I	Midroog Ltd.	Aa3	Aa3	Aa3	August 2010	July 2009	Aa3
A	S&P Maalot	A+	A+ (1)	AA	January 2011	Oct. 2003, Apr. 2005, Nov. 2005, May 2006, April 2007, June 2007, Nov. 2008, July 2009	A+, AA (2)
B	S&P Maalot	A+	A+ (1)	AA	January 2011	Apr. 2005, Nov. 2005, May 2006, April 2007, June 2007, Nov. 2008, July 2009	A+, AA (2)
C	S&P Maalot	A+	A+ (1)	AA	January 2011	Nov. 2005, May 2006, Apr. 2007, June 2007, Nov. 2008, July 2009	A+, AA (2)
D	S&P Maalot	A+	A+ (1)	AA	January 2011	Nov. 2005, May 2006, Apr. 2007, June 2007, Nov. 2008, July 2009	A+, AA (2)
F	S&P Maalot	A+	A+ (1)	AA	January 2011	Apr. 2007, June 2007, Nov. 2008, July 2009	A+, AA (2)
G	S&P Maalot	A+	A+ (1)	AA	January 2011	Apr. 2007, June 2007, Nov. 2008, July 2009	A+, AA (2)
H	S&P Maalot	A+	A+ (1)	AA	January 2011	Nov. 2008, July 2009	A+, AA (2)

(1) In January 2011 the A+ rating was affirmed and the rating outlook was changed from stable to negative.
(2) In November 2008 Maalot announced that the AA rating of debentures issued by the Company and rated by Maalot was placed on credit watch negative. This process was removed when the A+ rating was provided in July 2009.

Nochi Dankner
Chairman of the Board of Directors

Ami Erel
President and Chief Executive Officer

Tel Aviv, May 29, 2011

Discount Investment Corporation Ltd.

Board of Directors' Report for the First Quarter of 2011

Annex A to the Board of Directors' Report as at March 31, 2011

Tables showing the sensitivity tests of sensitive financial instruments included in the consolidated financial statements as at March 31, 2011 according to changes in market factors

Sensitivity test to changes in interest rate

		Gain (loss) from changes in interest rate					
		Increase			Decrease		
	Fair value	2% in absolute value	10%	5%	2% in absolute value	10%	5%
Item		N I S m i l l i o n s					
Long-term loans to affiliates (including current maturities)	1,285	(21)	(14)	(7)	23	15	7
Long-term deposits and other loans	152	(4)	(1)	-	4	1	-
Current investments, not including derivatives	927	(53)	(7)	(4)	53	7	4
Debentures	(22,267)	1,662	317	160	(1,889)	(328)	(162)
Long-term loans from banks and others (including current maturities)	(4,871)	302	69	35	(329)	(70)	(35)
Swiss franc options for hedging purposes *							
Long Put	51	(16)	(1)	(1)	20	1	1
Short Call	(120)	(29)	(3)	(1)	26	3	1
	(24,843)	(1,841)	360	182	(2,092)	(371)	(184)

* The aforesaid sensitivity tests of Swiss franc options relate to changes in the NIS interest rate. Changes in the Swiss franc interest rate do not have a material effect on the derivatives' position, and therefore sensitivity tests were not presented in their respect.

Sensitivity test to changes in dollar exchange rate

Item	Fair value	Gain (loss) from changes in dollar exchange rate			
		Increase		Decrease	
		10%	5%	10%	5%
	NIS	Millions			
Long-term loans to affiliates (including current maturities)	1,098	110	55	(110)	(55)
Long-term deposits and other loans	44	4	2	(4)	(2)
Long-term receivables	102	10	5	(10)	(5)
Short-term loans and deposits	45	5	2	(5)	(2)
Trade and other receivables	79	8	4	(8)	(4)
Cash and cash equivalents	436	44	22	(44)	(22)
loans from banks (including current maturities)	(1,528)	(153)	(76)	153	76
Short-term loans	(51)	(5)	(3)	5	3
Trade payables, other payables and credit balances	(202)	(20)	(10)	20	10
Forward dollar					
Recognized as an accounting hedge	(15)	25	12	(25)	(12)
Not recognized as an accounting hedge	(7)	18	9	(18)	(9)
Dollar options for hedging purposes – Not recognized as an accounting hedge					
Long Call	*	7	1	-	-
Long Put	3	(3)	(3)	13	6
Short Call	*	(2)	(1)	-	-
	4	48	19	(33)	(16)

* Less than NIS 1 million.

Sensitivity test to changes in Swiss franc exchange rate

Item	Fair value	Gain (loss) from changes in Swiss franc exchange rate			
		Increase		Decrease	
		10%	5%	10%	5%
	NIS	Millions			
Cash and cash equivalents	58	6	3	(6)	(3)
Long-term deposits and other loans	423	42	21	(42)	(21)
Long-term bank loans	(3,622)	(362)	(181)	362	181
Swiss franc options for hedging purposes – Not recognized for accounting purposes					
Long Put	51	(40)	(26)	116	44
Short Call	(120)	(197)	(91)	111	71
	(3,210)	(551)	(274)	541	272

In addition to the data set forth in the table above, it should be noted that also shares of Credit Suisse, which as at March 31, 2011 were traded on a stock exchange in Switzerland at a value of NIS 5,721 million and which are a non-monetary item, are exposed to changes in the Swiss franc.

Sensitivity test to changes in other currencies' exchange rates (mainly euro and pound sterling)

		Gain (loss) from changes in market factor			
	Fair value	Increase		Decrease	
		10%	5%	10%	5%
Item	N I S m i l l i o n s				
Long-term loans to affiliates (including current maturities)	187	19	9	(19)	(9)
Trade and other receivables	137	14	7	(14)	(7)
Cash and cash equivalents	56	6	3	(6)	(3)
Long-term loans from banks and others (including current maturities)	(19)	(2)	(1)	2	1
Short-term loans	(28)	(3)	(1)	3	1
Trade payables, other payables and credit balances	(32)	(3)	(2)	3	2
Forward euro					
Not recognized as an accounting hedge	(3)	(1)	(1)	1	1
Options for hedging purposes – Not recognized for accounting purposes					
Long Put	*	-	-	3	1
Short Call	*	(2)	(1)	-	-
	298	28	13	(27)	(13)

* Less than NIS 1 million.

In addition to the data set forth in the table above, it should be noted that also shares of Sanofi Carrefour which as at March 31, 2011 were traded on a stock exchange in France at a value of NIS some 122 million and which are a non-monetary item, are exposed to changes in the euro.

Sensitivity test to changes in the CPI

		Gain (loss) from changes in the CPI			
	Fair value	Increase		Decrease	
		2%	1%	2%	1%
Item	N I S m i l l i o n s				
Forward CPI – not recognized as an accounting hedge	48	67	34	(67)	(34)
Swap – not recognized as an accounting hedge	5	1	1	(1)	(1)
	53	68	35	(68)	(35)

For further possible effects of changes in the CPI on the Company's results of operations – see the consolidated linkage balance in Paragraph 8.B above.

Sensitivity test to changes in marketable securities' prices

Item	Fair value	Gain (loss) from changes in marketable securities' prices			
		Increase		Decrease	
		10%	5%	10%	5%
	N	I S m i l l i o n s			
Investment in marketable securities – presented at fair value through profit or loss	684	68	34	(68)	(34)
Investment in marketable securities – available for sale	1,469	147	73	(147)	(73)
Investment in pledged marketable securities – available for sale	5,721	572	286	(572)	(286)
	7,874	787	393	(787)	(393)

Sensitivity test to changes in standard deviation

Dollar options for hedging purposes		Fair value	Gain (loss) from changes in standard deviation			
			Increase		Decrease	
			10%	5%	10%	5%
		N	I S m i l l i o n s			
Long	Call	*	1	-	-	-
Long	Put	3	1	1	-	-
		3	2	1	-	-

* Less than NIS 1 million.

Sensitivity test to changes in standard deviation

Swiss franc for hedging purposes		Fair value	Gain (loss) from changes in standard deviation			
			Increase		Decrease	
			10%	5%	10%	5%
		N	I S m i l l i o n s			
Long	Put	51	6	3	(6)	(3)
Short	Call	(120)	(12)	(6)	12	6
		(69)	(6)	(3)	6	3

Changes in the exchange rates of the Japanese yen do not have a material effect on the fair value of certain financial instruments, and therefore sensitivity tests were not presented in their respect.

Tables showing the sensitivity tests of sensitive financial instruments included in the consolidated financial statements as at December 31, 2010 according to changes in market factors

Sensitivity test to changes in interest rate

		Gain (loss) from changes in interest rate					
		Increase			Decrease		
	Fair value	2% in absolute value	10%	5%	2% in absolute value	10%	5%
Item		N I S m i l l i o n s					
Long-term loans to affiliates (including current maturities)	1,220	(21)	(13)	(6)	21	14	6
Long-term deposits and other loans	120	(4)	(1)	-	3	1	-
Current investments, not including derivatives	922	(62)	(7)	(3)	61	7	3
Debentures	(21,623)	1,642	300	151	(1,869)	(309)	(153)
Long-term loans from banks and others (including current maturities)	(4,869)	306	71	36	(344)	(72)	(36)
Swiss franc options for hedging purposes * –							
Long Put	56	(11)	(1)	-	9	1	-
Short Call	(175)	(21)	(1)	(1)	12	1	1
	(24,349)	1,829	348	177	(2,107)	(357)	(179)

* The aforesaid sensitivity tests of Swiss franc options relate to changes in the NIS interest rate. Changes in the Swiss franc interest rate do not have a material effect on the derivatives' position, and therefore sensitivity tests were not presented in their respect.

Board of Directors' Report for the First Quarter of 2011

Sensitivity test to changes in dollar exchange rate

Item		Fair value	Gain (loss) from changes in dollar exchange rate: Increase 10%	Increase 5%	Decrease 10%	Decrease 5%
		NIS	Millions			
Long-term loans to affiliates (including current maturities)		1,037	104	52	(104)	(52)
Long-term deposits and other loans		51	5	3	(5)	(3)
Long-term receivables and debit balances		99	10	5	(10)	(5)
Short-term loans and deposits		40	4	2	(4)	(2)
Trade and other receivables		78	8	4	(8)	(4)
Cash and cash equivalents		527	53	26	(53)	(26)
Long-term loans from banks (including current maturities)		(1,558)	(156)	(78)	156	78
Long-term liabilities		(92)	(9)	(5)	9	5
Short-term loans		(53)	(5)	(3)	5	3
Trade payables, other payables and credit balances		(166)	(17)	(8)	17	8
Forward dollar						
Recognized as an accounting hedge		(13)	25	13	(25)	(13)
Not recognized as an accounting hedge		(5)	21	11	(21)	(11)
Dollar options for hedging purposes – Not recognized for accounting purposes						
Long	Call	*	8	2	-	-
	Put	3	(3)	(3)	16	7
Short	Call	*	(1)	-	-	-
	Put	*	-	-	(1)	-
		(52)	47	21	(28)	(15)

* Less than NIS 1 million.

Sensitivity test to changes in Swiss franc exchange rate

Item		Fair Value	Gain (loss) from changes in Swiss franc exchange rate: Increase 10%	Increase 5%	Decrease 10%	Decrease 5%
		NIS	Millions			
Cash and cash equivalents		217	22	11	(22)	(11)
Long-term deposits and other loans		458	46	23	(46)	(23)
Long-term bank loans		(3,606)	(361)	(180)	361	180
Swiss franc options for hedging purposes – Not recognized for accounting purposes						
Long	Put	56	(46)	(32)	213	76
Short	Call	(175)	(293)	(139)	137	93
		(3,050)	(632)	(317)	643	315

In addition to the data set forth in the table above, it should be noted that also shares of Credit Suisse, which as at December 31, 2010 were traded on a stock exchange in Switzerland at a value of NIS 5,536 million and which are a non-monetary item, are exposed to changes in the Swiss franc.

Sensitivity test to changes in other currencies' exchange rates (mainly euro and pound sterling)

		Gain (loss) from changes in market factor			
	Fair value	Increase		Decrease	
		10%	5%	10%	5%
Item	N	I S m i l l i o n s			
Long-term loans to affiliates (including current maturities)	183	18	9	(18)	(9)
Trade and other receivables	72	7	4	(7)	(4)
Cash and cash equivalents	42	4	2	(4)	(2)
Long-term loans from banks and others (including current maturities)	(20)	(2)	(1)	2	1
Short-term loans	(30)	(3)	(2)	3	2
Trade payables, other payables and credit balances	(30)	(3)	(2)	3	2
Options for hedging purposes – Not recognized for accounting purposes					
Long Put	2	(2)	(1)	3	2
Short Call	*	(1)	-	-	-
	219	18	9	(18)	(8)

* Less than NIS 1 million.

In addition to the data set forth in the table above, it should be noted that also shares of Carrefour, which as at December 31, 2010 were traded on a stock exchange in France at a value of NIS 23 million and which are a non-monetary item, are exposed to changes in the euro.

Sensitivity test to changes in the CPI

		Gain (loss) from changes in the CPI			
	Fair value	Increase		Decrease	
		2%	1%	2%	1%
Item	N	I S m i l l i o n s			
Forward CPI – not recognized as an accounting hedge	27	79	39	(79)	(39)
Swap – not recognized as an accounting hedge	7	3	1	(3)	(1)
	34	82	40	(82)	(40)

Sensitivity test to changes in marketable securities' prices

Item	Fair value	Gain (loss) from changes in marketable securities' prices			
		Increase		Decrease	
		10%	5%	10%	5%
	N	I S m i l l i o n s			
Investment in marketable securities – presented at fair value through profit and loss	638	64	32	(64)	(32)
Investment in marketable securities – available for sale	1,458	146	73	(146)	(73)
Investment in pledged marketable securities – available for sale	5,536	554	277	(554)	(277)
	7,632	764	382	(764)	(382)

Sensitivity test to changes in standard deviation

Swiss franc for hedging purposes		Fair value	Gain (loss) from changes in standard deviation			
			Increase		Decrease	
			10%	5%	10%	5%
		N	I S m i l l i o n s			
Long	Put	56	10	5	(9)	(4)
Short	Call	(175)	(11)	(6)	11	5
		(119)	(1)	(1)	2	1

Changes in the exchange rates of the Japanese yen do not have a material effect on the fair value of certain financial instruments, and therefore sensitivity tests were not presented in their respect.

Tables showing the sensitivity tests of sensitive financial instruments included in the consolidated financial statements as at March 31, 2010 according to changes in market factors

The data presented in the tables below have been restated following the consolidation of Elron Electronic Industries Ltd., as described in Note 3.B to the financial statements.

Sensitivity test to changes in interest rate

		Gain (loss) from changes in interest rate					
		Increase			Decrease		
Item	Fair value	2% in absolute value	10%	5%	2% in absolute value	10%	5%
		N I S m i l l i o n s					
Long-term loans to affiliates (including current maturities)	1,098	(20)	(12)	(6)	21	12	6
Long-term deposits and other loans	503	(16)	(6)	(3)	10	7	3
Current investments, not including derivatives	702	(50)	(4)	(2)	50	4	2
Short-term loans and deposits	628	1	-	-	-	-	-
Debentures	(21,211)	1,722	319	161	(1,977)	(330)	(164)
Long-term loans from banks and others (including current maturities)	(4,010)	246	66	34	(317)	(69)	(35)
Interest rate swap							
Not recognized for accounting purposes	(4)	1	-	-	(1)	-	-
	(22,294)	1,884	363	184	(2,214)	(376)	(188)

Sensitivity test to changes in dollar exchange rate

		Gain (loss) from changes in dollar exchange rate			
		Increase		Decrease	
Item	Fair value	10%	5%	10%	5%
	N I S m i l l i o n s				
Long-term loans to affiliates (including current maturities)	923	92	46	(92)	(46)
Long-term deposits and other loans	823	82	41	(82)	(41)
Short-term loans and deposits	230	23	12	(23)	(12)
Trade and other receivables	64	6	3	(6)	(3)
Cash and cash equivalents	557	56	28	(56)	(28)
Long-term loans from banks and others (including current maturities)	(1,880)	(188)	(94)	188	94
Short-term loans	(81)	(8)	(4)	8	4
Trade payables, other payables and credit balances	(151)	(15)	(8)	15	8
Forward dollar					
Recognized as an accounting hedge	(11)	27	13	(27)	(13)
Not recognized as an accounting hedge	(4)	40	20	(40)	(20)
Dollar options for hedging purposes – Not recognized for accounting purposes					
Long Call	1	8	2	-	-
Put	2	(2)	(2)	29	12
	473	121	57	(86)	(45)

Board of Directors' Report for the First Quarter of 2011

Sensitivity test to changes in Swiss franc exchange rate

Item	Fair value	Gain (loss) from changes in Swiss franc exchange rate			
		Increase		Decrease	
		10%	5%	10%	5%
	NIS	Millions			
Cash and cash equivalents	206	21	10	(21)	(10)
Long-term bank loans	(1,838)	(184)	(92)	184	92
Trade payables, other payables and credit balances	(14)	(1)	(1)	1	1
Forward					
Not recognized as an accounting hedge	3	(24)	(12)	24	12
Swiss franc options for hedging purposes -					
Not recognized for accounting purposes					
Long Put	9	(9)	(9)	167	57
Short Call	(2)	(73)	(19)	2	2
	(1,636)	(270)	(123)	357	154

In addition to the data set forth in the table above, it should be noted that also shares of Credit Suisse, which as at March 31, 2010 were traded on a stock exchange in Switzerland at a value of NIS 7,051 million and which are a non-monetary item, are exposed to changes in the Swiss franc.

Sensitivity test to changes in other currencies' exchange rates (mainly euro and pound sterling)

Item	Fair value	Gain (loss) from changes in market factor			
		Increase		Decrease	
		10%	5%	10%	5%
	NIS	Millions			
Long-term loans to affiliates (including current maturities)	183	18	9	(18)	(9)
Trade and other receivables	102	10	5	(10)	(5)
Cash and cash equivalents	49	5	2	(5)	(2)
Long-term loans from banks and others (including current maturities)	(18)	(2)	(1)	2	1
Short-term loans	(20)	(2)	(1)	2	1
Trade payables, other payables and credit balances	(28)	(3)	(1)	3	1
Forward					
Not recognized as an accounting hedge	*	1	-	(1)	-
Options for hedging purposes – Not recognized for accounting purposes					
Long Put	1	(1)	(1)	2	1
	269	26	12	(25)	(12)

* Less than NIS 1 million.

In addition to the data set forth in the table above, it should be noted that also shares of Carrefour, which as at March 31, 2010 were traded on a stock exchange in France at a value of some NIS 99 million and which are a non-monetary item, are exposed to changes in the euro.

Sensitivity test to changes in the CPI

		Gain (loss) from changes in the CPI			
	Fair value	Increase		Decrease	
		2%	1%	2%	1%
Forward CPI	NIS millions				
Not recognized as an accounting hedge	4	171	85	(171)	(85)

Sensitivity test to changes in marketable securities' prices

		Gain (loss) from changes in marketable securities' prices			
	Fair value	Increase		Decrease	
		10%	5%	10%	5%
Item	NIS millions				
Investment in marketable securities – presented at fair value through profit and loss	868	87	43	(87)	(43)
Investment in marketable securities – available for sale	3,637	364	182	(364)	(182)
Investment in pledged marketable securities – available for sale	4,109	411	205	(411)	(205)
	8,614	862	430	(862)	(430)

Sensitivity test to changes in standard deviation

			Gain (loss) from changes in standard deviation			
		Fair value	Increase		Decrease	
			10%	5%	10%	5%
Dollar options for hedging purposes		NIS millions				
Long	Call	1	1	1	-	-
Long	Put	2	5	2	(2)	(2)
		3	6	3	(2)	(2)

Sensitivity test to changes in standard deviation

			Gain (loss) from changes in standard deviation			
		Fair value	Increase		Decrease	
			10%	5%	10%	5%
Swiss franc for hedging purposes		NIS millions				
Short	Call	(2)	-	-	-	-
Long	Put	9	1	-	(1)	-
		7	1	-	(1)	-

The sensitivity tests to changes in the Swiss franc interest and in the NIS interest do not have a material effect on the Swiss franc derivatives' position as at March 31, 2010, and therefore sensitivity tests were not presented in their respect.

Changes in the exchange rates of the Japanese yen do not have a material effect on the fair value of certain financial instruments as at March 31, 2010, and therefore sensitivity tests were not presented in their respect.

Annex B to the Board of Directors' Report as at March 31, 2011

Details regarding economic reports on valuations as at March 31, 2011 according to Regulation 49

Presented hereunder are details according to the Company's policy for attaching valuations (for details see Note 2.DD to the Company's financial statements for 2010):

1. The valuations regarding the building of Property & Building in Chicago, USA (as described in Paragraph 2.a of Note 4.A to the financial statements) and the central building in the Herzliya park of Gav Yam, a subsidiary of Property & Building, are not attached to the financial statements, even though according to these valuations the DIC's share of the effect of the change in the value of these properties amounts to some NIS 9 million and some NIS 8 million, respectively, and is higher than 10% of the loss attributable to the owners of the Company for the four quarters preceding March 31, 2011 (constituting some 17% and some 15%, respectively). The reasons for this are as follows: (a) the effect of the change in the value of these properties that is attributable to the owners of the Company constitutes only some 0.5% and some 0.5%, respectively, of the "representative annual profit" attributable to the owners of DIC as at March 31, 2011. As mentioned in Note 2.DD the representative annual profit is an accepted parameter for examining the results of holding companies of the Company's type; (b) the properties examined in the aforesaid valuations constitute only some 0.9% and 0.4%, respectively, of the Company's total assets in the consolidated statement of financial position as at March 31, 2011.

2. The valuation regarding the CHF/NIS cylinder transactions of Koor (as described in Paragraph 3.g of Note 4.A to the financial statements) is not attached to these financial statements even though according to the aforesaid valuation DIC's share of the effect of the change in the value of these transactions amounts to some NIS 10 million and is higher than 10% of the loss attributable to the owners of the Company for the four quarters preceding March 31, 2011 (constituting some 18%). The reasons for this are as follows: (a) the effect of the change in the value of these transactions that is attributable to the owners of the Company constitutes only some 0.6% of the "representative annual profit" attributable to the owners of DIC as at March 31, 2011; (b) the net liabilities examined in the aforesaid valuation constitute only some 0.15% of the Company's total assets in the consolidated statement of financial position as at March 31, 2011.

3. The valuation regarding the Company's CPI forward transactions is not attached to these financial statements even though according to the aforesaid valuation the effect of the change in the value of these transactions amounts to some NIS 18 million and is higher than 10% of the loss attributable to the owners of the Company for the four quarters preceding March 31, 2011 (constituting some 34%). The reasons for this are as follows: (a) the effect of the change in the value of these transactions that is attributable to the owners of the Company constitutes only some 1.1% of the "representative annual profit" attributable to the owners of DIC as at March 31, 2011; (b) the net assets examined in the aforesaid valuation constitute only some 0.03% of the Company's total assets in the consolidated statement of financial position as at March 31, 2011.

Somekh Chaikin

KPMG Millennium Tower
17 Ha'arba'a Street, PO Box 609
Tel Aviv 61006 Israel

Telephone 972 3 684 8000
Fax 972 3 684 8444
Internet www.kpmg.co.il

Review Report to the Shareholders of Discount Investment Corporation Limited

Introduction

We have reviewed the accompanying financial information of Discount Investment Corporation Limited and its subsidiaries (hereinafter – "the Group") comprising of the condensed consolidated interim statement of financial position as of March 31, 2011 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended. The Board of Directors and Management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 "*Interim Financial Reporting*", and are also responsible for the preparation of financial information for this interim period in accordance with Section D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed interim financial information of certain consolidated subsidiaries whose assets constitute 15% of the total consolidated assets as at March 31, 2011, and whose revenues from sales and services constitute 5% of the total consolidated revenues from sales and services for the three-month period then ended. Furthermore, we did not review the condensed interim financial information of equity accounted investees the investment in which amounted to NIS 1,794 million as at March 31, 2011, and the Group's share in their losses amounted to NIS 16 million for the three-month period then ended. The condensed interim financial information of those companies was reviewed by other auditors whose review reports thereon were furnished to us, and our conclusion, insofar as it relates to amounts emanating from the financial information of such companies, is based solely on the said review reports of the other auditors.

Scope of Review

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

Conclusion

Based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying financial information was not prepared, in all material respects, in accordance with IAS 34.

In addition to that mentioned in the previous paragraph, based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not comply, in all material respects, with the disclosure requirements of Section D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Somekh Chaikin
Certified Public Accountants (Isr.)

May 29, 2011

Discount Investment Corporation Ltd.

Consolidated Statements of Financial Position

	March 31, 2011	March 31, 2010 *	December 31, 2010
	(Unaudited)	(Unaudited)	(Audited)
	N I S m i l l i o n s		
Non-current assets			
Investments in affiliated companies	6,060	6,721 **	5,908
Other pledged investments	5,721	4,109	5,536
Other investments, including derivatives	463	3,314	316
Loans, pledged deposits and debit balances	687	964 **	714
Fixed assets	6,215	5,923	6,095
Investment property and other assets	8,205	6,274	7,714
Assets designated for the payment of employee benefits	22	19	22
Long-term trade receivables	631	511	521
Inventory of real estate	148	122	143
Deferred expenses	22	27 **	30
Deferred tax assets	199	226	200
Intangible assets	6,048	6,225 **	6,078
	34,421	34,435	33,277
Current assets			
Current investments, including derivatives	2,048	1,492	2,041
Short-term loans and deposits	223	277	140
Receivables and debit balances	356	301	310
Current tax assets	55	96 **	43
Trade receivables	3,063	3,176	2,910
Inventory	1,113	1,005	888
Inventory of buildings held for sale	627	508	605
Assets classified as held for sale	187	65	224
Cash and cash equivalents	4,744	4,573	5,096
	12,416	11,493	12,257
Total assets	46,837	45,928	45,534

* Restated – Sese note 3.B.
** Reclassified – See note 3.C.1.

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

Discount Investment Corporation Ltd.

Consolidated Statements of Financial Position (cont'd)

	March 31, 2011	March 31, 2010 *	December 31, 2010
	(Unaudited)	(Unaudited)	(Audited)
	N I S m i l l i o n s		
Equity			
Share capital	742	742	742
Other capital reserves	2,673	3,969	2,673
Retained earnings	510	1,749	422
Equity attributed to the owners of the Company	3,925	6,460	3,837
Non-controlling interests	4,807	5,642	4,763
	8,732	12,102	8,600
Non-current liabilities			
Debentures	19,282	17,631	18,545
Bank loans and other financial liabilities	9,267	6,671 **	9,229
Provisions	22	21	29
Deferred tax liabilities	1,127	1,197	1,125
Employee benefits	99	86	91
Liabilities in respect of government grants and other liabilities	88	34	89
	29,885	25,640	29,108
Current liabilities			
Current maturities of debentures	1,618	1,976	1,675
Bank credit and current maturities of bank loans and others	805	640	741
Payables and credit balances	2,347	2,211 **	2,156
Derivatives	105	38	147
Trade payables	2,811	2,742	2,433
Current tax liabilities	242	168	293
Provisions	111	116	111
Provision classified as held for sale	1	25	-
Dividend payable	180	270	270
	8,220	8,186	7,826
Total equity and liabilities	46,837	45,928	45,534

* Restated – See note 3.B.
** Reclassified – See note 3.C.1.

Nochi Dankner	Ami Erel	Michel Dahan
Chairman of the Board	President and CEO	Vice President and CFO

Date of approval of financial statements: May 29, 2011

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

Discount Investment Corporation Ltd.

Consolidated Statements of Income

	3 months ended March 31, 2011	3 months ended March 31, 2010 *, **	Year ended December 31, 2010 **
	(unaudited)	(unaudited)	(audited)
	N I S m i l l i o n s		
Income			
Sales and services	5,016	3,229	18,166
Group's share in earning of affiliates, net	194	51	-
Gain on sale of investments and assets, dividends and gain following rise to control	23	1,327	2,260
Increase in fair value of investment property and other assets	38	8	461
Other income	1	1	1
Financing income	206	124 ***	381
	5,478	4,740	21,269
Expenses			
Cost of sales and services	3,167	1,971 ***	11,595
Research and development expenses	19	26 ***	80
Selling and marketing expenses	870	402 ***	2,902
General and administrative expenses	256	244 ***	1,049
Group's share in loss of affiliates, net	-	-	633
Loss on sale and reduction of investments and assets	3	7	29
Decrease in fair value of investment property and other assets	4	4	2
Other expenses	1	-	22
Financing expenses	516	208 ***	2,031
	4,836	2,862	18,343
Earnings before income tax	642	1,878	2,926
Income tax expense	(111)	(97)	(786)
Earnings for the period	531	1,781	2,140
Attributable to:			
Owners of the Company	253	1,548	1,242
Non-controlling interests	278	233	898
	531	1,781	2,140
Earning per share for the owners of the Company	**N I S**	**N I S**	**N I S**
Basic earnings per share	3.0	18.2	14.5
Diluted earnings per share	3.0	18.1	14.5

* Restated – See note 3.B.
** The financial statements of Shufersal Ltd. are consolidated as from February 25, 2010.
*** Reclassified – See note 3.C.2.

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

Discount Investment Corporation Ltd.

Consolidated Statement of Comprehensive Income

	3 months ended March 31,		Year ended December 31,
	2011	2010 *,**	2010 **
	(Unaudited)	(Unaudited)	(Audited)
	N I S m i l l i o n s		
Profit for the year	531	1,781	2,140
Other comprehensive income			
Reserve for revaluation of investment following rise to control that was recognized in profit or loss	-	1	4
Actuarial gains from defined benefit plan, net of tax	-	2	4
Foreign currency translation differences for foreign operations, net of tax	(49)	(27)	(109)
Foreign currency translation differences for foreign operations that were recognized in profit or loss, net of tax	-	(7)	(18)
Effective portion of changes in fair value of cash flow hedges, net of tax	(4)	(5)	6
Net changes in fair value of cash flow hedges transferred to profit or loss, net of tax	4	2	(7)
Net changes in fair value of available-for-sale financial assets, net of tax	168	265	(1,307)
Net changes in fair value of available-for-sale financial assets transferred to profit or loss, net of tax	(14)	(32)	(79)
Impairment loss on available-for-sale financial assets transferred to profit or loss, net of tax	-	-	4
Revaluation of fixed assets transferred to investment property, net of tax	-	1	3
Company's share of other comprehensive income (loss) of affiliated companies, net of tax	(84)	(98)	(360)
Other comprehensive income (loss) for the period, net of tax	21	102	(1,859)
Total comprehensive income for the period	552	1,883	281
Attributable to:			
Owners of the Company	265	1,594	39
Non-controlling interests	287	289	242
Total comprehensive income for the period	552	1,883	281

* Restated – See note 3.B.
** The financial statements of Shufersal Ltd. are consolidated as from February 25, 2010.

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

Discount Investment Corporation Ltd.

Consolidated Statement of Changes in Equity

	Attributable to the owners of the Company											
	Share capital	Share premium	Capital reserves from transactions with non-controlling interests	Capital reserves from translation differences	Hedge reserves	Capital reserves in respect of available for sale financial assets	Revaluation reserves	Capital reserve from controlling shareholders	Retained earnings	Total equity attributable to the owners of the Company	Non-controlling interests	Total equity
For the 3 months ended March 31, 2011 (unaudited)												
Balance as at January 1, 2011	742	4,014	3	(688)	(29)	(778) [1]	150	1	422	3,837	4,763	8,600
Earning for the period	-	-	-	-	-	-	-	-	253	253	278	531
Other comprehensive income for the period	-	-	-	(94)	2	100	-	-	4	12	9	21
Transactions with owners recorded directly in equity, contributions by owners and distributions to owners												
Dividend declared to the owners of the Company (See note 6.A)	-	-	-	-	-	-	-	-	(180)	(180)	-	(180)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(270)	(270)
Sales of shares in subsidiaries to non-controlling interests *	-	-	3	-	-	-	-	-	-	3	(1)	2
Non-controlling interests in respect of business combination (See note 4.A.3.d)	-	-	-	-	-	-	-	-	-	-	23	23
Share-based payments granted by subsidiaries	-	-	-	-	-	-	-	-	-	-	5	5
Amortization against retained earnings of revaluation reserve in respect of step acquisition of subsidiary	-	-	-	-	-	-	(11)	-	11	-	-	-
Balance as at March 31, 2011	742	4,014	6	(782)	(27)	(678) [2]	139	1	510	3,925	4,807	8,732

* Including effects from realization of shares-based payment in subsidiaries, and investments of non-controlling interests.
[1] Including a capital reserve with a credit balance of NIS 8 million that is attributable to assets held for sale.
[2] Including a capital reserve with a debit balance of NIS 5 million that is attributable to assets held for sale.

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

Consolidated Statement of Changes in Equity (cont'd)

	Attributable to the owners of the Company										
	Share capital	Share premium	Capital reserves from transactions with non-controlling interests	Capital reserves from translation differences	Hedge reserves	Capital reserves in respect of available for sale financial assets	Revaluation reserves	Retained earnings	Total equity attributable to the owners of the Company	Non-controlling interests *	Total equity
		N	I S		m i	l	l i	o	n s		
For the 3 months ended March 31, 2010 (unaudited)											
Balance as at January 1, 2010	742	4,014	-	(391)	(5)	109	203	458	5,130	4,209	9,339
Earning for the period	-	-	-	-	-	-	-	1,548	1,548	233	1,781
Other comprehensive income for the period	-	-	-	(86)	(8)	137	2	1	46	56	102
Transactions with owners recorded directly in equity, contributions by owners and distributions to owners											
Dividend declared to the owners of the Company	-	-	-	-	-	-	-	(270)	(270)	-	(270)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(233)	(233)
Acquisition of shares in subsidiaries from non-controlling interests **	-	-	7 ****	-	-	(4)	-	-	7	(7) ****	-
Sales of shares in subsidiaries to non-controlling interests ***	-	-	(1) ****	-	-	-	-	-	(1)	7 ****	6
Non-controlling interests in respect of business combination	-	-	-	-	-	-	-	-	-	1,373	1,373
Share-based payments granted by subsidiaries	-	-	-	-	-	-	-	-	-	4	4
Amortization against retained earnings of revaluation reserve in respect of step acquisition of subsidiary	-	-	-	-	-	-	(12)	12	-	-	-
Balance as at March 31, 2010	742	4,014	6	(477)	(13)	246	193	1,749	6,460	5,642	12,102

* Restated – See note 3.B. ** Including effects from expirations of shares-based payment instruments in subsidiaries. *** Including effects from realization of shares-based payment in subsidiaries.
**** Reclassified – See note 3.C.3.

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

Consolidated Statement of Changes in Equity (cont'd)

	Attributable to the owners of the Company											
	Share capital	Share premium	Capital reserves from transactions with non-controlling interests	Capital reserves from translation differences	Hedge reserves	Capital reserves in respect of available for sale financial assets	Revaluation reserves	Capital reserve from controlling shareholders	Retained earnings	Total equity attributable to the owners of the Company	Non-controlling interests	Total equity
For the year ended December 31, 2010 (audited)												
Balance as at January 1, 2010	742	4,014	-	(391)	(5)	109	203	-	458	5,130	4,209	9,339
Earning for the year	-	-	-	-	-	-	-	-	1,242	1,242	898	2,140
Other comprehensive income (loss) for the year	-	-	-	(307)	(25)	(883)	6	-	6	(1,203)	(656)	(1,859)
Transactions with owners recorded directly in equity, contributions by owners and distributions to owners												
Dividend paid to the owners of the Company	-	-	-	-	-	-	-	-	(1,070)	(1,070)	-	(1,070)
Dividend declared to the owners of the Company	-	-	-	-	-	-	-	-	(270)	(270)	-	(270)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,172)	(1,172)
Acquisition of shares in subsidiaries from non-controlling interests *	-	-	21	-	-	(4)	-	-	-	17	(44)	(27)
Sales of shares in subsidiaries to non-controlling interests **	-	-	(18)	10	1	-	(3)	-	-	(10)	136	126
Non-controlling interests in respect of business combination	-	-	-	-	-	-	-	-	-	-	1,373	1,373
Change in non-controlling interests following discontinuance of consolidation of subsidiary	-	-	-	-	-	-	-	-	-	-	(11)	(11)
Share-based payments granted by subsidiaries	-	-	-	-	-	-	-	-	-	-	30	30
Transaction with controlling shareholder in subsidiary	-	-	-	-	-	-	-	1	-	1	-	1
Amortization against retained earnings of revaluation reserve in respect of step acquisition of subsidiary	-	-	-	-	-	-	(56)	-	56	-	-	-
Balance as at December 31, 2010	742	4,014	3	(688)	(29)	(778) [1]	150	1	422	3,837	4,763	8,600

* Including effects from expirations of shares-based payment instruments in subsidiaries. ** Including effects from realization of shares-based payment in subsidiaries, and investments of non-controlling interests.

[1] Including a capital reserve with a credit balance of NIS 8 million that is attributable to assets held for sale.

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

Discount Investment Corporation Ltd.

Consolidated Statements of Cash Flows

	3 months ended March 31, 2011	3 months ended March 31, 2010 *, **	Year ended December 31, 2010 **
	(Unaudited)	(Unaudited)	(Audited)
	N I S m i l l i o n s		
Cash flows generated by operating activities			
Earnings for the period	531	1,781	2,140
Group's share in loss of affiliates, net	(194)	(51)	633
Dividends received	6	8	384
Gain on sale and reduction of investments and assets, net, dividends and gain following rise to control	(20)	(1,320)	(2,231)
Increase in fair value of investment property and other assets, net	(34)	(4)	(459)
Depreciation of fixed assets and deferred expenses	165	151	642
Depreciation of intangible assets	129	82	533
Financing costs, net	312	81	1,648
Taxes on income, net	111	97	786
Income tax paid, net	(150)	(100)	(498)
Payments from settlement of derivatives	(3)	(6)	(14)
Share-based payment transactions	5	4	30
	858	723	3,594
Decrease(increase) in receivables and debit balances (including long-term amounts)	(12)	(14)	10
Decrease (increase) in trade receivables (including long-term amounts)	(249)	(214)	75
Decrease(increase) in inventory	(222)	14	153
Increase in non-current inventory	(10)	-	(24)
Change in provision and employee benefits	1	-	6
Increase (decrease) in trade payables	424	172	(151)
Increase (decrease) in sundry payables and credit balances, government grants and others (including long-term amounts)	104	156	(10)
	36	114	59
Net cash inflow generated by operating activities	894	837	3,653

* Restated – See note 3.B.

** The financial statements of Shufersal Ltd. are consolidated as from February 25, 2010.

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

Consolidated Statements of Cash Flows (cont'd)

	3 months ended March 31, 2011	3 months ended March 31, 2010 *, **	Year ended December 31, 2010 **
	(Unaudited)	(Unaudited)	(Audited)
	N I S	m i l l i o n s	
Cash flows generated by operating activities			
Long-term deposits, pledged deposits, loans and investments granted	(75)	(790)	(1,251)
Collection of long-term deposits and loans granted	43	8	806
Short-term loans and deposits and current investments that are not available-for-sale marketable securities, net	(77)	(367)	(115)
Current investment in available-for-sale marketable securities, net	57	327	(208)
Investments in investee companies	(110)	(41)	(183)
Non current investments	(123)	(1,837)	(2,184)
Investment in investment property, in fixed assets and in intangible assets	(881)	(320)	(2,586)
Proceeds from settlement of derivatives	44	18 ***	17
Acquisition of subsidiaries net of cash acquired in the framework of their initial consolidation	(22)	665 ****	538 ****
Proceeds from sale of subsidiaries net of cash disposed of in the framework of discontinuing in its consolidation	-	-	411
Proceeds from disposal of non current investments	40	221	359
Proceeds from disposal of investment property, fixed assets and other assets	30	18	283
Taxes paid on sale of investment property and fixed assets	(6)	-	(18)
Interest received	42	23	88
Net cash outflow generated by investing activities	(1,038)	(2,075)	(4,043)
Cash flows generated by financing activities			
Non-current financial liabilities received	1,581	1,675 ***	6,299
Current financial liabilities, net	103	(90)	(130)
Sale of shares in subsidiaries to non-controlling interests	-	2	2
Proceeds from non-controlling interests in subsidiaries, net *****	2	5	9
Issuance of shares to non controlling interests by subsidiaries	-	-	117
Acquisition of shares in subsidiaries from non-controlling interests	-	-	(27)
Interest paid	(539)	(401) ***	(1,273)
Dividend paid to the owners of the Company	(270)	-	(1,070)
Dividend to non-controlling interests of subsidiaries	(88)	(132)	(1,172)
Collection of non-current financial liabilities	(1,000)	(507)	(2,543)
Proceeds from settlement of derivatives	9	12 ***	38
Net cash inflow (outflow) generated by financing activities	(202)	564	250
Decrease in cash and cash equivalents	(346)	(674)	(140)
Cash and cash equivalents at the beginning of the period	5,096	5,268	5,268
Effect of exchange rate fluctuations on cash and cash equivalents	(6)	(17)	(32)
Cash included in group of assets held for sale	-	(4)	-
Cash and cash equivalents at the end of the period	4,744	4,573	5,096

* Restated – See note 3.B.

** The financial statements of Shufersal Ltd. are consolidated as from February 25, 2010.

*** Reclassified – See note 3.C.4.

**** Including an amount of NIS 244 million in respect of the initial consolidation of Elron Electronic Industries Ltd. on January 1, 2010 – See note 3.B.

***** Including proceeds from exercise of options to non-controlling interests and sale of treasury shares to non-controlling interests by subsidiaries.

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

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at March 31, 2011

Note 1 - Reporting Entity

A. General

Discount Investment Corporation Ltd. (hereinafter – the "Company") is an Israeli resident company incorporated in Israel. The address of the Company's registered office is 3 Azrieli Center, Triangle Tower, 44th floor, Tel Aviv. The Company's parent company is IDB Development Corporation Ltd. (hereinafter – "IDB Development"), which is wholly owned by IDB Holding Corporation Ltd. (hereinafter – "IDB Holding"). The control nucleus of the Company is comprised of Ganden Holdings Ltd., Manor Holdings B.A. Ltd. and Avraham Livnat Ltd., which have a voting agreement between them regarding their shares in IDB Holding. The ultimate parent company of IDB Holding is Ganden Holdings Ltd., and Mr. Nochi Dankner is the ultimate controlling shareholder.

The Company usually invests in investee companies at a level that enables it to be able to influence their direction and management. The shares of the Company are registered for trade on the Tel Aviv Stock Exchange.

Further to that mentioned in the general section of Note 1 to the annual financial statements with respect to a draft amendment to existing directives of the Supervisor of Banks regarding restrictions pertaining to the debt of a "borrower" and "group of borrowers" – In May 2011 the aforesaid directives were amended in a way that, inter alia, somewhat reduces the maximum amount of debt a single group of borrowers may have to a banking entity, and redefines the restriction on debts of "the largest borrowers" so that the group no longer includes a fixed number of borrowers or groups of borrowers (six), rather all those borrowers and groups of borrowers that their debt to the banking entity exceeds a certain threshold, with a certain reduction in the maximum aggregate amount of their debts to the banking entity.

B. Definitions

In these financial statements:

DIC – The Company and its wholly owned subsidiaries.

The Group – DIC and its subsidiaries.

Share of DIC in the profit (or loss) of an investee company – The share in profit attributable to the owners of the Company in respect of their share in the profit (or loss) of an investee company.

Note 2 - Basis of Preparation

A. General

The consolidated interim financial statements of the Group as at March 31, 2011 comprise the Company and its subsidiaries, and the Group's interest in affiliates and jointly controlled entities. These interim financial statements have been prepared in a condensed format in accordance with IAS 34 *Interim Financial Reporting* and do not include all of the information required for full annual financial statements. They should be read in conjunction with the financial statements of the Company for the year ended December 31, 2010 that were authorized for issue on March 27, 2011 (hereinafter – the annual financial statements). Furthermore, these financial statements have been prepared in accordance with Section D of the Securities Regulations (Periodic and Immediate Reports) - 1970.

These interim financial statements were authorized for issue by the Company's Board of Directors on May 29, 2011.

Notes to the Financial Statements as at March 31, 2011

Note 2 - Basis of Preparation (cont'd)

B. Use of estimates and judgments

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

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

C. Functional currency and presentation currency

The financial statements are presented in NIS, which is the Company's functional currency, and have been rounded to the nearest million. The NIS is the currency that represents the principal economic environment in which the Company operates.

D. Details of the Consumer Price Index (CPI) and the dollar exchange rate:

	Dollar exchange rate	Swiss franc exchange rate	Current month CPI
	N I	S	Points
As at March 31, 2011	3.481	3.8037	108.8
As at March 31, 2010	3.713	3.4869	104.3
As at December 31, 2010	3.549	3.7882	108.0

The rate of change:

	Dollar exchange rate	Swiss franc exchange rate	Current month CPI	Latest known CPI
For the three months ended March 31, 2011	(1.9%)	0.4%	0.7%	0.9%
For the three months ended March 31, 2010	(1.6%)	(4.9%)	(1.0%)	(1.0%)
For the year ended December 31, 2010	(6.0%)	3.3%	2.7%	2.3%

Note 3 - Significant Accounting Policies

Except as described below in Item A, the accounting policies applied by the Group in these financial statements are the same as those applied by the Group in its annual financial statements.

A. Initial application of new standards and changes in accounting policies

Presented hereunder is a description of the changes in accounting policies that were applied in these financial statements and their effect on the Group:

Note 3 - Significant Accounting Policies (cont'd)

A. Initial application of new standards and changes in accounting policies (cont'd)

1. In the framework of *Improvements to IFRSs 2010*, in May 2010 the IASB published and approved 11 amendments to IFRS and to one interpretation on various accounting issues. Most of the amendments apply to periods beginning on or after January 1, 2011, subject to the specific conditions of each amendment.
   Presented hereunder are details of an amendment that is relevant to the Group and has an effect on the financial statements:
   Amendment to IAS 34 *Interim Financial Reporting – Significant events and transactions* (hereinafter – "IAS 34"). IAS 34 expanded the list of events and transactions that require disclosure in interim financial statements, such as the recognition of a loss from the impairment of financial assets and changes in the classification of financial assets as a result of changes in their purpose or use. In addition, the materiality threshold was removed from the minimum disclosure requirements included in IAS 34 before its amendment. IAS 34 is applied as from January 1, 2011 on a prospective basis. The disclosures required in IAS 34 are reflected in these condensed financial statements, as relevant.

2. **IAS 24 (2009) *Related Party Disclosures*** (hereinafter – "IAS 24"). IAS 24 includes changes in the definition of a related party and changes with respect to disclosures required by entities related to government. IAS 24 is applied as from January 1, 2011 on a retrospective basis. The amendment did not have a material effect on these financial statements.

B. Restatement following consolidation of Elron Electronic Industries Ltd. (hereinafter – "Elron")

In May and June 2010 the Company acquired 1.8% of the issued share capital of Elron for a total consideration of NIS 13 million. As a result of these acquisitions DIC's holding rose to 50.5% of the issued share capital of Elron.

In its financial statements as at March 31, 2010 the Company presented the investment in Elron on the equity basis. As regards the aforementioned, the Securities Authority instructed the Company in writing, in accordance with the power awarded to it in Section 36 of the Securities Law – 1968, to amend the method by which it presents DIC's investment in Elron in the Company's financial statements, and to consolidate the financial statements of Elron in the financial statements of the Company as from the first date of acquiring control in Elron (even before DIC acquired a holding of more than 50%), this without recognizing any gain on the transaction according to revised IFRS 3 (2008).

Consolidation of the financial statements of Elron as aforementioned, instead of accounting for it on the equity basis, does not have a material effect on the comparative data in the financial statements of the Company and does not affect the equity and profit attributable to the owners of the Company in the comparative data. According to this and the said instruction of the Authority in respect thereto, the financial statements of Elron are consolidated in the financial statements of the Company as from January 1, 2010.

Notes to the Financial Statements as at March 31, 2011

Note 3 - Significant Accounting Policies (cont'd)

B. Restatement following consolidation of Elron (cont'd)

	March 31, 2010		
	Data as reported in the past	Effect of consolidation of Elron	Data after consolidation of Elron
	(Unaudited)		
	NIS millions		
Non-current assets	34,178 *	257	34,435
Current assets	11,244 *	249	11,493
Total assets	45,422	506	45,928
Equity attributable to owners of the Company	6,460	-	6,460
Non-controlling interests	5,451	191	5,642
Non-current liabilities	25,442 *	198	25,640
Current liabilities	8,069 *	117	8,186
Total equity and liabilities	45,422	506	45,928

* After reclassification – see Note 3.C.1.

The principal effects on the consolidated statement of income:

	For the three months ended March 31, 2010		
	Data as reported in the past	Effect of consolidation of Elron	Data after consolidation of Elron
	(Unaudited)		
	NIS millions		
Revenues	4,727 *	13	4,740
Expenses	2,806 *	56	2,862
Profit for the period attributable to non-controlling interests	275	(42)	233
Profit for the period attributable to owners of the Company	1,548	-	1,548
Total profit for the period	1,823	(42)	1,781

* After reclassification – see Note 3.C.2.

Note 3 - Significant Accounting Policies (cont'd)

B. Restatement following consolidation of Elron (cont'd)

The principal effects on the consolidated statement of comprehensive income:

	For the three months ended March 31, 2010		
	Data as reported in the past	Effect of consolidation of Elron	Data after consolidation of Elron
	(Unaudited)		
	NIS millions		
Profit for the period attributable to non-controlling interests	275	(42)	233
Other comprehensive income attributable to non-controlling interests	58	(2)	56
Total comprehensive income attributable to non-controlling interests	333	(44)	289
Total comprehensive income attributable to owners of the Company	1,594	-	1,594
Total comprehensive income for the period	1,927	(44)	1,883

The principal effects on the consolidated statement of changes in equity – non-controlling interests:

	For the three months ended March 31, 2010		
	Data as reported in the past	Effect of consolidation of Elron	Data after consolidation of Elron
	(Unaudited)		
	NIS millions		
Non-controlling interests from business combination	1,141	232	1,373
Balance of non-controlling interests as at March 31, 2010	5,451	191	5,642

Note 3 - Significant Accounting Policies (cont'd)

B. Restatement following consolidation of Elron (cont'd)
The principal effects on the consolidated statement of cash flows:

	For the three months ended March 31, 2010		
	Data as reported in the past	Effect of consolidation of Elron	Data after consolidation of Elron
	(Unaudited)		
	NIS millions		
Net cash from operating activities	878	(41)	837
Net cash used in investing activities	(2,312) *	237 **	(2,075)
Net cash from financing activities	550 *	14	564
Balance of cash and cash equivalents at end of period	4,370	203	4,573

* After reclassification – see Note 3.C.4.
** Including an amount of NIS 244 million in respect of cash and cash equivalents of Elron that were included in the framework of its initial consolidation on January 1, 2010.

C. Change in classification

Comparative amounts were reclassified for consistency. These classifications did not affect equity or profit for those periods.
Presented hereunder are the principal reclassifications:

1. In the consolidated statement of financial position as at March 31, 2010:
   - Loans, pledged deposits and debit balances decreased by NIS 53 million; investments in affiliated companies increased by NIS 20 million; bank loans and other financial liabilities decreased by NIS 33 million.
   - An amount of NIS 30 million was reclassified from current tax assets to payables and credit balances.
   - An amount of NIS 54 million was reclassified from deferred expenses to intangible assets.

2. In the consolidated statement of income for the three months ended March 31, 2010:
   - An amount of NIS 3 million was reclassified from cost of sales and services to research and development expenses.
   - An amount of NIS 28 million was reclassified between financing income and financing expenses.
   - An amount of NIS 1 million was reclassified from selling and marketing expenses to general and administrative expenses.

3. In the consolidated statement of changes in equity for the three months ended March 31, 2010 an amount of NIS 7 million was reclassified from sale of rights in subsidiaries to non-controlling interests to acquisition of rights in subsidiaries from non-controlling interests.

Note 3 - Significant Accounting Policies (cont'd)

C. Change in classification (cont'd)

4. In the consolidated statement of cash flows for the three months ended March 31, 2010:
   - An amount of NIS 25 million was reclassified from proceeds (payments) from settlement of derivatives under cash flows from financing activities to proceeds (payments) from settlement of derivatives under cash flows from investing activities.
   - In the cash flows from financing activities an amount of NIS 5 million was reclassified from interest paid to non-current financial liabilities received.

D. New standards and interpretations not yet adopted

1. **IFRS 9 (2010), *Financial Instruments*** (hereinafter – "IFRS 9")

   IFRS 9 is one of the stages in a comprehensive project to replace IAS 39 and it replaces the requirements included in IAS 39 regarding the classification and measurement of financial assets and financial liabilities. In accordance with IFRS 9, there are two principal categories for measuring financial assets: amortized cost and fair value, with the basis of classification for debt instruments being the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial asset. In accordance with IFRS 9, an investment in a debt instrument will be measured at amortized cost if the objective of the entity's business model is to hold assets in order to collect contractual cash flows and the contractual terms give rise, on specific dates, to cash flows that are solely payments of principal and interest. All other debt assets are measured at fair value through profit or loss. Furthermore, embedded derivatives are no longer separated from hybrid contracts that have a financial asset host. Instead, the entire hybrid contract is assessed for classification using the principles above. In addition, investments in equity instruments are measured at fair value with changes in fair value being recognized in profit or loss. Nevertheless, IFRS 9 allows an entity on the initial recognition of an equity instrument not held for trading to elect irrevocably to present fair value changes in the equity instrument in other comprehensive income where no amount so recognized is ever classified to profit or loss at a later date.

   Dividends on equity instruments where revaluations are measured through other comprehensive income are recognized in profit or loss unless they clearly constitute a return on an initial investment.

   IFRS 9 generally preserves the instructions regarding classification and measurement of financial liabilities that are provided in IAS 39. Nevertheless, unlike IAS 39, IFRS 9 requires as a rule that the amount of change in the fair value of financial liabilities designated at fair value through profit or loss, other than loan grant commitments and financial guarantee contracts, attributable to changes in the credit risk of the liability be presented in other comprehensive income, with the remaining amount being included in profit or loss.

   However, if this requirement aggravates an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. Amounts thus recognized in other comprehensive income may never be reclassified to profit or loss at a later date. IFRS 9 also eliminates the exception that allowed measuring at cost derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured. Such derivatives are to be measured at fair value.

Note 3 - Significant Accounting Policies (cont'd)

D. New standards and interpretations not yet adopted (cont'd)

1. (cont'd)

IFRS 9 is effective for annual periods beginning on or after January 1, 2013 but may be applied earlier, subject to providing disclosure and at the same time adopting other IFRS amendments as specified in an annex to IFRS 9. IFRS 9 is to be applied retrospectively other than in a number of exceptions as indicated in the transitional provisions included in IFRS 9. In particular, if an entity adopts IFRS 9 for reporting periods beginning before January 1, 2012 it is not required to restate prior periods.

The Group is examining the possibility of early adopting IFRS 9 and the anticipated effects of its adoption on the financial statements.

2. **IAS 12, *Income Taxes*** (hereinafter – "IAS 12") – IAS 12 introduces a rebuttable presumption by which deferred taxes on investment property measured using the fair value model in IAS 40 *Investment Property*, will be calculated under the assumption that recovery of the carrying amount of investment property will normally be through sale. Nevertheless, the presumption can be rebutted when the investment property is depreciable and the purpose of holding the asset according to the Company's business model is to consume essentially all the economic benefits inherent in the asset over its life. IAS 12 will apply also to the calculation of deferred taxes on investment property acquired in a business combination accounted for according to IFRS 3, if the subsequent measurement of the investment property is according to the fair value model. IAS 12 is applicable retrospectively as from January 1, 2012. Early adoption is permitted with disclosure. The Group is examining the effect of applying IAS 12 on its financial statements.

3. **IFRS 10 *Consolidated Financial Statements*** (hereinafter – "IFRS 10").

IFRS 10 replaces the requirements of IAS 27 *Consolidated and Separate Financial Statements* and the requirements of SIC-12 *Consolidation – Special Purpose Entities* with respect to the consolidation of financial statements, so that the requirements of IAS 27 will continue to be valid only for separate financial statements. IFRS 10 introduces a new single control model for determining whether an investor controls an investee and should therefore consolidate it. This model is implemented with respect to all investees. According to the model, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with that investee and has the ability to affect those returns through its power over that investee.

The key changes in IFRS 10 are as follows:

- IFRS 10 introduces a model that requires applying judgment and analyzing all the relevant facts and circumstances for determining who has control and is required to consolidate the investee. This is reflected in, inter alia, the need to understand the design and purpose of an investee and the need to take into account evidence of power. Furthermore, the model explicitly requires identifying the investee's activities as part of the control assessment.
- IFRS 10 introduces a single control model that is to be applied to all investees, both those presently in the scope of IAS 27 and those presently in the scope of SIC-12.
- De facto power should be considered when assessing control. This means that the existence of de facto control could require consolidation.
- When assessing control all substantive potential voting rights will be taken into account, even if they are not currently exercisable. The structure, reasons for existence and conditions of potential voting rights should be considered.
- IFRS 10 provides implementation guidance and a list of indicators for analyzing whether a decision maker is acting as agent or principal when directing the activities of an investee.

Note 3 - Significant Accounting Policies (cont'd)

D. New standards and interpretations not yet adopted (cont'd)

3. (cont'd)

- IFRS 10 provides guidance on when an investor would assess power over portion of the investee (silos) that is over specified assets of the investee.
- IFRS 10 provides a definition of protective rights whereas no such guidance is provided in existing standards.
- Control is determined according to exposure or right to variability in returns. Variability in returns is a much broader concept than ownership-type benefits and is not solely a risk and rewards analysis.

IFRS 10 is applicable retrospectively for annual periods beginning on or after January 1, 2013. Early adoption is permitted providing that disclosure is provided and that also the other two standards that were issued at the same time are early adopted – IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Involvement with Other Entities*.

4. **IFRS 11 *Joint Arrangements*** (hereinafter – IFRS 11).

IFRS 11 replaces the requirements of IAS 31 *Interests in Joint Ventures* (hereinafter – IAS 31) and amends part of the requirements in IAS 28 *Investments in Associates*. IFRS 11 defines a joint arrangement as an arrangement over which two or more parties have joint control (per the definition of control in IFRS 10 above). Joint arrangements are divided into two types: a joint operation and a joint venture. The key changes in IFRS 11 are as follows:

- Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.
- Joint operations – The parties with joint control have rights to the assets and obligations for the liabilities, relating to the arrangement.
  The accounting treatment of joint operations is similar to the accounting treatment in IAS 31 for jointly controlled assets and operations. This means that assets, liabilities and transactions are recognized and accounted for according to the relevant standards. Joint operations include joint arrangements that are not structured in a separate vehicle (like jointly controlled assets and jointly controlled operations per their definition in IAS 31), and joint arrangements in which there is a separate vehicle but the legal form, contractual arrangement or other signs indicate that the parties with joint control have rights to the assets and obligations for the liabilities, relating to the arrangement.
- Joint ventures – The parties with joint control have rights to the net assets of the arrangement.
  Joint ventures shall only be accounted for using the equity method, meaning that the option to apply the proportionate consolidation method is removed. Joint ventures are joint arrangements structured in a separate vehicle that the legal from, contractual arrangement or other signs indicate that the parties with joint control do not have rights to the assets and obligations for the liabilities, relating to the arrangement.
- Accounting treatment of loss of joint control when significant influence is retained – The existing requirement to remeasure to fair value the retained interest in the affiliate on the date of losing joint control was eliminated.

Note 3 - Significant Accounting Policies (cont'd)

D. New standards and interpretations not yet adopted (cont'd)

4. (cont'd)

IFRS 11 is applicable retrospectively for annual periods beginning on or after January 1, 2013, but there are specific requirements for retrospective application in certain cases. Early adoption is permitted providing that disclosure is provided and that also the other two standards that were issued at the same time are early adopted – IFRS 10 *Consolidated Financial Statements* and IFRS 12 *Disclosure of Involvement with Other Entities*, which is described hereunder.

5. **IFRS 12 *Disclosure of Involvement with Other Entities*** (hereinafter – IFRS 12).

IFRS 12 contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), affiliates and structured entities. Structured entities are entities that are designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. The definition of rights in IFRS 12 is broad and includes contractual and/or non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The purpose of the new disclosure requirements is to enable the users of the financial statements to understand the nature and the risks associated with its interests in other entities, and to understand the effect of such interests on the entity's financial position, results of operations and cash flows. This is reflected in broad and extensive disclosure requirements, including among other: significant judgments and assumptions made in determining the nature of interests in entities and arrangements, interests in subsidiaries, interests in joint arrangements and in affiliates and interests in structured entities.

IFRS 12 is applicable for annual periods beginning on or after January 1, 2013. Early adoption is permitted providing that also IFRS 10 and IFRS 11 that were issued at the same time are early adopted. Nevertheless, it is permitted to voluntarily provide the additional disclosures required by IFRS 12 prior to its adoption without early adopting the other standards.

The Group has not yet started examining the effects of adopting IFRSs 10, 11 and 12 as described above on its financial statements.

6. **IFRS 13 *Fair Value Measurement*** (hereinafter – IFRS 13).

IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, so that the requirement to measure fair value will continue to be determined according to currently existing standards. IFRS 13 applies to assets, liabilities and an entity's own equity instruments that, under other IFRSs, are required or permitted to be measured at fair value or when disclosure of fair value is provided. Nevertheless, IFRS 13 does not apply to share-based payment transactions within the scope of IFRS 2 and leasing transactions within the scope of IAS 17. IFRS 13 does not apply to measurements that are similar to but not fair value (such as measurement of the net realizable value of inventory). IFRS 13 is applicable prospectively for annual periods beginning on or after January 1, 2013. Earlier application is permitted with disclosure of that fact. The disclosure requirements of IFRS 13 need not be applied in comparative information for periods prior to initial application. The Group has not yet started assessing the effects of adopting IFRS 13 in its financial statements.

Note 4 - Investments in Investee and Other Companies

A. Changes in investments during the first quarter

1. **Cellcom Israel Ltd. (hereinafter – "Cellcom"), a 48% subsidiary of DIC**

a. A change in regulation that was recently adopted permits a cellular operator to hold an operator of international communication services under a separate structure, and under certain circumstances even not under a separate structure. As a result of the regulatory change, in March 2011 Cellcom proposed to Netvision Ltd. (hereinafter – "Netvision"), a company controlled by the Company and Clal Industries and Investments Ltd. (a fellow subsidiary of the Company), that they conduct negotiations regarding a merger transaction pursuant to which Cellcom will acquire, by means of its subsidiary, the entire issued share capital of Netvision for cash, according to an estimated value of Netvision's shares of NIS 1.5 billion, subject to accepted adjustments, following which Netvision will become a wholly owned subsidiary of Cellcom.

The proposed merger is contingent upon, inter alia, the negotiations and agreeing on the final provisions of binding agreements, due diligence examinations, an independent valuation of Netvision by a valuer to be appointed together by both parties, the receipt of a fairness opinion with respect to the proposed consideration, and approvals of the audit committees and boards of directors of both companies; if a binding agreement is reached as aforementioned, completion of the transaction will be contingent upon, inter alia, approvals by the general shareholders' meetings of both companies at a special majority that includes a majority of the votes of public shareholders, approvals by the authorized organs of Cellcom's and Netvision's controlling shareholders and regulatory approvals as required by law. Netvision announced that it accepts the proposal to hold negotiations with respect to a merger transaction. There is no certainty that the two companies will enter into any transaction. If a binding agreement is reached, Cellcom intends to finance the aforesaid acquisition, all or part, by raising new debt. See also Note 4.A.1.b hereunder.

At this point the Company evaluates that if the aforesaid transaction is executed, then based on the carrying amount in these financial statements of the Company's investment in Netvision and assuming that the consideration in the transaction will be based on a total value of NIS 1.5 billion, the Company is expected to recognize a profit of NIS 56 million at the time of its execution.

b. In March 2011, in accordance with a shelf registration offer from March 2011 that was issued on the basis of its shelf registration prospectus from March 2009, Cellcom issued to the public as follows:

1. Debentures having a total par value of NIS 294 million from Cellcom's existing Series D, which were issued at a price reflecting effective interest of 2.23% p.a. linked to the Consumer Price Index. Cellcom received total proceeds of NIS 383 million for these debentures.

2. Debentures having a total par value of NIS 632 million from Cellcom's existing Series E, which were issued at a price reflecting unlinked effective interest of 5.47% p.a. Cellcom received total proceeds of NIS 658 million for these debentures.

Cellcom plans to use the proceeds from the aforementioned issuance to finance part of the merger transaction mentioned above in Paragraph A.1.a of this note, insofar as it is executed, and for various other possible purposes.

Note 4 - Investments in Investee and Other Companies (cont'd)

A. Changes in investments during the first quarter (cont'd)

2. **Property & Building Corporation Ltd. (hereinafter – "Property & Building"), a 78% subsidiary of DIC**

a. In January 2011 Property & Building, by means of an American corporation (hereinafter – "the buying corporation") held by means of another American corporation wholly owned by Property & Building (hereinafter – "the American corporation"), entered into an agreement for the acquisition of a building for commercial purposes in the city of Chicago for a consideration of $121.3 million including transaction costs. The transaction was completed in March 2011.

On the date of signing the agreement, Property & Building deposited an amount of $ 10 million in trust in favor of the sellers and the balance of the consideration was paid upon completion of the transaction.

The building is rented out in its entirety to two tenants for periods ending in July 2024 and January 2019, with the tenants having options to extend the leases.

In the first year, the fixed rent payments will amount to $ 8.9 million and will be raised by an average of 3% each year. The lease agreements were assigned to the buying corporation on the date of completing the transaction.

On the date of completing the transaction Property & Building financed the acquisition of the building from its own resources. In April 2011 the buying corporation received a loan in the amount of US$ 80 million from a foreign banking institution (the financer) for a period of 10 years. As security for the credit, the buying corporation pledged the asset and provided the financer with additional collateral related to the asset, as well as assigned to it the lease agreements and additional agreements related to the asset. Furthermore, as customary in loans of this type, the American corporation provided a guarantee unlimited in amount as security for special circumstances, and the buying corporation and the American corporation undertook, jointly and severally, to indemnify the financer for events related to the environment. Aside from the aforesaid guarantee and indemnity commitments, the credit is non-recourse.

The fair value of the asset was adjusted as at March 31, 2011 to the amount of US$ 125 million, on the basis of a valuation the buying corporation received from an independent valuer in the USA. As a result the Company recognized income in the amount of NIS 13 million in the first quarter of 2011 from an increase in fair value of investment property.

The transaction falls under the agreement with Rock Real Estate Partners Limited (hereinafter – "Rock Real") described in Paragraph C.7 of Note 34 of the annual financial statements, and in its respect these financial statements include a provision in the amount of NIS 2 million, following the adjustment in the fair value of the asset, which was included in the statement of income for the first quarter of 2011 under general and administrative expenses.

b. In February 2011 a subsidiary of Property & Building and a partner (the share of the subsidiary – 50%) entered into agreements to acquire two lots of land in Givat Shmuel and Rehovot, for constructing 560 residential units, at a total consideration of NIS 262 million. The share of the aforesaid subsidiary is NIS 131 million. Both transactions are subject to court approval.

Note 4 - Investments in Investee and Other Companies (cont'd)

A. Changes in investments during the first quarter (cont'd)

2. **Property & Building (cont'd)**

c. In March 2011, on the basis of a shelf registration offer from March 2011 that was issued in accordance with a shelf registration prospectus from May 2009, Gav-Yam Land Corporation Ltd. (hereinafter – "Gav-Yam"), a subsidiary of Property & Building, issued to the public as follows:

1. Debentures having a total par value of NIS 86 million from Gav-Yam's existing Series E, which were issued at a price reflecting effective interest of 3.2% p.a. linked to the Consumer Price Index. Gav-Yam received total proceeds of NIS 107 million for these debentures.

2. Debentures having a total par value of NIS 314 million from Gav-Yam's existing Series G, which were issued at a price reflecting unlinked effective interest of 6.3% p.a. Gav-Yam received total proceeds of NIS 326 million for these debentures.

d. Further to that mentioned in Paragraph 2.b.3 of Note 3.G to the annual financial statements with respect to the Las Vegas Plaza project, Property & Building and its partners to the project, have commenced examining various alternatives for obtaining financing for the project in the forthcoming years, including the manner of handling a loan in the amount of US$ 620 million from a consortium of banking and financial institutions that is due for repayment in August 2012 (the share of Property & Building is $ 155 million). Inter alia, the possibility of engaging an international investment bank that will assist in the negotiations with the lenders is being considered but has not yet been finalized.

3. **Koor Industries Ltd. (hereinafter – "Koor"), a 63% subsidiary of the Company**

a. In January 2011, Koor and a subsidiary of China National Chemical Corporation, a large Chinese company controlled by the government of China that engages in chemicals and agrochemicals (hereafter –"ChemChina "), signed an agreement to effect a merger, under the terms of which the public's holding in Makhteshim-Agan will be acquired, and 7% of the Makhteshim-Agan shares held by Koor will be acquired, and Makhteshim-Agan will become a private company owned jointly by ChemChina (60%) and by Koor (40%).
The shares of Makhteshim-Agan will be acquired at a price reflecting a company value of $2.4 billion (calculated based on the effective holdings that do not include shares held by Makhteshim-Agan and its subsidiary), with the payment being made in US dollars.
Accordingly, before the minor dilution expected to be caused by the exercise of employee options, the share price of Makhteshim Agan as at the approval date of these financial statements is $5.57 (representing, considering the dollar rate proximate to the approval date of these financial statements, a share price of NIS 19.30). Under the terms of the transaction, the shareholder public of Makhteshim-Agan will receive total consideration of $1,272 million for the sale of 53% of the shares of Makhteshim-Agan, and Koor will receive $168 million for the sale of 7 % of Makhteshim-Agan's shares. If and to the extent Makhteshim-Agan will issue shares or convertible securities from the signing date of the agreement until its closing, a sum equal to 60% of the issue proceeds will be added to the total consideration amount. Furthermore, see Note 7.B.3 hereunder

Note 4 - Investments in Investee and Other Companies (cont'd)

A. Changes in investments during the first quarter (cont'd)

3. **Koor (cont'd)**

a. (cont'd)

regarding an interim decision of the district court and its possible effect on the distribution of the benefit in the non-recourse loans described hereunder between Koor and the public shareholders of Makhteshim Agan. In this respect it is noted that Koor has announced that it is proceeding with this transaction with the objective of reaching its conclusion.

Pursuant to the merger agreement, the parties to which are: (1) Makhteshim-Agan (2) ChemChina; (3) a private company, wholly-owned (indirectly through its wholly-owned corporation) of ChemChina that was established in Israel for the purpose of entering into the merger agreement ("special purpose company"); (4) Koor, the controlling shareholder in Makhteshim-Agan and its wholly-owned subsidiary (together with Koor – "Koor companies") – a special purpose company that will be merged with and into Makhteshim-Agan, by a three-way reverse merger. Hence, immediately after the merger closes, ChemChina will hold 60% of the issued capital of Makhteshim-Agan and Koor will hold 40%.

Upon the closing of the merger, Makhteshim-Agan's shares will be de-listed from trading on the Tel Aviv Stock Exchange, Makhteshim-Agan will become a private company, and the special purpose entity will cease to exist. Although it will become a private company, Makhteshim-Agan will continue to be a reporting corporation, as this term is defined in the Securities Law – 1968, due to the fact that the debentures issued by Makhteshim-Agan will continue to be listed for trading on the Stock Exchange even after the merger's closing.

As part of the merger, ChemChina will cause a non-recourse loan to be provided to Koor, through a Chinese bank ("the Bank"), totaling $960 million, which will be secured solely by a lien on the Makhteshim-Agan shares held by Koor. The loan principal will be repaid at the end of 7 years and will bear fees and interest at the rate of Libor+4.5% plus expenses that Koor will bear. Considering the current Libor rate, the effective interest (before fees) is estimated at 6%. In the first 4 years, interest will not be paid (except from dividend receipts), but will be added to the principal and later, the interest will be paid every 3 months. The loan will be repaid in cash or through the pledged shares (or a part of them), and Koor will be allowed, as from the end of the year in which the loan is provided, to make early repayment of the loan – in full or part.

Dividends for the pledged shares, up to the amount of the annual interest (also in the four first years as aforementioned), will be used to make the interest payments, with the surplus dividends, if any, distributed to Koor. Koor, ChemChina and the Bank will negotiate a detailed loan agreement ("the loan agreement"), which will be brought before the board of directors of Koor for its approval.

The merger's closing is contingent upon the fulfillment of various conditions, including obtaining the requisite approvals from the governmental authorities in China, which according to notices Koor received from ChemChina have been received as at the date of approval of these financial statements so that this condition has been fulfilled; obtaining approval of a general meeting of Makhteshim-Agan in a special majority in accordance with the provisions of Sections 320(c) of the Companies Law and, as was agreed between the parties, also in accordance with Section 275 of the Companies Law (Koor

Note 4 - Investments in Investee and Other Companies (cont'd)

A. Changes in investments during the first quarter (cont'd)

3. **Koor (cont'd)**

a. (cont'd)

has undertaken to vote in favor of the merger in the general meeting of Makhteshim Agan, subject to the signing of the loan agreement and additional conditions); and the signing of a loan agreement and providing the loan to Koor (if Koor's board of directors decides not to approve the loan agreement, Koor will be permitted to cancel the merger agreement).

Subject to the fulfillment of the suspending conditions, the transaction is expected to close during the third quarter of 2011. If the transaction is not closed by the end of August 2011 (subject to an extension under certain circumstances), the agreement may be cancelled by the parties.

On the signing date of the merger agreement, a shareholder agreement was signed between Koor and ChemChina, taking effect on the transaction's closing date, which arranges the partnership ties between them in Makhteshim-Agan, and which prescribes provisions, including: appointment of directors based on ratio of holdings; ChemChina's right to appoint the chairman and Koor's right to appoint the deputy chairman; the appointment and dismissal of senior management with consent; certain veto rights for Koor; possibility of selling certain agrochemical assets of ChemChina to Makhteshim-Agan (subject to Koor's approval); dividend distribution policy; commitment to work toward a public offering of the shares of Makhteshim-Agan and registration rights to Koor, in the event such offering is not carried out within 3 years, as noted; various limitations on the transfer of Makhteshim-Agan shares, including reciprocal right of first refusal or reciprocal right of first offer (during the periods prescribed) and Koor's tag-along right toward ChemChina; Koor's commitment, which was approved by the Company's Board of Directors in January 2011, that before the end of 3 years from the merger's closing date, the Company will not stop being a controlling shareholder therein (unless control will be held by another IDB Group entity), and that thereafter, control therein will not be sold to a competitor of Makhteshim-Agan or of ChemChina. In the event of a change in control in Koor after the end of the 3 years, as noted, certain rights given to Koor (including Koor's right to appoint the deputy chairman and its rights regarding appointment and dismissal of senior management) will lapse;

ChemChina's commitment to hold at least 51% of the voting rights in Makhteshim-Agan until the public offering and to remain the largest shareholder in Makhteshim-Agan for the subsequent period designated.

Makhteshim-Agan received an economic opinion stating that the share price in the transaction expresses a fair price for the shareholding public of Makhteshim-Agan. The said opinion contains an economic valuation of the benefit to Koor from the characteristics of the loan, amounting to $160-$185 million.

If and when the transaction will close, DIC is expected to recognize a loss from the sale of 7% of the shares of Makhteshim-Agan by Koor, estimated at this stage at NIS 47 million (takes into account capital reserves with debit balances that will be realized for NIS 57 million), and Koor expects to recognize net income, estimated at this stage at NIS 155 million (takes into account capital reserves with debit balances that will be realized, totaling NIS 68 million). Likewise, on the closing date of the transaction, DIC and Koor will record an increase in equity for the said capital reserves that will be realized. In

Note 4 - Investments in Investee and Other Companies (cont'd)

A. Changes in investments during the first quarter (cont'd)

3. **Koor (cont'd)**

a. (cont'd)

addition to the aforesaid income, Koor is examining the recognition of income, net of tax, due to the characteristics of the loan, which according to the aforementioned economic opinion could be a significant amount, and which may also be updated periodically to profit or loss over the life of the loan. Notwithstanding the inclination to recognize such income, the examination of the matter has not yet been concluded. Consideration is also being given to the effect of the interim decision of the Tel Aviv District Court against Koor and against Makhteshim Agan with respect to the benefit arising for Koor from the non-recourse loan, as described in Note 7.B.3 hereunder, on the financial results of Koor and on the recognition of income as a result of the characteristics of the loan as aforesaid. DIC will recognize its share in Koor's income (if recorded) for the characteristics of the loan, as noted.

These estimates of Koor and DIC with respect to the sale of 7% of the shares of Makhteshim Agan are based on, inter alia, the carrying amount at which Koor's investment in Makhteshim-Agan is recorded in the financial statements of each of them, on the equity of Makhteshim-Agan and on the exchange rate of the dollar, all as of March 31, 2011. These estimates could change significantly, mainly due to possible changes in the equity of Makhteshim-Agan and the dollar exchange rate until the relevant dates.

The agreement between Koor and ChemChina is a future contract, the result of which is a future business combination for ChemChina (together with the acquisition of Makhteshim-Agan shares from the public), with the expected period until the closing of the merger transaction constituting a normal period for obtaining the requisite approvals for the transaction. Therefore, this agreement is to be deemed a contract for a business combination, which is not covered by IAS 39; in other words, it is a contract that does not constitute a derivative and which is not required to be measured at fair value through profit or loss.

The investment in Makhteshim-Agan will continue to be treated in the books of Koor and DIC by the equity method. It is clarified that the closing of the merger is not certain.

b. In the first quarter of 2011, Koor recognized a loss in the amount of NIS 31 million from transactions of Makhteshim Agan with non-controlling interests while retaining its control. The Company's share of this loss amounts to NIS 20 million.

c. Further to that mentioned in Paragraph c.8.b of Note 3.G.2. to the annual financial statements, regarding the Company's reversal in the fourth quarter of 2010 of part of the impairment in connection with the investment in Makhteshim Agan, based on the value of the investment in Makhteshim Agan reflected in the merger transaction described above in Paragraph 3.A of Note 4.A, and following receipt of the approvals required from governmental authorities in China for closing the merger transaction, in the first quarter of 2011 the Company recognized a gain in the amount of NIS 93 million from reversal of the balance of the impairment that the Company had recognized in the past in connection with this investment.

Note 4 - Investments in Investee and Other Companies (cont'd)

A. Changes in investments during the first quarter (cont'd)

3. **Koor (cont'd)**

d. In January 2011 a transaction was closed in which Koor acquired 19% of the issued share capital of Epsilon Investment House Ltd. (hereinafter – "Epsilon") for the price of NIS 28 million. As a result of this acquisition, Koor's interest in Epsilon increased to 69% of its issued share capital. Upon closing the aforesaid transaction, an agreement between Koor and another shareholder of Epsilon and a company wholly owned by that shareholder came into effect. The agreement arranges the relations between the parties as the remaining shareholders in Epsilon. As from the aforementioned date, the Company consolidates the financial statements of Epsilon in its financial statements. According to generally accepted accounting principles, the transition to consolidation was accounted for as a sale of Koor's investment in Epsilon before the acquisition, and a repurchase of Koor's entire interest in Epsilon after the acquisition. The aforesaid transaction did not have an effect on profit or loss in the first quarter of 2011. As a result of the initial consolidation of the financial statements of Epsilon, the Company acquired fair value adjustments in the amount of NIS 11 million for net identifiable assets and liabilities less the share of non-controlling interests, which were mainly attributed to customer relations (amortized over a period of 8 years) and to goodwill in the amount of NIS 50 million.
The effect on the assets and liabilities in the consolidated statement of financial position as at the date of initial consolidation of Epsilon in the financial statements of the Company was as follows:

	Value on books of Epsilon at date of initial consolidation	Fair value adjustments and goodwill	Values recognized upon the first date of consolidation
	N I S	m i l l i o n s	
Fixed assets	61	-	61
Goodwill	-	50	50
Other intangible assets	-	32	32
Other non-current assets	2	-	2
Current liabilities	(9)	-	(9)
Non-current liabilities	(3)	(8)	(11)
	51	74	125
Less non-controlling interests *	(29)	(13)	(42) **
	22	61	83

* Non-controlling interests were measured according to their relative share in the identifiable assets and identifiable liabilities of Epsilon.

** Including non-controlling interests in the amount of NIS 19 million in respect of Company's interest in Koor, which are attributable to Epsilon.

In addition, the Company derecognized the investment in Epsilon that until the date of consolidation was accounted for on the equity basis and at that date amounted to NIS 74 million.

Note 4 - Investments in Investee and Other Companies (cont'd)

A. Changes in investments during the first quarter (cont'd)

3. **Koor (cont'd)**

d. (cont'd)

The aggregate cash flows derived by the Group from the acquisition are as follows:

	NIS millions
Cash paid	(28)
Cash and cash equivalents of Epsilon	3
	(25)

e. Further to that mentioned in Paragraph c.6 of Note 3.G.2 to the annual financial statements, in the first quarter of 2011 Koor invested an amount of $ 13 million in Credit Suisse Emerging Markets Credit Opportunity Fund L.P. (hereinafter – "the Fund"). Proximate to the date of approval of these financial statements, the aggregate amount of Koor's investments in the Fund is $ 18 million, and it has a commitment to invest an additional amount of $ 107 million in the Fund.

f. In the first quarter of 2011 Koor bought and sold additional shares of Carrefour. Koor recognized an insignificant net gain on the aforesaid sales. As at March 31, 2011 Koor held shares of Carrefour having a cost of NIS 120 million and a fair value of NIS 122 million.

g. In the first quarter of 2011 Koor and the Company recorded gains and capital reserves in respect of their investment in shares of Credit Suisse as follows:

	On Koor's books	DIC's share
	NIS millions	
Net tax income mainly from recording a deferred tax asset on carry-forward tax losses	9	6
Total gain	9	6
Net decrease in negative balance of capital reserve in respect of shares of Credit Suisse (net of tax effects) in the first quarter of 2011	176	111
Negative balance of capital reserve (net of tax effects) as at March 31, 2011	(1,183)	(742)

As at March 31, 2011 Koor held 3.21% of the shares of Credit Suisse (net of treasury shares), the original cost of which was NIS 6.97 billion and their value on the stock exchange was NIS 5.72 billion as at that date. The difference reflects a decline of 17.9% in the market value of the shares compared to their cost (before the effect of tax). The difference between the cost of the shares and their market value was continuously negative since August 6, 2010, the date on which the closing price on the NYSE reflected a positive difference, and before then the difference was continuously negative as from April 20, 2010. Taking note of this, for purposes of applying the accounting policy described in Paragraph 2.c.1 of Note 3.G to the annual financial statements, on future

Note 4 - Investments in Investee and Other Companies (cont'd)

A. Changes in investments during the first quarter (cont'd)

3. **Koor (cont'd)**

g. (cont'd)

cutoff dates, including at the end of the second quarter of 2011, the board of directors of Koor will examine all the circumstances as they were until then, and whether there were circumstances constituting an exception to the said policy, this in connection with the examination whether the decline in fair value is prolonged. In this respect it is noted that, as mentioned above in Note 3.D.1, the Group is considering the possibility of early adopting IFRS 9.

According to IFRS 9, subject to election by the Group, the change in fair value of the investment in shares of Credit Suisse will be recognized in profit or loss, or alternatively the change will be presented in other comprehensive income, with the amounts recognized in other comprehensive income never being recognized in profit or loss at a later date, not even upon a sale of the shares, other than dividends that clearly constitute a return on an initial investment, which will be recognized in profit or loss. Furthermore, if the Group should choose to present the change in fair value in other comprehensive income, Koor will not be required to recognize impairment in profit or loss, even if it would have been required to do so according to its policy described above.

As at March 31, 2011 Koor and its wholly owned subsidiaries have a debt to Citibank and Morgan Stanley in the total amount of CHF 955 million (about NIS 3.63 billion), and deposits against this debt in the amount of CHF 111 million (about NIS 423 million). The withdrawal of the said balance of deposits is limited. See also Note 6.G hereunder.

Further to that mentioned in Paragraph 2.B of Note 35.A to the annual financial statements regarding the currency risk of Koor, it is noted that as at March 31, 2011 Koor has open Swiss franc/NIS cylinder transactions in the amount of CHF 700 million, the fair value of which was estimated as a liability in the amount of NIS 69 million. In the first quarter of 2011 Koor recognized financing income in the amount of NIS 95 million from the valuation of Swiss franc/NIS cylinder transactions.

4. **Shufersal Ltd. (hereinafter – "Shufersal"), a subsidiary in which DIC holds 46% of equity and 50.2% of voting**

a. In February 2011 Shufersal distributed a cash dividend in the amount of NIS 104 million (net of a dividend to a subsidiary of Shufersal). DIC's share in the dividend amounted to NIS 50 million.

b. In March 2011 Shufersal acquired two branches that had been leased to it before the acquisition, as well as land for the construction of a branch, in the total amount of NIS 101 million. In addition, Shufersal acquired rights in an amount of NIS 69 million in a company owning land (the acquisition included shares and loans) for the purpose of constructing a logistics center.

Note 4 - Investments in Investee and Other Companies (cont'd)

A. Changes in investments during the first quarter (cont'd)

5. **Elron, a 50.5% subsidiary of DIC**

Further to that mentioned in Paragraph 2.e.1 of Note 3.G to the annual financial statements regarding an additional consideration of between $ 3 million and $ 29 million that Elron and RDC Rafael Development Corporation Ltd. (hereinafter – "RDC"), a 50.1% held subsidiary of Elron, may receive, respectively, for the sale of all their shares in Medingo Ltd. (hereinafter – "Medingo"), which is contingent upon Medingo gradually obtaining certain operating milestones including, inter alia, constructing a production line having certain operating characteristics, in March 2011 the buyer reported that at the present time:

a. There are certain operating risks that may delay or prevent obtaining the aforementioned milestones because of, inter alia, incompatibility with the required operating characteristics.

b. It can be reasonably assumed that Medingo will obtain part of the aforesaid milestones, subject to that mentioned in Paragraph a above.

c. Information cannot be provided regarding the possibility of obtaining the last operating milestone, which if obtained will entitle Elron and RDC to additional consideration of $ 0.4 million and $ 4.1 million, respectively, out of the total contingent consideration.

In respect of part of the said milestones for which certain information has been received, Elron and RDC will be entitled to additional consideration of up to $ 2.6 million and $ 25.3 million, respectively, out of the total contingent consideration. At this stage, Elron is unable to assess and substantiate reliable probability rates for obtaining the relevant milestones in order to reliably assess the fair value of this component, and therefore no profit has as yet been recognized in respect of this component of contingent consideration. In respect of the milestones for which certain information has been received as aforementioned, Elron may recognize in the future a net profit attributable to its shareholders of up to $ 12 million, of which DIC will recognize its share as it may be at that time. There is no certainty that any such profit will actually be recognized in the future.

6. **Maariv Holdings Ltd. (hereinafter – "Maariv")**

In March 2011 the Company entered into agreements with respect to an investment and acquisition of control in Maariv. These agreements (hereinafter – "the investment agreements") provided for the main part as follows:

The Company will invest in Maariv and provide to it the amount of NIS 120 million in consideration for a private issuance of Maariv's shares to the Company.

In addition the Company will acquire, in consideration for NIS 20 million, shares of Maariv and a shareholders' loan to Maariv, having a current balance of NIS 11 million, from a company controlled by Dr. Zak Rachiv, one of the present controlling shareholders in Maariv (hereinafter – "Rachiv"). The shareholders' loan thus acquired by the Company will be converted into shares of Maariv.

Concurrently with the Company's investment, the Land Development Corporation group, one of the present controlling shareholders of Maariv (hereinafter – "LDC"), will invest in Maariv and provide to it the amount of NIS 12 million in consideration for a private issuance of Maariv's shares to LDC, and it will convert into shares of Maariv shareholders' loans having a balance of NIS 40 million as at the date of the investment agreements that LDC had provided to Maariv in the past.

Note 4 - Investments in Investee and Other Companies (cont'd)

A. Changes in investments during the first quarter (cont'd)

6. **Maariv (cont'd)**

In the event that the aforesaid transactions are completed, the Company is expected to hold 59% and LDC is expected to hold 27% of the issued share capital of Maariv as it should be immediately after their completion.

All the aforementioned transactions are contingent upon various suspending conditions, including obtaining the approvals required by law, obtaining agreements that satisfy the Company between the Maariv group and the banks with respect to its bank debts, and satisfactory results for the Company of the due diligence it is performing with respect to Maariv. Subject to the fulfillment of all the suspending conditions, the transactions will be completed all together within a number of weeks.

Upon their completion, a shareholders' agreement between the Company and LCD will come into effect. The agreement includes, inter alia, a right of first refusal for each party if the other party should sell shares of Maariv, and understandings with respect to the composition of Maariv's board of directors by which the Company will appoint the majority of Maariv's directors.

In March 2011 the Company provided to Maariv interim financing in the amount of NIS 20 million as a loan that will be recorded on account of the Company's investment in Maariv when completing the transactions. If the transactions are not completed the loan will be returned in two annual payments. Repayment of the loan is guaranteed to the Company by LCD, Rachiv and its controlling shareholder.

All the aforementioned investment agreements were approved by the Company's Board of Directors in March 2011.

See also Note 6.C hereunder.

Note 5 - Events in the Current Period

A. In January 2011 the Company paid a cash dividend in the amount of NIS 270 million, which constituted NIS 3.17 per each ordinary share.

B. In January 2011 Standard & Poor's Maalot Ltd. updated the rating of the Company's debentures from Series A, B, C, D, F, G and H from A+ stable outlook to A+ negative outlook.

C. In March 2011 the repayment dates of a loan bearing variable interest that the Company had received from a bank in May 2010, as described in Note 20.B.1 to the annual financial statements, that had a principal balance of NIS 223 million, were extended and the interest rate was changed, by means of repaying the full amount of the said loan (without any early repayment fee) and receiving a different loan in the same amount that bears variable interest of Prime plus an adjusted rate of 0.6% p.a. The new loan is for seven years and is repayable in 16 consecutive quarterly payments of principal and interest, as from March 2014. The other terms of the loan are identical to those of the loan that was repaid as aforementioned.

Note 6 - Subsequent Events

A. In April 2011 the Company paid a cash dividend in the amount of NIS 180 million, which constituted NIS 2.11 per each ordinary share.

B. Further to that mentioned in Note 32.N to the annual financial statements, in April 2011 an agreement was signed between PEC Israel Economic Corporation, a wholly owned subsidiary of the Company (hereinafter – PEC), and the federal tax authority in the USA, that concludes the federal tax debt of PEC in the USA (hereinafter – "the American tax agreement"), and a contingent agreement from July 2010 between PEC, DIC, their wholly owned subsidiary and the Israeli tax authority came into effect. The agreement provides the principles and rules applicable to the Israeli tax liability of the said companies in respect of a certain past period, and provides the future Israeli tax arrangement with respect to assets originating from PEC (hereinafter – "the Israeli tax agreement"). In accordance with the American tax agreement, PEC will enter into a process of voluntary liquidation with all its excess assets being transferred to DIC.
The non-recurring tax payments to the Israeli and American tax authorities and the expenses associated with the aforesaid action that are a result of the aforesaid agreements amounted to NIS 123 million, net. Taking into consideration provisions that DIC had recorded in its financial statements in 2010 in respect of the aforesaid arrangement, DIC recorded in the first quarter of 2011 income in the amount of NIS 12 million from the reversal of part of these provisions.

C. Further to that mentioned in Note 4.A.6 above, in April 2011 Maariv and Bank Hapoalim Ltd. (hereinafter – "Bank Hapoalim") entered into an agreement by which on the date of closing the investment agreements the Maariv group will repay an amount of NIS 42 million to Bank Hapoalim (with the addition of any as yet unpaid interest) as the final settlement of all the debts of the Maariv group to Bank Hapoalim in the amount of NIS 106 million. Execution of the agreement between Maariv and Bank Hapoalim is subject to the approval of the authorized bodies of Maariv, including a general meeting of its shareholders, within 65 days from the date of the aforesaid agreement, to the transactions included in the investment agreements being closed by August 2011 and to the Company complying with its commitment to acquire 2 million shares of Maariv from the trustees, as described hereunder. An understanding between Maariv and Bank Hapoalim regarding the debts of the Maariv group to Bank Hapoalim constitutes one of the suspending conditions for closing the transactions included in the investment agreements.
Concurrently, in April 2011 the Company entered into an agreement with the trustees for the sale of shares of Mr. Gosinski in Maariv that are pledged in favor of Bank Hapoalim (hereinafter – "the trustees"), by which, subject to the closing of the transactions included in the investment agreements, on the date they are closed it would acquire 2 million shares of Maariv (expected to constitute 1.8% of the issued share capital of Maariv immediately after closing the aforesaid transactions) for the price of $ 2 million. In addition, the Company undertook towards Bank Hapoalim that if proceedings are initiated to realize the shares of Mr. Gosinski held by the trustees (about 4.7 million shares, which are expected to constitute 4.2% of the issued share capital of Maariv immediately after closing the transactions according to the investment agreements), the Company will offer to acquire these shares for a price of $ 6 million (or if the realization proceeding relates to a portion of the said shares, to acquire the portion of the shares subject to the proceeding for a relative part of that amount), with the Company's undertaking to make such offers being in effect for a predetermined period beginning 3 years after the closing of the investment agreements, subject to the transactions included in the investment agreements being closed and any applicable law.

Note 6 - Subsequent Events (cont'd)

C. (cont'd)
It is noted that in April 2011 approval was received from the Commissioner of Restrictive Trade Practices to the merger that is the object of the aforesaid acquisition and in May 2011 Maariv announced that its general meeting of shareholders had approved the transaction and other related actions. The aforesaid approvals are part of the suspending conditions for closing the transactions.
At this time there is no certainty that the transactions will be completed.

D. In April 2011, the general meeting of Shufersal approved an undertaking with a private company, an interested and related party of Shufersal that operates in the area of organic produce and health food, for the purpose of acquiring its business activity, acquiring its assets and receiving management services from it. This undertaking is subject to, inter alia, approval of the Commissioner of Restrictive Trade Practices, which has not yet been received as at the date of approval of the financial statements. In consideration for the aforesaid business activity and assets, Shufersal will pay a total amount of NIS 31 million, and will pay for the inventory of the private company as it may be at the date of closing the transaction. In addition, Shufersal will pay monthly management fees in consideration for management services received from the private company over a period of 5 years (after 3 years continuation of the management services will again be subject to approval by the general meeting of Shufersal) in the amount of NIS 1.6 million per year (Shufersal can raise this amount to NIS 2 million per year under certain circumstances) plus a bonus contingent upon obtaining targets, which in no case will exceed NIS 5 million for an overall period of 5 years. The undertaking includes a pilot that the parties are jointly conducting in part of Shufersal's branches, by which the private company operates in those branches a designated area for selling products of the private company, and Shufersal receives 16% of the turnover.

E. Presented hereunder are details of dividends that were distributed by investee companies subsequent to the date of the statement of financial position:

Company	Date of Decision	Date of Payment	Amount of payment	Share of DIC
			NIS millions	
Cellcom	March 2011	April 2011	303	147
Cellcom	May 2011	July 2011	291	141
Netvision	March 2011	April 2011	41	16
Property & Building	March 2011	April 2011	120	94
Property & Building	May 2011	June 2011	180	141
Shufersal	May 2011	June 2011	173 *	83
				622

* After deducting dividend to subsidiary of Shufersal.

F. In May 2011 Credit Suisse distributed cash in the amount of 1.3 million Swiss francs per share to its shareholders out of capital reserves. The share of Koor in this cash distribution amounted to NIS 196 million, which according to accounting principles will be recognized as income in Koor's statement of income for the second quarter of 2011. On the other hand, Koor may recognize tax expenses in the amount of NIS 10 million from an adjustment of deferred tax liabilities. The Company's share of the aforesaid income net of tax is NIS 117 million.

Note 6 - Subsequent Events (cont'd)

G. As at the date of approval of these financial statements, Koor holds shares of Credit Suisse constituting 3.21% of the issued share capital of Credit Suisse, which have an original cost of NIS 6.97 billion, and the negative difference between their value according to the price on the stock exchange and their aforementioned cost amounts to NIS 1.22 billion. Proximate to the date of approval of these financial statements Koor and its wholly owned subsidiaries have a debt in Swiss francs to Citibank and Morgan Stanley in the total amount of NIS 3.9 billion, and pledged deposits against this debt in the amount of NIS 643 million.
Proximate to the date of approval of these financial statements, Koor has open Swiss franc/NIS cylinder transactions in the amount of CHF 700 million. In its financial statements for the first quarter of 2011 Koor reported that according to an initial estimate it made, as at May 16, 2011 the fair value of the aforesaid cylinder transactions is estimated as a liability in the amount of NIS 166 million.

H. See Paragraph 3.a of Note 4.A above regarding developments in the transaction for the sale of shares of Makhteshim Agan to ChemChina.

I. In May 2011 the Company issued a shelf registration prospectus on the basis of its financial statement for December 31, 2010, in the framework of which it will be able to offer to the public shares, convertible debentures, non-convertible debentures, options exercisable into shares and into debentures, and commercial securities.

J. In its financial statements for the first quarter of 2011 Koor reported that in the period from April 1, 2011 to May 16, 2011 the exchange rate of the Swiss franc increased by about 4.65% from NIS 3.8037 to NIS 3.9806 for each Swiss franc. This increase caused financing expenses in the amount of NIS 232 million in the aforesaid period in respect of balances of financial assets net of financial liabilities of Koor that are denominated in Swiss francs or linked thereto and in respect of options on the Swiss franc exchange rate.

K. In May 2011 Property & Building and Gav-Yam issued shelf registration prospectuses in the framework of which they will be able to offer to the public shares, convertible debentures, non-convertible debentures, options exercisable into shares and into debentures, and commercial securities.

Note 7 - Contingent Liabilities

The amounts of the claims described below are true for the dates on which they were filed, unless otherwise indicated. Details regarding claims against the Company's investee companies are included on an individual basis, insofar as the possible effect on the share of DIC in the amount of each one of them exceeds NIS 40 million.

A. As regards contingent liabilities and claims pending against the Company and its investee companies as at the date of approval of these financial statements, see Notes 27 and 28 of the annual financial statements.

Note 7 - Contingent Liabilities (cont'd)

B. Changes after approval of the annual financial statements with respect to claims and contingent liabilities described in those financial statements

1. Further to that mentioned in Note 27.C.3 to the annual financial statements regarding a claim and request to certify the claim as a class action in the amount of NIS 519 million, or alternatively NIS 364 million, that were filed in July 2010 with the Central Court of Central Region against a wholly owned subsidiary of Netvision and another defendant:
   In March 2011 the Court decided, at the request of the plaintiff, to deny the claim and to strike out the request to certify it as a class action.

2. Further to that mentioned in Paragraph 1.b of Note 27.B to the annual financial statements regarding a claim and request to certify the claim as a class action in the amount of NIS 402 million that was filed in September 2000 with the Tel Aviv-Jaffa District Court against Cellcom:
   In April 2011 the Court decided to deny the claim and to strike out the request to certify it as a class action.

3. Further to that mentioned in Paragraph 2.b of Note 27.B to the annual financial statements regarding a motion that was filed with the Tel Aviv-Jaffa District Court in January 2011 against Koor and Makhteshim Agan for removal and prevention of discrimination and a motion for certification of the claim as a class action in an amount of between NIS 381 million and NIS 762 million:
   In May 2011 the Court handed down an interim decision by which Koor is not entitled to any excess consideration in respect of the benefit in the non-recourse loan that it is supposed to receive as part of the sale transaction of Makhteshim Agan shares to ChemChina that is described in Paragraph 3.a of Note 4.A above, and that the value of that consideration should be split between all the shareholders of Makhteshim Agan – both the public shareholders and Koor in respect of all the holdings of Koor. Furthermore, the Court scheduled an additional hearing on the matter for June 2011. Koor is examining the effects of the aforementioned interim decision, and it plans to file a request for leave to appeal the decision before the Supreme Court.

C. Claims and contingent liabilities filed after the approval of the annual financial statements

1. Further to that mentioned in Paragraph 3.g of Note 27.B to the annual financial statements regarding the overall amount of the claims against Shufersal that are not specifically described in the financial statements of the Company: In April 2011 a claim and a request to certify the claim as a class action in the amount of NIS 22 million were filed against Shufersal and another company with the Tel Aviv-Jaffa District Court. At this early stage, Shufersal is unable to assess the chances of this legal proceeding. In addition, in May 2011 the Tel Aviv-Jaffa District Court approved a compromise agreement between Shufersal and another defendant on the one hand and the plaintiff on the other hand with respect to a claim that was requested to be certified as a class action in the amount of NIS 30 million, which was included in the overall amount mentioned in the aforesaid note. Shufersal will pay an amount that is immaterial for it as a result of this compromise agreement. Other than these changes there has been no material change in the overall amount mentioned in the aforesaid note.

Note 7 - Contingent Liabilities (cont'd)

C. Claims and contingent liabilities filed after the approval of the annual financial statements (cont'd)

2. In April 2011 a claim and request to certify the claim as a class action were filed with the District Court of Central Region against Cellcom by a plaintiff alleging to be a customer of Cellcom. The plaintiff alleges in the said claim that Cellcom illegally charges its customers a fee for bills they pay in cash at postal bank branches. The total amount of the claim, if it is certified as a class action, is estimated by the plaintiff at approximately NIS 151 million. At this initial stage, Cellcom is unable to assess the chances of the aforementioned legal proceeding.

3. In April 2011 a claim and request to certify the claim as a class action were filed with the District Court of Central Region against Cellcom by a plaintiff alleging to have used services of Cellcom in the framework of a subscription for prepaid services. In the claim the plaintiff alleges that Cellcom acted contrary to the law in that it did not notify subscribers like him that they cannot make phone calls if their prepaid balance is less than NIS 3. The total amount of the claim, if it is certified as a class action, is estimated by the plaintiff at approximately NIS 161 million (mainly for non-pecuniary damages). At this initial stage, Cellcom is unable to assess the chances of the aforementioned legal proceeding.

4. In May 2011 a claim and request to certify the claim as a class action were filed with the Tel Aviv-Jaffa District Court against Cellcom and another cellular operator by a plaintiff alleging that he was a customer of Cellcom in the past and is now a customer of the other cellular operator. The claim alleges that contrary to the law the defendants did not allow subscribers who disconnect from their services to pay for end-user equipment in installments. The total amount of the claim against the defendants, if it is certified as a class action, is estimated by the plaintiff at approximately NIS 200 million (half for non-pecuniary damages), without specifying the part attributed to Cellcom. At this initial stage, Cellcom is unable to assess the chances of the aforementioned legal proceeding.

5. In May 2011 a claim and request to certify the claim as a class action were filed with the Tel Aviv-Jaffa District Court against Cellcom and two other cellular operators by plaintiffs alleging to be customers of the defendants. In the claim it is alleged that the defendants do not answer calls of their customers within a reasonable time, contrary to their license and the agreements with their customers. The amount of the claim against Cellcom if it is certified as a class action is estimated by the plaintiffs at approximately NIS 107 million, and the amount of the claim against all the defendants, as estimated by the plaintiffs, is approximately NIS 295 million. At this initial stage, Cellcom is unable to assess the chances of the aforementioned legal proceeding.

6. Further to that mentioned in Paragraph 1.w of Note 27.B to the annual financial statements regarding the overall amount of the claims against Cellcom that are not specifically described in the financial statements of the Company: In April and May 2011 two claims and requests to certify the claims as class actions in the total amount of NIS 71 million were filed with the District Court of Central Region against Cellcom. At this initial stage, Cellcom is unable to assess the chances of the aforementioned legal proceeding. In addition, in April 2011 the Tel Aviv-Jaffa District Court approved compromise agreements between Cellcom and the plaintiffs in two claims that were requested to be certified as class actions in the total amount of NIS 100

Note 7 - Contingent Liabilities (cont'd)

C. Claims and contingent liabilities filed after the approval of the annual financial statements (cont'd)

6. (cont'd)
million, which was included in the overall amount mentioned in the aforesaid note. Cellcom will pay amounts that are immaterial for it as a result of these compromise agreements. Other than these changes there has been no material change in the overall amount mentioned in the aforesaid note.

7. Further to that mentioned in Paragraph C.4 of Note 27 to the annual financial statements regarding the overall amount of the claims against Netvision Ltd. that are not specifically described in the financial statements of the Company: In May 2011 a claim and request to certify it as a class action in the amount of NIS 49 million were filed with the Petach Tikva District Court against a subsidiary of Netvision and another company. At this initial stage, Netvision is unable to assess the chances of the aforementioned legal proceeding. Furthermore, in May 2011 the court decided, at the request of the plaintiff, to deny a claim and strike out a request to certify that claim as a class action in the amount of NIS 16 million, which was included in the overall amount. Other than these changes there has been no material change in the overall amount mentioned in the aforesaid note.

Notes to the Financial Statements as at March 31, 2011

Note 8 - Segments

The Company is divided into reportable operating segments, in accordance with IFRS 8, on the basis of the management reports, which are based on the investments of DIC in each of the companies it owns, including affiliated companies (hereinafter – segment companies).
The basis of segmentation and the measurement basis for the segment profit or loss are the same as that presented in note 33 regarding operating segments in the annual financial statements.
Information regarding the operating segments and reconciliation between the segment data and the consolidated report:

A. Segment results

	Cellcom	Property & Building	Shufersal	Makhteshim Agan	Credit Suisse	Other segments	Adjustments for consolidated	Consolidated
			N I S	m i l l	i o n	s		
For the 3 months period ended March 31, 2011 (unaudited)								
Sales and services	1,587	428	2,792	2,810	-	625	(3,226)	5,016
Segment results – attributable to the owners of the Company	149	17	13	140	6	12	(84)	253
For the 3 months period ended March 31, 2010 (unaudited)								
Sales and services	1,580	475	2,765	2,700	-	579	(4,870) *	3,229 *
Segment results – attributable to the owners of the company	148	47	1,318	44	51	(13)	(47)	1,548
For the year ended December 31, 2010 (audited)								
Sales and services	6,662	1,424	11,130	8,825	-	2,437	(12,312)	18,166
Segment results – attributable to the owners of the company	608	104	1,387	(345)	135	172	(819)	1,242

* Restated – see Note 3.B.

Notes to the Financial Statements as at March 31, 2011

Note 8 - Segments (cont'd)

A. Segment results (cont'd)

	Three months ended March 31,		Year ended December 31,
	2011	2010	2010
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions		
Composition of the adjustments for consolidation of the sales and services item			
Elimination of amounts in respect of segments classified as affiliated companies in the financial statements	(3,278)	(4,890) *, **	(12,457) *
Including the sales and services of Koor's headquarters	2	2	7
Other adjustments	50	18	138
	(3,226)	4,870	(12,312)

* Including sales and services of Shufersal before its consolidation on February 25, 2010.
** Restated – See note 3.B.

Composition of the adjustments for consolidation of the segment results attributable to the owners of the Company			
Including the results of DIC's headquarters and the share of DIC in the results of Koor's headquarters (mainly general and administrative, financing and taxes) *	(96)	(62)	(914)
Other adjustments	12	15	95
	(84)	(47)	(819)

* This item includes, inter alia, the effect of options on the Swiss franc exchange rate (which as from January 2011 constitute part of the internal reporting structure, with respect to the Credit Suisse segment, that is presented on a regular basis before the Chief Operating Decision Maker of the Group but separately from segment results). The Company's share in the effects of these transactions for the three month periods ended March 31, 2011 and March 31, 2010, and for the year ended December 31, 2010 is income in the amount of NIS 60 million and NIS 18 million and expenses in the amount of NIS 60 million, respectively. In addition, this item includes the Company's share in the effect of loans in Swiss francs from foreign banks for the three month periods ended March 31, 2011 and March 31, 2010, and for the year ended December 31, 2010 which amount to expenses of NIS 25 million, income of NIS 22 million and expenses of NIS 203 million, respectively. These financing expenses were not presented as part of the information relating to the segment, since they do not constitute part of the internal reporting structure, with respect to the Credit Suisse segment, that is presented on a regular basis before the Chief Operating Decision Maker of the Group.

Notes to the Financial Statements as at March 31, 2011

Note 8 - Segments (cont'd)

B. Segment assets

	Cellcom	Property & Building	Shufersal	Makhteshim Agan	Credit Suisse	Other segments	Adjustments for consolidated	Consolidated
		N I S		m i l l i o n s				
As at March 31, 2011 (unaudited)	7,158	13,043	6,845	13,793	5,723	3,665	(3,390)	46,837
As at March 31, 2010 (unaudited)	6,108	11,959	6,421 **	14,827	7,051	3,958	(4,396) *	45,928 *, **
As at December 31, 2010 (audited)	5,996	12,575	6,761	13,198	5,536	3,781	(2,313)	45,534

* Restated – see Note 3.B.
** Reclassified – see Note 3.C.1

Composition of the adjustments for consolidation of the segment assets item.

	March 31, 2011	March 31, 2010	December 31, 2010
	(Unaudited)	(Unaudited)	(Audited)
	N I S m i l l i o n s		
Elimination of amounts in respect of segments classified as affiliated companies in the financial statements	(16,160)	(17,366) *	(15,662)
Including the investment that are affiliated companies on an equity basis as included in the financial statements	4,889	5,168 *	4,757
Including fair value adjustments of assets of subsidiaries and the goodwill in respect thereto in DIC and Koor	4,784	4,974 *	4,759
Including other assets of DIC's headquarters and Koor's headquarters	2,900	2,563	3,435
Other adjustments	197	265 *	398
	(3,390)	(4,396)	(2,313)

* Restated – see Note 3.B.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at March 31, 2011

Annex to the Financial Statements of Discount Investment Corporation Ltd. as at March 31, 2011

Details on investments in directly held investees of DIC as at March 31, 2011

	Equity and voting rights	Amount of the investment in the investee	Reserves [1]	Total	Market value of shares traded on the TASE [2] March 31, 2011	Market value of shares traded on the TASE [2] May 26, 2011	Country of incorporation
	%	NIS Millions					
Investment in subsidiaries *							
Elron Electronic Industries Ltd.	50.5	354	75	429	304	267	Israel
Bartan Holdings & Investments Ltd.	56	20	-	20			Israel
Ham-Let (Israel-Canada) Ltd.	60	156	25	181	278	264	Israel
Property & Building Corporation Ltd.	78	1,415	219	1,634	1,678	1,323 [7]	Israel
Koor Industries Ltd [3] [5]	63	2,920	1,030	3,950	2,433	2,038	Israel
Maxima Air-Separation Center Ltd.	75	168	(11)	157	133	114	Israel
Cellcom Israel Ltd. (voting 52%)	48	2,086	12	2,098	5,486 [6]	4,909	Israel
Shufersal Ltd. [3] [4] (voting 50.2%)	48	2,177	(3)	2,174	2,151	2,027	Israel
Investment in affiliated companies *							
Given Imaging Ltd. (direct holding)	16	139	26	165	317	327	Israel
Makhteshim Agan Industries Ltd (direct holding)	0.2	18	6	24	19	19	Israel
Netvision Ltd.	38	514	-	514	554	553	Israel
Total		9,967					
Less – investments in subsidiaries		(9,296)					
Add investments in affiliated companies of subsidiaries		5,389					
		6,060					

* The investments in the subsidiaries do not include wholly owned corporate companies of the Company. The data in this annex includes investments by means of wholly owned corporate companies of the Company. The amount of the investment in subsidiaries is calculated as a net amount of assets, less liabilities, including goodwill, attributable to the owners of the Company on the basis of the consolidated financial statements.

Annex to the Financial Statements of Discount Investment Corporation Ltd. as at March 31, 2011 (cont'd)

Details on investments in directly held investees of DIC as at March 31, 2011 (cont'd)

(1) In the event of partial sales of shares in subsidiaries, without the Company ceasing to consolidate in its financial statements the financial statements of the companies in which the transactions are executed (sales to non-controlling interests), these capital reserves will be included in a capital reserve from transactions with non-controlling interests. In the event of realization of investments in affiliated companies or in the event of realization of investments in subsidiaries following which the Company ceases to consolidate their financial statements in its financial statements, these capital reserves will be included in profit or loss, or in retained earnings.

(2) Cellcom and Given Imaging are traded also in the USA. The market value of the shares according to the closing price as at March 31, 2011: Cellcom – NIS 5,538 million (NYSE), Given Imaging – NIS 324 million (NASDAQ).

(3) Effective holding rate excluding shares of investee companies held by their subsidiaries.

(4) The holding in voting rights comprises the holding of DIC in Shufersal plus the holding of a subsidiary of Shufersal in shares of Shufersal.

(5) In January 2011 the Company's Board of Directors approved a commitment of the Company, pursuant to which for 3 years from the date of completing the merger between Makhteshim-Agan and ChemChina that is described in Paragraph 3.a of Note 4.A above, insofar as it is completed, the Company will not execute any transactions that cause it to lose control in Koor, unless after then Koor continues to be controlled by a different party of the IDB Group, and after the aforesaid period of 3 years the Company will not sell control in Koor to a competitor of Makhteshim Agan or to a competitor of ChemChina. The aforesaid commitment is contingent upon the merger being completed and it will be in effect for as long as the provisions of the shareholders' agreement between Koor and ChemChina, with respect to Makhteshim Agan, that relate to control over Koor are in effect.

(6) The market value does not take into consideration a dividend that was declared in March 2011 as described in Note 6.E above and has an ex-date in April 2011.

(7) The market value takes into consideration a dividend that was declared subsequent to the date of the statement of financial position – see Note 6.E above.

(8) The Company and some of its investee companies are subject to restrictions under law with respect to the execution of new investments or the increase of existing investments in investee companies under certain circumstances. In addition, the provisions of certain laws and some of the terms of the licenses in the communications area, which were granted to a number of the Company's investee companies, include prohibitions against cross ownership which may limit the Company's ability to take advantage of business opportunities for new investments or to increase existing investments in this area.

(9) The Company's investments in investee companies include, inter alia, shares of companies the sale of which is subject to certain restrictions. In particular, the Company's ability to sell its shares in Cellcom to non-Israeli parties is limited.

חברת השקעות דיסקונט בע"מ

נתונים כספיים מתוך

הדוחות הכספיים המאוחדים ביניים של החברה

ליום 31 במרץ 2011

המיוחסים לחברה עצמה

(לא מבוקר)

[תקנה 38ד']

<u>נתונים כספיים מתוך הדוחות הכספיים המאוחדים ביניים של החברה ליום 31 במרץ 2011</u>
<u>המיוחסים לחברה עצמה</u>
[תקנה 38ד']

להלן נתונים כספיים מתוך הדוחות הכספיים המאוחדים ביניים של החברה ליום 31 במרץ 2011 (להלן "הדוחות הכספיים"), המיוחסים לחברה עצמה. המידע הכספי הנפרד ביניים מוצג בהתאם לתקנה 38ד' לתקנות ניירות ערך (דוחות תקופתיים ומיידיים), התש"ל-1970, ואינו כולל את כל המידע הנדרש לפי תקנה 9ג' והתוספת העשירית לתקנות ניירות ערך (דוחות תקופתיים ומיידיים), התש"ל-1970 בענין מידע כספי נפרד של התאגיד. יש לקרוא אותו ביחד עם הדוחות הכספיים וביחד עם המידע הכספי הנפרד ליום ולשנה שהסתיימה ביום 31 בדצמבר 2010 המוצג בחלק ד' של הדוח התקופתי של החברה לשנת 2010 מתאריך 27 במרץ 2011, כפי שתוקן, שפרסמה החברה בדוח מתקן ביום 19 במאי 2011.

לצורך הצגת הנתונים והמידע שלהלן בסעיף זה יושמו עיקרי המדיניות החשבונאית שפורטו בבאורים 2 ו-3 בדוחות הכספיים, לרבות האופן בו סווגו הנתונים הכספיים במסגרת הדוחות הכספיים, בשינוים המתחייבים מהאמור בהוראות התקנות האמורות.

בסעיף זה - "חברות מוחזקות" משמען כהגדרתן בביאור 1.א בדוחות הכספיים של החברה לשנה שהסתיימה ביום 31 בדצמבר 2010, אשר אושרו ביום 27 במרץ 2011 (להלן "הדוחות הכספיים השנתיים").

<u>הצגת עסקאות שבוטלו בדוחות המאוחדים</u>
יתרות, עסקאות ותזרימי מזומנים הדדיים בין החברה לחברות בנות שלה בוטלו במסגרת הכנת הדוחות הכספיים.
בנתונים הכספיים המפורטים להלן בסעיף זה מוצגות עסקאות כאמור להלן:

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

סומך חייקין
מגדל המילניום KPMG
רחוב הארבעה 17, תא דואר 609
תל אביב 61006

טלפון 03 684 8000
פקס 03 684 8444
אינטרנט www.kpmg.co.il

לכבוד
בעלי המניות של חברת השקעות דיסקונט בערבון מוגבל

מגדלי עזריאלי, המגדל המשולש
קומה 44
<u>תל אביב</u>

א.ג.נ.,

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

מבוא

סקרנו את המידע הכספי הביניים הנפרד המובא לפי תקנה 38ד לתקנות ניירות ערך (דוחות תקופתיים ומידיים), התש"ל - 1970, של חברת השקעות דיסקונט בע"מ (להלן – החברה), ליום 31 במרס 2011 ולתקופה של שלושה חודשים שהסתיימה באותו תאריך. המידע הכספי הביניים הנפרד הינו באחריות הדירקטוריון וההנהלה של החברה. אחריותנו היא להביע מסקנה על המידע הכספי הביניים הנפרד לתקופות ביניים אלו בהתבסס על סקירתנו.

לא סקרנו את המידע הכספי הביניים הנפרד מתוך הדוחות הכספיים של חלק מחברות מוחזקות. הדוחות הכספיים של אותן חברות נסקרו על ידי רואי חשבון אחרים שדוחותיהם הומצאו לנו ומסקנתנו, ככל שהיא מתייחסת לדוחות הכספיים בגין אותן חברות, מבוססת על דוחות הסקירה של רואי החשבון האחרים.

היקף הסקירה

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

מסקנה

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

סומך חייקין
רואי חשבון

29 במאי 2011

סומך חייקין, שותפות רשומה עפ"י פקודת השותפויות,
הנה חברה ב- KPMG International
קואופרטיב רשום בשוויץ.

תמצית נתונים על המצב הכספי ביניים המיוחסים לחברה עצמה

	ליום 31 במרץ 2011	ליום 31 במרץ 2010	ליום 31 בדצמבר 2010
	(לא מבוקר)	(לא מבוקר)	(מבוקר)
	מ י ל י ו נ י		ש " ח
נכסים שאינם שוטפים			
השקעה בחברות מוחזקות	13,470	14,831	13,201
השקעות אחרות, כולל נגזרים	37	33	35
הלוואות ויתרות חובה	11	62	2
רכוש קבוע	2	2	2
נכסים המיועדים לתשלום הטבות לעובדים	10	9	10
	13,530	14,937	13,250
נכסים שוטפים			
השקעות שוטפות, כולל נגזרים	82	81	86
הלוואות, חייבים ויתרות חובה	14	8	7
דיבידנד לקבל	105	195	-
נכסים מוחזקים למכירה	7	-	-
מזומנים ושווי מזומנים	83	257	386
	291	541	479
סך הכל נכסים	13,821	15,478	13,729
ה ו ן			
הון מניות	742	742	742
קרנות הון	2,673	3,969	2,673
עודפים	510	1,749	422
סך הכל הון	3,925	6,460	3,837
התחייבויות שאינן שוטפות			
אגרות חוב	5,451	5,549	5,414
הלוואות מבנקים והתחייבויות פיננסיות אחרות	832	11	833
הלוואות מחברות בנות בבעלות מלאה	2,242	1,732	2,248
הטבות לעובדים	16	14	16
	8,541	7,306	8,511
התחייבויות שוטפות			
חלויות שוטפות של אגרות חוב	282	575	575
חלויות שוטפות של הלוואות מחברות בנות בבעלות מלאה	95	74	95
חלויות שוטפות של הלוואות מבנקים	98	-	134
זכאים ויתרות זכות	221	247	252
נגזרים	1	1	5
הפרשות	7	9	7
התחייבויות מס שוטפות	43	11	43
דיבידנד לשלם	180	270	270
חברות בנות בבעלות מלאה	428	525	-
	1,355	1,712	1,381
סך הכל הון והתחייבויות	13,821	15,478	13,729

תאריך: 29 במאי 2011

חברת השקעות דיסקונט בע"מ

שמות החותמים ותפקידיהם:
מר נוחי דנקנר, יו"ר הדירקטוריון
מר עמי אראל, נשיא ומנהל עסקים ראשי
מר מישל דהן, סגן נשיא ומנהל כספים ראשי

המידע הנוסף מהווה חלק בלתי נפרד מהנתונים הכספיים.

תמצית נתוני רווח והפסד ורווח כולל ביניים המיוחסים לחברה עצמה

רווח והפסד

	לשלושה חודשים שנסתיימו ביום 31 במרץ		לשנה שנסתיימה ביום 31 בדצמבר
	2011	2010	2010
	(לא מבוקר)	(לא מבוקר)	(מבוקר)
	מיליוני ש"ח		
הכנסות			
חלק החברה ברווח הנקי של חברות מוחזקות, נטו	367	1,603	1,733
רווח ממימוש השקעות ונכסים ודיבידנדים	8	17	35
הכנסות אחרות	2	2	9
הכנסות מימון	25	9	35
	402	1,631	1,812
הוצאות			
הוצאות הנהלה וכלליות	5	15	49
הוצאות מימון	144	68	501
הפסד ממימוש והפחתת השקעות והוצאות אחרות	-	-	19
	149	83	569
רווח לפני מסים על ההכנסה	253	1,548	1,243
מסים על ההכנסה	-	-	(1)
רווח לתקופה המיוחס לבעלים של החברה	253	1,548	1,242

רווח כולל

	לשלושה חודשים שנסתיימו ביום 31 במרץ		לשנה שנסתיימה ביום 31 בדצמבר
	2011	2010	2010
	(לא מבוקר)	(לא מבוקר)	(מבוקר)
	מיליוני ש"ח		
רווח לתקופה המיוחס לבעלים של החברה	253	1,548	1,242
מרכיבים של רווח כולל אחר			
שינוי נטו בשווי ההוגן של נכסים פיננסיים זמינים למכירה	7	4	10
שינוי נטו בשווי ההוגן של נכסים פיננסיים זמינים למכירה שהועבר לדוח רווח או הפסד	(7)	(14)	(21)
הפסד פרמננטי מירידת ערך של נכסים פיננסים המסווגים כזמינים למכירה שהועבר לרווח או הפסד	-	-	1
רווח (הפסד) כולל אחר בגין חברות מוחזקות, בניכוי מס	12	56	(1,193)
רווח (הפסד) כולל אחר לתקופה, נטו ממס	12	46	(1,203)
סך הכל רווח כולל לתקופה	265	1,594	39

המידע הנוסף מהווה חלק בלתי נפרד מהנתונים הכספיים.

תמצית נתונים על תזרימי המזומנים ביניים המיוחסים לחברה עצמה

	לשלושה חודשים שנסתיימו ביום 31 במרץ		לשנה שנסתיימה ביום 31 בדצמבר
	2011	2010	2010
	(לא מבוקר)	(לא מבוקר)	(מבוקר)
	מיליונים		ש"ח
תזרימי מזומנים מפעולות שוטפות			
רווח לתקופה המיוחס לבעלים של החברה	253	1,548	1,242
חלק החברה ברווח הנקי של חברות מוחזקות, נטו	(367)	(1,603)	(1,733)
דיבידנדים שנתקבלו מחברות בנות	10	75	759
דיבידנדים שנתקבלו מחברות כלולות ואחרות	-	1	52
רווח ממימוש השקעות ונכסים, נטו	(8)	(17)	(31)
עלויות מימון, נטו	119	59	466
הוצאות מסים על הכנסה	-	-	1
	7	63	756
עליה בחייבים ויתרות חובה (כולל סכומים לזמן ארוך)	-	(1)	-
שינוי בהפרשות ובהטבות לעובדים	-	-	(1)
עליה (ירידה) בזכאים ויתרות זכות (כולל סכומים לזמן ארוך)	(12)	(9)	9
	(12)	(10)	8
מזומנים נטו שנבעו מפעולות שוטפות	(5)	53	764
תזרימי מזומנים מפעולות השקעה			
הלוואות לזמן ארוך שניתנו	(20)	-	-
פרעון הלוואות לזמן ארוך שניתנו לרבות הלוואות שנפרעו מחברות מוחזקות	-	-	62
השקעות שוטפות, נטו	1	(4)	(2)
השקעה שוטפת בנייר ערך סחיר זמין למכירה, נטו	7	-	7
השקעות בחברות מוחזקות	-	(423)	(423)
תמורה ממימוש חברות מוחזקות	3	2	5
תקבולים ממימוש השקעות שאינן שוטפות	-	16	16
ריבית שנתקבלה	1	1	9
מזומנים נטו ששימשו לפעולות השקעה	(8)	(408)	(326)

המידע הנוסף מהווה חלק בלתי נפרד מהנתונים הכספיים.

תמצית נתונים על תזרימי המזומנים ביניים המיוחסים לחברה עצמה (המשך)

	לשלושה חודשים שנסתיימו ביום 31 במרץ		לשנה שנסתיימה ביום 31 בדצמבר
	2011	2010	2010
	(לא מבוקר)	(לא מבוקר)	(מבוקר)
	מיליון ש"ח		
תזרימי מזומנים מפעולות מימון			
ריבית ששולמה	(108)	(47)	(292)
ריבית ששולמה לחברות בנות בבעלות מלאה של החברה	-	-	(54)
דיבידנד ששולם	(270)	-	(1,070)
פרעון אגרות חוב והלוואות מבנקים	(330)	(76)	(391)
תמורה מסילוק נגזרים	5	-	3
רכישת מניות בחברות בנות מבעלי זכויות שאינן מקנות שליטה	-	-	(26)
מכירת מניות בחברות בנות לבעלי זכויות שאינן מקנות שליטה	-	-	2
פרעון הלוואות מחברות בנות בבעלות מלאה של החברה	-	-	(73)
קבלת הלוואות מבנקים	-	-	999
שינוי בהתחייבויות שוטפות של חברות בנות בבעלות מלאה	413	514	6
קבלת הלוואות מחברות בנות בבעלות מלאה של החברה	-	-	625
מזומנים נטו שנבעו (ששימשו) לפעולות מימון	(290)	391	(271)
(ירידה) עליה במזומנים ושווי מזומנים	(303)	36	167
יתרת מזומנים ושווי מזומנים לתחילת התקופה	386	221	221
השפעת תנודות בשער החליפין על יתרות מזומנים ושווי מזומנים	-	-	(2)
יתרת מזומנים ושווי מזומנים לסוף התקופה	83	257	386

המידע הנוסף מהווה חלק בלתי נפרד מהנתונים הכספיים.

1. יתרה בגין השקעה בחברות מוחזקות

למידע בדבר שינויים שחלו בחברות מוחזקות, ראה באור 4 בדוחות הכספיים.
למידע בדבר שינויים שחלו בחברות מוחזקות לאחר תאריך הדוח על המצב הכספי ראה באור 6 בדוחות הכספיים.

2. תביעות תלויות והתחייבויות תלויות

למידע בדבר שינויים שחלו בתביעות נגד החברה וחברות מוחזקות שלה ובהתחייבויות תלויות, ראה באור 7 בדוחות הכספיים.

3. ארועים בתקופת הדוח

א. למידע בדבר דיבידנד ששילמה החברה בינואר 2011, ראה באור 5.א בדוחות הכספיים.

ב. למידע בדבר עדכון דירוג אגרות חוב של החברה בינואר 2011, ראה באור 5.ב בדוחות הכספיים.

ג. למידע בדבר הארכת מועדי הפירעון של הלוואה נושאת ריבית משתנה שקיבלה החברה מבנק במאי 2010, ראה באור 5.ג בדוחות הכספיים.

ד. למידע בדבר התקשרות החברה בהסכמים להשקעה ולרכישת השליטה במעריב החזקות בע"מ, ראה סעיף 6 באור 4.א בדוחות הכספיים.

4. ארועים לאחר תאריך הנתונים על המצב הכספי

א. למידע בדבר דיבידנד ששילמה החברה באפריל 2011 – ראה באור 6.א בדוחות הכספיים.

ב. למידע בדבר הסכם שנחתם באפריל 2011 בין פי אי סי ישראל אקונומיק קורפוריישן, חברת בת אמריקנית של החברה (להלן "פי אי סי") לרשות המס הפדרלי של ארה"ב, ראה באור 6.ב בדוחות הכספיים. במסגרת הסכם המס האמור, התחיל תהליך פירוקה מרצון של פי אי סי שבו מועבר כל עודף רכושה לדסק"ש. כחלק מהליך הפירוק האמור, באפריל 2010 פרעה החברה לפי אי סי יתרת הלוואה בסך 85 מיליון דולר ואת הריבית הצבורה בגינה.

ג. להלן פרוט בדבר חלוקות דיבידנד על ידי חברות מוחזקות לאחר תאריך הנתונים על המצב הכספי:

חברה	מועד ההחלטה	מועד התשלום	סכום התשלום	חלק החברה
			מ י ל י ו נ י	ש " ח
דיאיסי תקשורת וטכנולוגיה	אפריל 2011	אפריל 2011	41	41
פיאיסי מימון *	אפריל 2011	אפריל 2011	110	110
סלקום	מרץ 2011	אפריל 2011	303	72
סלקום	מאי 2011	יוני 2011	291	105
נטוויז'ן	מרץ 2011	אפריל 2011	41	16
נכסים ובנין	מרץ 2011	אפריל 2011	120	17
נכסים ובנין	מאי 2011	יוני 2011	180	25
שופרסל	מאי 2011	יוני 2011	173 **	16
סה"כ				402

* חברה שהתקבלה במסגרת פירוק פי אי סי , כמפורט בסעיף 4.ב' לעיל.
**לאחר ניכוי דיבידנד לחברה מאוחדת בבעלות מלאה של שופרסל.