Discount Investment Corporation Ltd.

Directors' Report and Consolidated Interim Financial Statements as at June 30, 2011 (Unaudited)

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Attached documents:

1. An economic report [in Hebrew] regarding the fair value of options on the Swiss Franc/NIS exchange rate that are held by Koor as at June 30, 2011.
2. Financial data [in Hebrew] attributable to the Company itself from the consolidated financial statements of the Company as at June 30, 2011.

All these statements are translations from the Hebrew

Discount Investment Corporation Ltd.

Board of Directors' Report for the Second Quarter of 2011

We are pleased to present the unaudited financial statements of Discount Investment Corporation Ltd. for the second quarter of 2011 which ended on June 30, 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, 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 profits 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 mainly affected 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 six months of 2011 DIC recorded a loss of NIS 949 million and a loss per share of NIS 11.2, compared with a net profit of NIS 1,604 million and earnings per share of NIS 18.8 in the first six months of 2010. In the second quarter of 2011 DIC recorded a loss of NIS 1,202 million and a loss per share of NIS 14.1, compared with a net profit of NIS 56 million and earnings per share of NIS 0.6 in the second quarter of 2010.

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Composition of the business operations results of DIC:

	First six months 2011	First six months 2010	Second quarter 2011	Second quarter 2010	Year 2010
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
	NIS millions				
DIC's share of the business operations results of investee companies	(797)	691	(1,045)	375	549
Gain (loss) from realization and revaluation of investments less reductions, net	108	1,131	5	(176)	1,252
Financing, management and other expenses, net	(260)	(218)	(162)	(143)	(559)
Net profit (loss)	**(949)**	**1,604**	**(1,202)**	**56**	**1,242**
Basic earnings (loss) per share (NIS)	(11.2)	18.8	(14.1)	0.6	14.5

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

	DIC's share of profit (loss) for the first six months 2011	DIC's share of profit (loss) for the first six months 2010	Change	DIC's share in the profit (loss) for the second quarter 2011	DIC's share in the profit (loss) for the second quarter 2010	Change
	NIS millions					
Cellcom	265	311	(46)	118	158	(40)
Shufersal	67	82	(15)	38	50	(12)
Property and Building Corp.	82	70	12	66	23	43
Koor	(1,130)	152	(1,282)	(1,212)	22	(1,234)
Given Imaging	1	3	(2)	-	2	(2)
Elron	(36)	130	(166)	(28)	153	(181)
Netvision	20	17	3	10	9	1
Ham-Let	21	7	14	10	3	7
Maxima	3	5	(2)	1	3	(2)
Maariv	(7)	-	(7)	(7)	-	(7)
Other companies	1	-	1	1	-	1
Amortization of excess cost *	(84)	(86)	2	(42)	(48)	6
Total DIC's share of profits (losses) of investee companies, net	**(797)**	**691**	**(1,488)**	**(1,045)**	**375**	**(1,420)**

* See Paragraph 2.3 hereunder.

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1.2 Realization of investments and reductions

	First six months		Second quarter	
	2011	2010	2011	2010
	NIS millions			
Gain (loss) from realization and revaluation of investments less reductions, net	108	1,131	5	(176)

In the second quarter of 2010 this item mainly included a reduction in an amount of NIS 167 million in respect of the Company's investment in Makhteshim-Agan.

1.3 Management, financing and other expenses, net

	First six months		Second quarter	
	2011	2010	2011	2010
	NIS millions			
Management, tax and other expenses, net	(8)	(43)	(14)	(17)
Financing expenses, net	(252)	(175)	(148)	(126)
Total management, financing and other expenses, net	(260)	(218)	(162)	(143)

The decrease in the item of management, financing and other expenses, net, in the second quarter of 2011 compared with the corresponding quarter of last year was mainly due to a decrease in contributions and support to the community in Israel.

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

(1) An increase of NIS 15 million in net expenses in respect of linkage differences on DIC's liabilities that are linked to the known index and taking into consideration the results of hedging transactions for part of the said liabilities, as a result of the loss from hedging transactions that was recorded in the second quarter of 2011 compared to a profit from hedging transactions that was recorded in the corresponding quarter of last year. The increase in these expenses was partially offset by a decrease in the second quarter in linkage differences on DIC's CPI-linked liabilities as the result of a lower increase in the CPI in that quarter which amounted to 1.27% compared with an increase of 1.34% in the second quarter of 2010.

(2) An increase of NIS 5 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 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 six months		Second quarter	
	2011	2010	2011	2010
	NIS millions			
Cellcom's contribution to profit	268	302	119	154

	June 30	
	2011	2010
	NIS millions	
Amount of the investment in Cellcom	1,851	2,121

Cellcom (held at the rate of 43%*), Israel's largest cellular communication services provider, reported the following business operations results:

	First six months			Second quarter		
	2011	2010	Decrease	2011	2010	Decrease
	NIS millions		%	NIS millions		%
Revenues	3,176	3,271	(2.9)	1,589	1,691	(6.0)
EBITDA	1,204	1,320	(8.8)	565	682	(17.2)
Operating profit	868	956	(9.2)	397	499	(20.4)
Net profit	550	640	(14.1)	244	326	(25.2)

* 47% of voting.

The revenues of Cellcom in the second quarter of 2011 decreased by 6% and amounted to NIS 1,589 million, compared with NIS 1,691 million in the corresponding quarter of last year. The decrease in revenues was mainly due to regulatory changes that occurred in the industry and particularly the reduction in the interconnect tariff as from January 1, 2011, and to the growing competition in the industry that caused the erosion in air time rates to continue. As a result there was a decrease of 24.5% in Cellcom's revenues from services, which amounted to NIS 1,131 million in the second quarter of 2011, compared with NIS 1,498 million in the corresponding quarter of last year. The decrease in Cellcom's revenues was partly offset by an increase of 137% in revenues from end user equipment, which amounted to NIS 458 million compared with NIS 193 million in the corresponding quarter of last year. The increase in revenues from end user equipment was due to an increase in the number of handsets that were sold (mainly smartphones and advanced 3G handsets). The decrease in revenues from services was partly offset by an increase of 5.2% in revenues from content and added value services (including SMS), which in the second quarter of 2011 amounted to NIS 283 million compared with NIS 269 million in the corresponding quarter of last year. In the second quarter of 2011 the operating profit of Cellcom decreased by 20.4% and amounted to NIS 397 million, compared with NIS 499 million in the corresponding quarter of last year. The decrease in the operating profit was mainly affected by the decrease in revenues from Cellcom's services as aforementioned. The decrease in the operating profit was partly offset by a decrease of 4.1% in Cellcom's cost of sales and services as a result of the 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.

The decrease in the operating profit was also affected by a significant increase in the cost of handsets that were sold in the current quarter as detailed above as well as an increase in the operating expenses of Cellcom that in the second quarter of 2011 amounted to NIS 388 million, compared with NIS 353 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 from Cellcom's service that caused an increase in the number of customers of Cellcom approaching the sales and service centers, following which Cellcom had to increase the number of its sales and service personnel, which in turn caused an increase in payroll expenses as well as in sales commissions.

Cellcom's EBITDA in the second quarter of 2011 decreased by 17.2% and amounted to NIS 565 million compared with NIS 682 million in the second quarter of 2010. The rate of EBITDA from total revenues was 35.6% in the second quarter of 2011 compared with 40.3% in the corresponding quarter of last year.

Cellcom's net financing expenses in the second quarter of 2011 amounted to NIS 75 million, compared with net financing expenses in an amount of NIS 61 million in the corresponding quarter of last year. The increase in Cellcom's financing expenses was mainly due to an increase in Cellcom's debt and a decrease in the gain from Cellcom's hedging transactions in the second quarter of 2011 compared with the corresponding quarter of last year. The increase in financing expenses was partly offset by an increase in interest income from deposits in the second quarter of 2011 compared with the corresponding quarter of last year as a result of a higher balance of deposits and an increase in the interest rate in the current quarter.

The net profit of Cellcom amounted to NIS 244 million in the second quarter of 2011, compared with NIS 326 million in the corresponding quarter of last year.

As at the end of the second quarter of 2011, the customer base of Cellcom amounted to 3.366 million subscribers. In the second quarter of 2011 Cellcom added 32,000 new subscribers, net, to its third generation subscriber base, which reached 1.22 million subscribers at the end of the second quarter of 2011 and constituted 36.2% of the total subscriber base of Cellcom.

2.1.2 Shufersal

	First six months		Second quarter	
	2011	2010	2011	2010
	NIS millions			
Shufersal's contribution to profit	35	60	22	35

	June 30	
	2011	2010
	NIS millions	
Amount of the investment in Shufersal	2,118	2,325

Shufersal (held at the rate of 48%*) reported the following business operations results:

	First six months		Increase (decrease)	Second quarter		Increase (decrease)
	2011	2010		2011	2010	
	NIS millions		%	NIS millions		%
Revenues	5,812	5,448	6.7	3,020	2,683	12.6
Gross profit	1,576	1,468	7.4	809	740	9.3
Operating profit (after other income and expenses)	267	281	(5.0)	149	167	(10.8)
Net profit	140	175	(20.0)	79	104	(24.0)

* 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).

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The revenues of Shufersal in the second quarter of 2011 increased by 12.6% and amounted to NIS 3,020 million compared with NIS 2,683 million in the corresponding quarter of last year. The increase in the revenues of Shufersal was affected by the Passover holiday sales, which had a more significant effect in the second quarter of this year than in the second quarter of last year. Furthermore, the implementation of Shufersal's strategic plan and the addition of selling space at its disposal also contributed to an improvement in Shufersal's retail sales, which in the second quarter of 2011 amounted to NIS 3,004 million, compared with NIS 2,670 million in the corresponding quarter of last year, an increase of 12.5%, and without the effect of the holiday – an increase of 6.5%. Same store sales increased by 9.0% in the current quarter compared with the corresponding quarter of last year, and without the effect of the holiday there was an increase of 3.6% in sales between these quarters. The revenues of Shufersal from the revenue generating real estate segment amounted to NIS 16 million in the second quarter of 2011, compared with NIS 13 million in the corresponding quarter of last year. Shufersal's gross profit amounted to NIS 809 million in the second quarter of 2011 compared with NIS 740 million in the corresponding quarter of last year, and it constituted 26.8% of sales compared with 27.6% in the corresponding quarter of last year. The increase in gross profit was mainly due to the increase in sales. The decrease in the rate of gross profit was mainly due to the timing of the Passover holiday campaigns and the conversion of Shufersal Big branches into branches operating under the Shufersal Deal format. In the second quarter of 2011 the selling, marketing and general and administrative expenses of Shufersal amounted to NIS 660 million compared with NIS 612 million in the corresponding quarter of last year. The increase in these expenses was mainly due to an increase in payroll and rent expenses (following the addition of selling space, an increase in salary and an increase in the CPI) and in advertising expenses. In the second quarter of 2011 the operating profit before depreciation and amortization and other expenses (EBITDA) increased by 12.6% and amounted to NIS 206 million which constituted 6.8% of sales, compared with NIS 183 million which constituted 6.8% of sales in the corresponding quarter of last year.

Notwithstanding the increase in gross profit, in the current quarter Shufersal reported a decrease in net profit compared with the corresponding quarter of last year, due to an increase in expenses as described above, to non-recurring income in an amount of NIS 40 million that Shufersal recorded in the corresponding quarter of last year from an increase in value of investment property, and to an increase in financing expenses Shufersal recorded in the current quarter, which amounted to NIS 43 million, compared with financing expenses of NIS 32 million in the corresponding quarter of last year. The increase in net financing expenses was mainly due to an increase in net debt.

In the second quarter of 2011 the net profit of Shufersal amounted to NIS 79 million compared with NIS 104 million in the corresponding quarter of last year.

2.1.3 Property & Building

	First six months		Second quarter	
	2011	2010	2011	2010
	NIS millions			
Property & Building's contribution to profit	83	70	66	23

	June 30	
	2011	2010
	NIS millions	
Amount of the investment in Property & Building	1,309	1,712

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Property & Building (held at the rate of 78%) reported the following business operations results:

	First six months		Increase (decrease)	Second quarter		Increase (decrease)
	2011	2010		2011	2010	
	NIS millions		%	NIS millions		%
Revenues	1,007	842	19.6	567	379	49.6
Profit before taxes	260	179	45.3	200	60	233.3
Net profit	113	84	34.5	91	27	237.0

The revenues of Property & Building from rental of assets increased by 11% and amounted to NIS 159 million in the second quarter of 2011 compared with NIS 143 million in the corresponding quarter of last year. The said increase was mainly due to assets that were acquired in 2010 and at the beginning of 2011, and to the occupation of new projects in 2010 and in the first half of 2011. The revenues of Property & Building from sales of apartments and real estate amounted to NIS 55 million in the second quarter of 2011 compared with NIS 41 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 the apartments' occupation. The revenues of Property & Building from the sale of agricultural produce amounted to NIS 104 million in the second quarter of 2011 compared with NIS 98 million in the corresponding quarter of last year.

The EBITDA of Property & Building amounted to NIS 112 million in the second quarter of 2011 compared with NIS 108 million in the corresponding quarter of last year.

In June 2011 the valuations of all the investment property in Israel of Property & Building were updated, following the change in the cash flows expected from the properties due to the properties being leased under CPI-linked lease contracts and the increase of 2.8% in the CPI from the date of the last valuation made in September 2010, and following the real-term increase in rent payments it collects on its various properties. The fair value of the HSBC building in New York was also updated in June 2011. The last former update was made in June 2010.

As a result, Property & Building recorded in the second quarter of 2011 income from an increase in fair value of investment property in an amount of NIS 276 million (of which NIS 139 million is from the revaluation of the HSBC building) compared with income of NIS 109 million from an increase in fair value of investment property in the corresponding quarter of last year (of which NIS 72 million is from the revaluation of the HSBC building).

Property & Building's share of the results of affiliated companies amounted to a loss of NIS 29 million in the second quarter of 2011 compared with a loss of NIS 15 million in the corresponding quarter of last year. The loss of Property & Building 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 totaled NIS 141 million in the second quarter of 2011, compared with NIS 133 million in the corresponding period of last year. The increase in net financing expenses in the second quarter of 2011 was mainly due to an increase in net debt of Property & Building.

It should be noted that the rent payments in Israel payable to Property & Building are linked to the Consumer Price Index, and that the fair value of its revenue generating property is based' inter alia, on the linked rental income. 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 second quarter of 2011 Property & Building recorded a net profit in the amount of NIS 91 million compared with NIS 27 million in the corresponding quarter of last year.

The Plaza project in Las Vegas

Property & Building is a 25% partner in a parcel of land with an area of approximately 140,000 sq. meters in Las Vegas, on which it is planned to build an exclusive project comprising a hotel, a casino, commercial space, a convention hall and residential apartments ("the Plaza Project").

The Plaza Project will be built in stages, is in the process of planning and its construction will begin after reaching an appropriate arrangement with the existing lenders of credit that partly financed the acquisition of the land for the project, and subject to obtaining financing that meets the financing requirements of the project in the forthcoming years, so that under suitable market conditions the project company will be able to begin construction. The project company intends to take steps to do so in 2011 and also after then as necessary.

International Accounting Standard No. 36 provides a requirement to test and write-down, upon the existence of certain circumstances indicated in it, the value of tangible and intangible assets in its scope, up to their recoverable amount. The recoverable amount of the Plaza Project was determined to be $ 1 billion as at December 31, 2010 on the basis of a valuation that was prepared in the Value in Use method.

The project company received from the Plaza Project's valuer an opinion by which in the valuer's opinion there has been no significant negative change as at June 30, 2011 in the economic parameters underlying the aforesaid valuation of the project as at December 31, 2010. The valuer stated that the opinion does not constitute a valuation of the Plaza Project.

In the first half of 2011 Property & Building, together with its partners to the Plaza Project, has started examining various alternatives for obtaining the financing required for the project in the forthcoming years, including the handling of the loan in the amount of US$ 620 million that partly financed the acquisition of the land for the Plaza Project and is due in August 2012 (Property & Building's share - $ 155 million). Among other things, the possibility of engaging an international investment bank to assist in the negotiations with the lenders is being examined but has not yet been concluded.

Since no arrangement has as yet been reached with the existing lenders of the aforesaid loan and financing for the Plaza Project has not yet been obtained, the planned date for beginning construction of the project is expected to be postponed, so that the construction which was planned to begin at the end of 2011 may begin in 2012.

See Note 4.B.4 to the financial statements for further details on the Plaza Project.

2.1.4 Makhteshim Agan

	First six months		Second quarter	
	2011	2010	2011	2010
	NIS millions			
Makhteshim Agan's contribution to profit	63	20	16	(24)

	June 30	
	2011	2010
	NIS millions	
Amount of the investment in Makhteshim Agan	2,414	2,756

The financial data in the tables above are according to the concatenated holding rate of DIC in Makhteshim Agan and take into consideration the effect of the excess cost allocated to it on the books of DIC.

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

	First six months		Increase (decrease)	Second quarter		Increase (decrease)
	2011	2010		2011	2010	
	$ millions		%	$ millions		%
Revenues	1,504	1,324	13.6	723	601	20.3
EBITDA	263	204	29.0	119	71	68.4
Operating profit	199	151	32.3	87	44	97.5
Net profit	137	83	64.7	45	12	266.9

The sales of Makhteshim Agan in the second quarter of 2011 amounted to $ 723 million, an increase of 20.3% compared with the corresponding quarter of last year. The increase in its sales was mainly due to 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 second quarter of 2011 amounted to $ 674 million, compared with $ 554 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 that contributed to an increase in demand for plant protection products. In addition, a strengthening in relation to the dollar of the currencies in which Makhteshim Agan conducts its sales also contributed to the increase in sales. The gross profit of Makhteshim Agan in the second quarter of 2011 amounted to $ 239 million which constituted 33.0% of sales, compared with $ 175 million which constituted 29.1% 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 relatively lower cost than the cost of the inventory that was sold in the corresponding quarter of last year, and the effect of a more profitable mix of Makhteshim Agan's products compared with the corresponding quarter of last year.

The operating profit of Makhteshim Agan in the second quarter of 2011 amounted to $ 87 million which constituted 12.0% of sales, compared with $ 44 million which constituted 7.3% of sales in the corresponding quarter of last year. The operating expenses increased in the second quarter of 2011 and amounted to NIS 151 million being 20.9% of sales, compared with operating expenses in an amount of NIS 131 million which constituted 21.8% 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. The increase in these operating expenses offset part of the increase in the gross profit of Makhteshim Agan.

The EBITDA of Makhteshim Agan in the second quarter of 2011 increased by 68.4% and amounted to $ 119 million compared with $ 71 million in the second quarter of 2010. The EBITDA to revenues ratio was 16.5% compared with 11.8% in the corresponding quarter of last year.

The tax expenses of Makhteshim Agan in the second quarter of 2011 amounted to $ 14 million compared with tax expenses in an amount of $ 3 million in the corresponding quarter of last year. The increase in tax expenses was due to an increase in the pre-tax profit of Makhteshim Agan in the current quarter compared with the corresponding quarter of last year, and to tax income that was recorded in the corresponding quarter of last year in respect of a tax asset created in a subsidiary in Brazil.

The net profit of Makhteshim Agan in the second quarter of 2011 amounted to $ 45 million compared with $ 12 million in the corresponding quarter of last year.

2.1.5 Credit Suisse Group AG ("Credit Suisse")

	First six months		Second quarter	
	2011	2010	2011	2010
	NIS millions			
Credit Suisse's contribution to profit	(977)	147	(983)	96

	June 30	
	2011	2010
	NIS millions	
Amount of the investment in Credit Suisse *	3,246	3,520

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

In the second quarter of 2011 Koor recorded a net loss in the amount of NIS 1,563 million from impairment of the investment in Credit Suisse less cash received in a distribution of Credit Suisse and taking into consideration taxes relating to this investment (DIC's share of this loss amounted to NIS 983 million). In the second quarter of 2010 Koor recorded a gain in an amount of NIS 154 million in respect of dividends received from Credit Suisse and in respect of taxes relating to this investment (DIC's share of this gain was NIS 96 million).

As at June 30, 2011 Koor held together with a wholly owned subsidiary about 38.60 million shares of Credit Suisse, which constituted some 3.22% of the shares of Credit Suisse listed for trade, the cost of which was some NIS 6.97 billion. The value of Koor's investment in shares of Credit Suisse was NIS 5.14 billion according to their price on the stock exchange on the same date, reflecting a negative difference in an amount of NIS 1.82 billion relative to their original cost (DIC's share of the said negative difference amounted to some NIS 1.15 billion). The said difference constituted some 26.2% of the aforesaid original cost. As regards the end of the second quarter of 2011, Koor examined the overall circumstances and mainly the length of the period (at the cutoff date) in which the fair value is lower than the original cost. Even though the aforesaid impairment period has not continued for more than twelve consecutive months, based on a single trading day on which the value did not decline and which broke the consecutiveness of the period, Koor recognized in the second quarter of 2011 an impairment loss in the statement of income at the amount of the aforesaid difference and the Company recorded its share of that loss. In this respect it is pointed out that as mentioned in Note 3.C.1 to the financial statements, the Group continues examining the possibility of early adoption of IFRS 9. See Note 4.C.7 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 June 30, 2011 and the possible effects of early adoption of IFRS 9.

In May 2011 Credit Suisse distributed to its shareholders an amount in cash of CHF 1.3 per share from its capital reserves. Koor received NIS 197 million in the aforesaid distribution.

See Note 6.D to the financial statements regarding sales of Credit Suisse shares in August 2011 following the high fluctuations and sharp falls in prices on the global markets and the significant decline in the share price of Credit Suisse in the recent period, and regarding a loss from the aforementioned sales that Koor will record in the third quarter of 2011.

Proximate to the date of approval of the financial statements, the value of the investment in shares of Credit Suisse according to their price on the New York Stock Exchange is NIS 2.57 billion, bringing to a negative difference of NIS 0.85 billion relative to their value of NIS 3.42 billion in the statement of financial position as at June 30, 2011.

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

Koor (held at the rate of 63%) reported the following business operations results:

	First six months		Increase (decrease)	Second quarter		Increase (decrease)
	2011	2010		2011	2010	
	NIS millions		%	NIS millions		%
Koor's share of the business operations results of investee companies, net	243	142	71	127	35	263
Gain (loss) from realization of investments and from dividends less reductions, net	(1,633)	296	Transition to loss	(1,636)	281	Transition to loss
Financing, management and other expenses, net	(482)	(150)	221	(484)	(171)	183
Tax income (expenses)	77	(45)	Transition to income	67	(110)	Transition to income
Net profit (loss)	(1,795)	243		(1,926)	35	

In the second quarter of 2011 Koor recorded a loss in an amount of NIS 1,926 million, compared with a net profit of NIS 35 million in the corresponding quarter of last year. The said change in Koor's results was due to impairment in an amount of NIS 1.76 billion, net of tax, that Koor recorded in the second quarter of 2011 in connection with its investment in Credit Suisse. As aforementioned Koor is continuing to examine the possibility of early adoption of IFRS 9 – for details see Note 4.C.7 to the financial statements. In addition, Koor recorded a profit in an amount of NIS 197 million in respect of a cash distribution from capital reserves that was effected by Credit Suisse in May 2011.

In the second quarter of 2011, Koor's share of results of investee companies, net, amounted to a profit of NIS 127 million, compared with NIS 35 million in the corresponding quarter of last year. This improvement is mainly attributable to the improvement in the results of Makhteshim Agan in all its operating parameters and to the revaluation of the HSBC headquarters building.

In the current quarter the net financing expenses of Koor amounted to NIS 480 million, compared with net financing expenses in an amount of NIS 166 million in the corresponding quarter of last year. The increase in net financing expenses was mainly due to the effect of the increase in the exchange rate of the Swiss franc on Koor's Swiss franc denominated loans (net of deposits), and to a loss from Swiss franc hedging transactions on the aforesaid loans in respect of the Swiss franc change.

2.3 Amortization of excess cost

In the second quarter of 2011 this item included an expense in an amount of NIS 42 million, compared with an expense in an amount of NIS 48 million in the second quarter of last year.

3. Major Changes in the Holdings of the Company and Investee Companies in the Second 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 June 30, 2011	As at December 31, 2010
	NIS millions	
Total assets in the consolidated statement of financial position	47,119	45,534
The investments in affiliated and other companies including non-current derivatives in the consolidated statement of financial position	11,482	11,760
Equity (including non-controlling interests)	8,271	8,600
Surplus of current assets over current liabilities in the consolidated statement of financial position	3,273	4,431
Surplus of financial liabilities over liquid resources of DIC *:		
Financial liabilities of DIC	(6,428)	(6,930)
Less liquid resources of DIC	891	1,483
Surplus of financial liabilities over liquid resources of DIC **	(5,537)	(5,447)
Interest accrued on financial liabilities	(102)	(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 relative to its liabilities as well as having the liquid means necessary for its operations and the repayment of its debts, including an assessment of reasonable access to such means.

4.2 Principal cash flows of DIC:

	First six months		Second quarter	
	2011	2010	2011	2010
	NIS millions			
Proceeds from realization of non-current investments of DIC	467	26	464	2
Dividends from investee companies of DIC	530	565	480	440
Dividends distributed by DIC	450	570	180	570
Investments in investee companies of DIC	147	449	147	26
Raising of debt of DIC	-	500	-	500
Repayment of debt of DIC	596	306	266	232

4.2.1 **Dividends received from investee companies of DIC in the second quarter of 2011** included NIS 146 million from Cellcom, NIS 235 million from Property & Building, NIS 83 million from Shufersal and NIS 16 million from Netvision.

4.2.2 **Investments in investee companies of DIC in the second quarter of 2011** included an acquisition of 61% of the issued share capital of Maariv for a total consideration of NIS 147 million (see Note 4.F to the financial statements for further details on this matter, including consolidation of the financial statements of Maariv in the financial statements of the Company as from June 2, 2011).

4.2.3 **Proceeds from the realization of non-current investments of DIC in the second quarter of 2011** mainly included NIS 456 million from the realization of 5% of the shares in Cellcom. See Note 4.A.5 to the financial statements for further details.

4.2.4 The balance of distributable earnings as at June 30, 2011 is negative in an amount of NIS 812 million. See also Note 3.C.1 to the financial statements regarding the possible effect of early adoption of IFRS 9 on this balance.

4.3 Forecasted cash flows of DIC for the period from July 1, 2011 through June 30, 2012

According to the request of the Securities Authority that was issued in August 2011 for disclosure of information regarding sources and uses in the forthcoming twelve months, presented hereunder are details regarding the forecasted cash flows of DIC[1].

	NIS millions	
Forecasted cash flows from operating activities		
Management, tax and other expenses, net	(40)	
Dividends declared by investee companies (see Note 6.N to the financial statements)	347	
Total forecasted cash flows from operating activities		307
Forecasted cash flows from investing activities		
Loan the Company granted to Koor (see Note 6.B.4 to the financial statements)	(578)	
Repayment of loan the Company granted to Koor	578	
Proceeds from realization of the Company's shares in Netvision (see Note 4.A.4 to the financial statements)	597	
Proceeds from realization of the Company's direct investment in shares of Makhteshim Agan (see Note 4.C.1 to the financial statements)	21	
Total forecasted cash flows from investing activities		618
Forecasted cash flows for financing activities		
Payments of principal on debentures and loans of DIC [2]	(852)	
Payments of interest on debentures and loans of DIC [2]	(340)	
Total forecasted cash flows for financing activities		(1,192)
Total forecasted cash flows		(267)
Balance of liquid sources as at June 30, 2011 [3]		891
Forecasted balance of liquid sources as at June 30, 2012		623

(1) The amounts include flows of the Company and its wholly owned headquarter companies. It is noted that the Company does not anticipate difficulties or prevention to transfer to the Company cash from its wholly owned headquarter companies.
(2) On the basis of the index known as at June 30, 2011.
(3) Including marketable securities in the amount of NIS 187 million.

The amounts presented above bring into consideration all the amounts expected to be paid in the aforesaid period by DIC in respect of the existing financial liabilities it has as at June 30, 2011, and do not bring into consideration other possible sources at the disposal of DIC, such as additional dividends that may be distributed by investee companies of DIC, proceeds from realization of investments of DIC as may be, proceeds from raising of debt by DIC as may be, and proceeds from interest on liquid balances of DIC and they also do not bring into consideration amounts DIC may pay in respect of effecting investments and in respect of dividend distributions as may be.
The forecasted cash flow, the data included in it and its underlying assumptions and assessments include forward looking information, as defined in the Securities Law, which is based on DIC's assessments of the chances of completing ongoing actions from which proceeds to DIC are

expected. All or part of these assessments may not materialize, or may materialize in a manner significantly different than as forecasted. The main factors that may cause this are: unexpected developments that will cause changes in the repayment dates of DIC's debentures and loans, or cause the aforementioned actions to be delayed or not completed, or an occurrence of any of DIC's risk factors described in Paragraph 23 of Chapter A of DIC's periodic report for 2010.

5. Equity Attributable to the Owners of the Company

5.1 The equity attributable to the owners of the Company as at June 30, 2011 amounted to NIS 3,618 million compared with NIS 3,837 million as at December 31, 2010. The change was due to a loss in an amount of NIS 949 million, a dividend distribution in an amount of NIS 180 million, a negative change in an amount of NIS 177 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 846 million in capital reserves in respect of available-for-sale financial assets mainly from the inclusion of a negative capital reserve in the statement of income following impairment of the investment in shares of Credit Suisse, a positive change in an amount of NIS 236 million in a capital reserve for transactions with non-controlling interests – mainly because of the gain on the sale of shares of Cellcom, and a change in other capital reserves.

5.2 Dividend distribution

In the first six months of 2011 the Company declared a distribution of a dividend in an amount of NIS 180 million that was paid in April 2011. In addition, in January 2011 the Company paid a cash dividend in an amount of NIS 270 million that was declared in December 2010.

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 June 30, 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 June 30, 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	6	-	-	9,189	9,195
Long-term deposits and loans (including maturities)	2	-	-	-	2
Fixed and other assets	-	-	-	1	1
Current assets	12	1	959	64	1,036
Total assets	**20**	**1**	**959**	**9,254**	**10,234**
Liabilities					
Long-term liabilities (including maturities)	4,375	17	2,057	7	6,456
Current liabilities	64	-	51	45	160
Total liabilities	**4,439**	**17**	**2,108**	**52**	**6,616**
Assets less liabilities, net	**(4,419)**	**(16)**	**(1,149)**	**9,202**	**3,618**

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 Note 4.C.7 and Note 6.D to the financial statements.

8. Linkage bases of assets and liabilities in the consolidated statement of financial position as at June 30, 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	6	-	-	-	-	11,476	11,482
Fixed assets, investment property and other assets	-	-	-	-	-	15,117	15,117
Inventory, deferred expenses and intangible assets	-	-	-	-	-	6,198	6,198
Other non-current assets (including maturities)	90	133	1,024	-	1,648	198	3,093
Current assets	841	456	35	177	7,054	2,666	11,229
Total assets	**937**	**589**	**1,059**	**177**	**8,702**	**35,655**	**47,119**
Liabilities							
Long-term financial liabilities (including maturities)	17,689	1,862	3,901	18	7,482	165	31,117
Other long-term liabilities (including maturities)	-	33	-	-	-	1,439	1,472
Current liabilities	364	424	264	63	3,934	1,210	6,259
Total liabilities	**18,053**	**2,319**	**4,165**	**81**	**11,416**	**2,814**	**38,848**
Assets less liabilities, net	**(17,116)**	**(1,730)**	**(3,106)**	**96**	**(2,714)**	**32,841**	**8,271**

* 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 June 30, 2011 were traded on a stock exchange in Switzerland at a value of NIS 5,144 million are exposed to changes in the Swiss franc.

9. The condition of the economy and the financial markets

Since the beginning of 2011 there is a rise of the level of uncertainty on the global financial markets. At the beginning of the year the global economy was affected by the significant damage to industrial production in Japan (following the natural disaster) and by the rise in prices of oil and commodities as a result of, inter alia, the instability in the Middle East and other countries. The markets reacted with falls in prices on the background of the disappointing economic data regarding the USA that were reflected in, inter alia, weak private consumption and a negligible increase in employment, in addition to an increase in uncertainty regarding the manner of handling debts of southern European countries in general and of Greece in particular, following the downgrade in their rating.

Discount Investment Corporation Ltd.

Board of Directors' Report for the Second Quarter of 2011

In August 2011 the global financial markets declined sharply on the background of concerns regarding a renewed slowdown in global economic activity, insufficient treatment of the debt of additional European countries (Italy and Spain), as well as the downgrade in the rating of the USA by S&P and the concerns on the capital markets.

The Israeli economy began 2011 with continuing the trend of the rapid growth recorded in 2010. On the other hand, the local capital market was negatively affected by a certain increase in inflation, as well as by the global developments mentioned above and the continuing instability in the Middle East (inter alia, on the background of the possibility of a unilateral declaration of a Palestinian state in September 2011). All these, in addition to the recent deterioration in the security situation in the south of Israel, may have, in certain scenarios, a negative effect on the condition of the Israeli market and on inflow of capital for investments.

The monetary contraction process in the Israeli economy continued at the beginning of 2011 (inter alia, as a reaction to the rapid growth at the beginning of the year, the rate of inflation, the continuing and fast rise in prices of housing in Israel and the rise in the amount of housing loans) along with a similar process of contraction in other emerging economies around the world and the beginning of a similar process in the Euro zone. Nonetheless, the data for the second quarter of 2011 and initial macro data regarding the third quarter of 2011 indicate a weakening in Israel's economic data, following a similar trend in the world in general and in the USA in particular. Furthermore, there are more signs of a slowdown in demand for housing that is expected to curb the rise in interest rates of the Bank of Israel and possibly also the rise in housing prices. It is further noted, that we are recently witnessing a display of social protests on the background of the prices of housing and the cost of living, and it is possible that these will lead to reforms by the government that could have an effect on the Israeli economy. In this context the Prime Minister appointed in August 2011 a committee for socioeconomic change that is headed by Prof. Trajtenberg. The effect of the aforementioned on the activities of the Group cannot be assessed as at the date of this report (see also Paragraph 2 in Part A of the Company's quarterly report for the second quarter of 2011 regarding the committee for the promotion of competition in the economy).

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 as well as the local developments described above, have affected and may continue to affect the business operations results of the Company and its investee companies, their liquidity, the value of their equity, the value of their assets and 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. See also Paragraph 23 (discussion of risk factors) in Part A of the Company's periodic report for 2010 regarding the situation of the global economy, changes in the capital market in Israel and around the world and financial risks.

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 (companies managing 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. In addition, the draft of the new investment regulations includes an authorization of the aforesaid commissioner to establish instructions on various matters, with a view to enable a reasonable and balanced degree of flexibility in part of the restrictions applicable to assets of the institutional entities, for the purpose of adjustment to changing market conditions and changes that will occur in the capital market.

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 June 30, 2011 according to changes in market factors.
Presented hereunder are the summing-up lines of the sensitivity tests tables:

10.1 As at June 30, 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%
	NIS millions						
Sensitivity to changes in interest rate	(24,364)	1,756	386	195	(2,021)	(400)	(198)

		Gain (loss) from changes in parameters examined in the sensitivity test			
		Increase in parameter		Decrease in parameter	
	Fair value	10%	5%	10%	5%
	NIS millions				
Sensitivity to changes in dollar exchange rate	(579)	(4)	(4)	21	9
Sensitivity to changes in Swiss franc exchange rate	(3,103)	(510)	(259)	536	265
Sensitivity to changes in exchange rates of other currencies	282	23	11	(23)	(11)
Sensitivity to changes in exchange rate of euro to dollar	*	(4)	(2)	4	2
Sensitivity to changes in prices of marketable securities	7,087	709	354	(709)	(354)
Sensitivity to changes in standard deviation	252	-	-	-	-

* Amount less than NIS 1 million

	Fair value	Gain (loss) from changes in parameters examined in the sensitivity test: Increase in parameter 2%	Increase in parameter 1%	Decrease in parameter 2%	Decrease in parameter 1%
	NIS millions				
Sensitivity of CPI forward and Swap to changes in the CPI	38	76	39	(76)	(39)

10.2 As at June 30, 2010

	Fair value	Gain (loss) from changes in parameters examined in the sensitivity test: Increase in parameter 2% in absolute value	Increase in parameter 10%	Increase in parameter 5%	Decrease in parameter 2% in absolute value	Decrease in parameter 10%	Decrease in parameter 5%
	NIS millions						
Sensitivity to changes in interest rate	(22,113)	1,886	363	183	(2,226)	(376)	(187)

	Fair value	Gain (loss) from changes in parameters examined in the sensitivity test: Increase in parameter 10%	Increase in parameter 5%	Decrease in parameter 10%	Decrease in parameter 5%
	NIS millions				
Sensitivity to changes in dollar exchange rate	(225)	39	21	(24)	(17)
Sensitivity to changes in Swiss franc exchange rate	(2,565)	(369)	(177)	343	163
Sensitivity to changes in exchange rates of other currencies	217	20	9	(23)	(11)
Sensitivity to changes in prices of marketable securities	7,718	772	386	(772)	(386)
Sensitivity to changes in standard deviation	(39)	2	-	1	1

	Fair value	Gain (loss) from changes in parameters examined in the sensitivity test: Increase in parameter 2%	Increase in parameter 1%	Decrease in parameter 2%	Decrease in parameter 1%
	NIS millions				
Sensitivity of CPI forward and Swap to changes in the CPI	37	85	43	(85)	(43)

10.3 As at December 31, 2010

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

	Fair value	Gain (loss) from changes in parameters examined in the sensitivity test – Increase in parameter: 10%	Increase in parameter: 5%	Decrease in parameter: 10%	Decrease in parameter: 5%
	NIS millions				
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: 2%	Increase in parameter: 1%	Decrease in parameter: 2%	Decrease in parameter: 1%
	NIS millions				
Sensitivity of CPI forward and Swap to changes in the CPI	34	82	40	(82)	(40)

C. Corporate Governance Aspects

11. 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; Eliahu Cohen 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 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 second quarter of 2011 involved three meetings: two meetings of the balance sheet committee for a comprehensive discussion of the principal reporting issues and for preparing recommendations to the Board of Directors regarding approval of the financial statements and one 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 meetings of the balance sheet committee took place on August 21 and 22, 2011 and its participants were the directors Prof. Niv Ahituv, Prof. Dan Oppenheim, Prof. Yair Orgler, Eliahu Cohen and Gideon Lahav. In addition to the members of the balance sheet committee, other participants in the meetings were 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 and also Idit Varol-Blank, CPA from the firm of Somekh Chaikin (the Company's auditors). In the meeting of the balance sheet committee that took place on August 21, 2011 also participated Guy Braha, CPA from Kesselman Finance PricewaterhouseCoopers Ltd. and Elinor Kaikov, CPA from the firm of Somekh Chaikin (the Company's auditors), and in the meeting that took place on August 22, 2011 also participated Messrs. Ami Erel – the Company's President and Chief Executive Officer, Dr. Eyal Solganik – Executive Vice President and Chief Financial Officer of IDB Development, as well as Mr. Ron Hyman – Senior Executive Vice President and Mr. Gershon Mauer – Vice President of Accounting, both from Property & Building. In the course of these meetings 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. Michel Dahan and Motti Berenstain and a discussion of each issue, with Ami Erel also referring to some of these issues. 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 August 23, 2011. The aforesaid meeting of the Board of Directors took place on August 25, 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 second 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 Report

12. Major Events Succeeding the Date of the Statement of Financial Position

Major events succeeding the date of the statement of financial position are described in Note 6 and Paragraphs B and C of Note 7 to the financial statements. Of these events, the most noteworthy are as follows:

12.1 Stock exchanges around the world are recently experiencing high fluctuations and sharp falls in prices which included a significant decline in the share price of Credit Suisse. As a result, subsequent to the end of the second quarter of 2011, Koor took action to reduce the ratio of debt to security in respect of credit it owes a corporation of the Morgan Stanley group and a corporation of Citigroup, which are secured by liens on all of Koor's holding of Credit Suisse shares. Inter alia, Koor sold Credit Suisse shares for a total consideration of NIS 1.34 billion, which was used to reduce the aforesaid credit (in respect of their sale Koor will record in the third quarter of 2011 a loss in an amount of NIS 378 million, of which the Company's share amounts to NIS 238 million), and increased its cash deposits in these corporations by a total amount of some CHF 77 million as further security for such credit. See Paragraphs A and D of Note 6 to the financial statements for further details on these matters.

12.2 In addition to the aforementioned, in August 2011 the Company and IDB Development provided to Koor bridge loans in the total amount of NIS 700 million, pro rata to their direct interest in Koor (some NIS 578 million from the Company and some NIS 122 million from IBD Development). The aforesaid loans are linked to the CPI, do not bear interest and are not secured by any collateral, and their terms are identical for the Company and for IDB Development. The grant of these loans to Koor was approved by the audit committees and boards of directors of the Company and of Koor, according to Companies Regulations (Alleviations in Transactions with Interested Parties) – 2000, and also by IDB Development. In order to enable the loans to be granted immediately to Koor, their terms were determined according to, inter alia, the conditions for being classified as a "benefitting transaction" for Koor for purposes of these regulations. This was done taking into consideration the alternatives included in a position paper that was issued by the Securities Authority regarding terms of a loan considered a "benefitting transaction" as aforementioned, of which the alternative that was chosen was that of linkage to the CPI and no interest and collateral, which was the most suitable alternative under the circumstances.

The grant of the aforementioned loans enabled Koor to increase its deposits provided as security for the credit mentioned in Paragraph 12.1 above, to provide security for NIS/CHF hedging transactions and to finance current needs, all as a result of the fall in the Credit Suisse share price as mentioned in Paragraph 12.1 above. In providing the aforementioned assistance to Koor, the Company acted in its own interest, as the Company is a large shareholder of Koor, and the Company’s investment in Koor is a material asset of the Company. See Paragraph B.4 of Note 6 to the financial statements for further details on the aforesaid loans. A claim and a motion to certify the claim as a class action against the Company regarding the loan the Company had provided to Koor as aforementioned were recently filed with the court. See Paragraph C.15 of Note 7 to the financial statements for further details.

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

13. Information regarding the series of debentures of the Company

13.1 Data on series of debentures that were issued by the Company (1), in NIS millions

			Data as at June 30, 2011					Data as at August 25, 2011			Repayment dates of principal (3)				
Series	Original date of issuance	Par value on date of issuance	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	Interest rate (fixed)	First date	Last date	Interest payment dates (3)	Linkage terms	Trust company – name of person in charge, address and telephone number
A	Oct. 22, 2003	250	28	34	1	35	Non tradable	28	34	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	61	73	1	74	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	179	215	2	217	221	179	215	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	2,348	24	2,376	2,493	1,962	2,350	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

Board of Directors' Report for the Second Quarter of 2011

Series	Original date of issuance	Par value on date of issuance	Data as at June 30, 2011					Data as at August 25, 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	1,462	36	1,495	1,459	1,254	1,463	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	217	-	216	219	187	218	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
I	July 12, 2009 July 21, 2009 (5) August 6, 2009 *	1,482	1,111	1,111	36	1,148	1,156	1,111	1,111	6.70%	January 8, 2011 [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	4,821	5,499	101	5,601	5,589	4,821	5,503						

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.

13.2 Details regarding the rating of the debentures

Series	Name of rating company	Rating as at June 30, 2011	Rating as at August 25, 2011	Rating on date of issuance of the series	The date for which the current rating as at August 25, 2011 was given	Additional ratings between the original date of issuance and the current rating as at August 25, 2011	
						Date	Rating
C	Midroog Ltd.	Aa3	Aa3 (1)	Aa2	August 2011	Nov. 2005, Mar. 2006, July 2008, June 2009	Aa2, Aa3
D	Midroog Ltd.	Aa3	Aa3 (1)	Aa2	August 2011	Nov. 2005, Mar. 2006, July 2008, June 2009	Aa2, Aa3
F	Midroog Ltd.	Aa3	Aa3 (1)	Aa2	August 2011	Mar. 2007, June 2007, July 2008, June 2009	Aa2, Aa3
G	Midroog Ltd.	Aa3	Aa3 (1)	Aa2	August 2011	July 2008, June 2009	Aa2, Aa3
H	Midroog Ltd.	Aa3	Aa3 (1)	Aa2	August 2011	July 2008, June 2009	Aa2, Aa3
I	Midroog Ltd.	Aa3	Aa3 (1)	Aa3	August 2011	July 2009	Aa3
A	S&P Maalot	A+	A+ (2)	AA	January 2011	Oct. 2003, Apr. 2005, Nov. 2005, May 2006, April 2007, June 2007, Nov. 2008, July 2009	A+, AA (3)
B	S&P Maalot	A+	A+ (2)	AA	January 2011	Apr. 2005, Nov. 2005, May 2006, April 2007, June 2007, Nov. 2008, July 2009	A+, AA (3)
C	S&P Maalot	A+	A+ (2)	AA	January 2011	Nov. 2005, May 2006, Apr. 2007, June 2007, Nov. 2008, July 2009	A+, AA (3)
D	S&P Maalot	A+	A+ (2)	AA	January 2011	Nov. 2005, May 2006, Apr. 2007, June 2007, Nov. 2008, July 2009	A+, AA (3)
F	S&P Maalot	A+	A+ (2)	AA	January 2011	Apr. 2007, June 2007, Nov. 2008, July 2009	A+, AA (3)
G	S&P Maalot	A+	A+ (2)	AA	January 2011	Apr. 2007, June 2007, Nov. 2008, July 2009	A+, AA (3)
H	S&P Maalot	A+	A+ (2)	AA	January 2011	Nov. 2008, July 2009	A+, AA (3)

(1) In August 2011 Midroog announced that the rating of the debentures issued by the Company and rated by Midroog was placed on credit watch negative. The announcement of Midroog is attached in Annex B to the Board of Directors' report.
(2) In January 2011 the A+ rating was affirmed and the rating outlook was changed from stable to negative.
(3) 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.

F. The Company's Materiality Examination Policy regarding the Necessity of the Company Filing an Immediate Report

14. Clarification regarding the filing of an immediate report regarding changes in value of assets and liabilities which are sensitive to changes in the exchange rate of the Swiss franc

The Company established for itself guidelines and rules for examining whether a certain event or matter of the Company and/or its investee company are material for the Company as regards the necessity of filing an immediate report with respect thereto by virtue of Regulation 36 of the Securities Regulations (Periodic and Immediate Reports) – 1970 ("the materiality examination rules"). The materiality examination rules were described in Paragraph 18 of the Company's board of directors report for 2007, and clarifications were added to them as described in Paragraph 12 of the Company's board of directors report for the second quarter of 2009 and in Section G of the Company's board of directors report for 2009. The materiality examination rules were determined in conformity with and taking into consideration the nature of the Company as a holding company, and according to them each matter is to be specifically examined and a quantitative examination and qualitative examination are to be performed with respect to the relevant event – on the basis of all the information, data, facts of the matter and assessments, and taking into consideration all the relevant circumstances.

Cash, pledged cash, loans, receivables and payables denominated in Swiss franc, and also NIS-CHF cylinder transactions ("cylinder transactions") that Koor effects from time to time (hereinafter all together – "CHF-sensitive financial assets"), are characterized by relevant special circumstances, including the volume of the assets, the frequency that they change and the fact that their value and effects on the Company are to a great extent derived from the exchange rate of the Swiss franc that changes on a daily basis. Taking into consideration these special circumstances, the Board of Directors has approved the following clarifications to the materiality examination rules in connection with a change in the shekel value of CHF-sensitive financial assets ("the event"):

In the absence of special qualitative considerations arising from all the circumstances of the matter, a change in the shekel value of CHF-sensitive financial assets will be considered material if at least one of the following conditions is met (the quantitative examination):

The profit test – The difference between the profit[2] accumulated in respect of the CHF-sensitive financial assets from the later of (a) the beginning of the quarter following the last quarter for which the Company published financial statements and (b) the date the Company released a report regarding a change in the value of CHF-sensitive financial assets, until the date of the examination ("the examination period"), including the profit accumulated on cylinder transactions that were opened and/or closed from the beginning of the examination period until the date of the examination), and the "effect of the exchange rate on CHF-sensitive financial assets" – constitutes 10% or more of the absolute value of the "average annual profit" of the Company for a period longer than 5 consecutive business days. In this respect:

"Effect of the exchange rate on CHF-sensitive financial assets" means the result of applying sensitivity tests for changes in the exchange rate of the Swiss franc on the CHF-sensitive financial assets, as were published in the Company's most recent directors report, adjusted (on a straight-line basis) to the actual rate of change in the representative exchange rate of the Swiss franc in the examination period, based on the sensitivity test that is the nearer to the actual rate of change in the representative exchange rate of the Swiss franc.

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1 This clarification does not apply to the marketable securities held by the Company, including those of Credit Suisse.

2 In this clarification "profit" includes a loss (as relevant), all – in its absolute value.

The Company's "average annual profit" is as calculated according to the materiality examination rules.

Example for implementation of the profit test:

The exchange rate of the Swiss franc at the end of the last reported quarter – NIS 4.09.

The exchange rate of the Swiss franc on the examination date – NIS 3.81.

The result of the sensitivity tests for changes in the exchange rate of the Swiss franc on the CHF-sensitive financial assets, as published in the Company's most recent directors report – a decline of 5% in the exchange rate of the Swiss franc brings is a profit in an amount of NIS 265 million, and a decline of 10% brings a profit in an amount of NIS 536 million.

The profit accumulated in respect of CHF-sensitive financial assets at the examination date – NIS 360 million.

The examination:

The actual change in the exchange rate of the Swiss franc: (3.81/4.09) – 1 = -7%

The effect of the exchange rate on CHF-sensitive financial assets will be calculated on a straight-line basis based on the sensitivity test that is the nearer to the actual rate of change in the representative exchange rate of the Swiss franc. The nearer sensitivity test is the sensitivity test of -5%. The calculation will be as follows: (-7%/-5%) X 265 = 371

The difference between the profit accumulated for the Company on the CHF-sensitive financial assets and the effect of the exchange rate on CHF-sensitive financial assets is therefore: NIS million 371 – 360 = 11.

In the absence of special qualitative considerations arising from all the circumstances of the matter, a change in the shekel value of CHF-sensitive financial assets will be considered material if the absolute value of the difference is 10% or more of the average annual profit of the Company, over a period longer than 5 consecutive business days.

Asset value test – The change in the shekel value of CHF-sensitive financial assets from the later of (a) the beginning of the quarter following the last quarter for which the Company published financial statements and (b) the date the Company released a report regarding a change in the value of CHF-sensitive financial assets, constitutes 10% or more of total assets in the Company's consolidated balance sheet for the last quarter for which the Company published financial statements, over a period longer than 5 consecutive business days.

In cases that Koor releases an immediate report regarding changes in the shekel value of CHF-sensitive financial assets, the Company too shall release an immediate report with respect to the aforesaid event, even if it is not quantitatively material for the Company according to the tests described above.

Nochi Dankner Chairman of the Board of Directors	Ami Erel President and Chief Executive Officer

Tel Aviv, August 25, 2011

Annex A to the Board of Directors' Report as at June 30, 2011

Tables showing the sensitivity tests of sensitive financial instruments included in the consolidated financial statements as at June 30, 2011 according to changes in market factors

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%
	NIS millions						
Long-term loans to affiliates (including current maturities)	1,333	(23)	(15)	(7)	24	15	7
Long-term deposits and other loans	144	(3)	(1)	-	3	1	-
Current investments, not including derivatives	947	(59)	(8)	(4)	59	8	4
Debentures	(21,480)	1,558	336	169	(1,787)	(348)	(172)
Long-term loans from banks and others (including current maturities)	(5,059)	310	77	39	(347)	(79)	(39)
Swiss franc options for hedging purposes *							
Long Put	16	(4)	-	-	4	-	-
Short Call	(265)	(23)	(3)	(2)	23	3	2
	(24,364)	1,756	386	195	(2,021)	(400)	(198)

* The 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 10%	Increase 5%	Decrease 10%	Decrease 5%
		NIS millions				
Long-term loans to affiliates (including current maturities)		1,147	115	57	(115)	(57)
Long-term deposits and other loans		37	4	2	(4)	(2)
Long-term receivables and debit balances		96	10	5	(10)	(5)
Short-term loans and deposits		52	5	3	(5)	(3)
Trade and other receivables		73	7	4	(7)	(4)
Cash and cash equivalents		318	32	16	(32)	(16)
Loans from banks (including current maturities)		(1,779)	(178)	(89)	178	89
Other liabilities		(104)	(10)	(5)	10	5
Short-term loans		(52)	(5)	(3)	5	3
Trade payables, other payables and credit balances		(355)	(36)	(18)	36	18
Forward dollar						
Recognized as an accounting hedge		(12)	25	12	(25)	(12)
Not recognized as an accounting hedge		(3)	17	9	(17)	(9)
Dollar options for hedging purposes – Not recognized for accounting purposes						
Long	Call	1	13	4	(1)	(1)
Long	Put	2	(1)	(1)	10	4
Short	Call	*	(2)	-	-	-
Short	Put	*	-	-	(2)	(1)
		(579)	(4)	(4)	21	9

* 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		16	2	1	(2)	(1)
Short-term loans and deposits		7	1	-	(1)	-
Long-term deposits and other loans		1,024	102	51	(102)	(51)
Long-term bank loans		(3,901)	(390)	(195)	390	195
Swiss franc options for hedging purposes – Not recognized for accounting purposes						
Long	Put	16	(14)	(10)	76	24
Short	Call	(265)	(211)	(106)	175	98
		(3,103)	(510)	(259)	536	265

See Paragraph 14 above regarding a clarification on filing an immediate report about changes in value of assets and liabilities which are sensitive to changes in the exchange rate of the Swiss franc.
In addition to the data set forth in the table above, it should be noted that also shares of Credit Suisse, which as at June 30, 2011 were traded on a stock exchange in Switzerland at a value of NIS 5,144 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	NIS millions				
Long-term loans to affiliates (including current maturities)	186	19	9	(19)	(9)
Trade and other receivables	73	7	4	(7)	(4)
Cash and cash equivalents	102	10	5	(10)	(5)
Long-term loans from banks and others (including current maturities)	(18)	(2)	(1)	2	1
Short-term loans	(32)	(3)	(2)	3	2
Trade payables, other payables and credit balances	(31)	(3)	(2)	3	2
Forward euro					
Not recognized for accounting purposes	1	(2)	(1)	2	1
Options for hedging purposes – Not recognized for accounting purposes					
Long Put	1	(1)	-	3	1
Short Call	*	(2)	(1)	-	-
	282	23	11	(23)	(11)

* Less than NIS 1 million.

Sensitivity test to changes in the euro/dollar exchange rate

		Gain (loss) from changes in exchange rate			
	Fair Value	Increase		Decrease	
		10%	5%	10%	5%
Item	NIS millions				
Forward euro – not recognized for accounting purposes	*	(4)	(2)	4	2

* Less than NIS 1 million.

Sensitivity test to changes in the CPI

Item	Fair Value	Gain (loss) from changes in the CPI – Increase 2%	Increase 1%	Decrease 2%	Decrease 1%
	NIS millions				
Forward CPI – not recognized as an accounting hedge	32	75	38	(75)	(38)
Swap – not recognized as an accounting hedge	6	1	1	(1)	(1)
	38	76	39	(76)	(39)

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

Sensitivity test to changes in marketable securities' prices

Item	Fair Value	Gain (loss) from changes in marketable securities' prices – Increase 10%	Increase 5%	Decrease 10%	Decrease 5%
	NIS millions				
Investment in marketable securities – presented at fair value through profit and loss	637	64	32	(64)	(32)
Investment in marketable securities – available for sale	1,306	131	65	(131)	(65)
Investment in pledged marketable securities – available for sale	5,144	514	257	(514)	(257)
	7,087	709	354	(709)	(354)

Sensitivity test to changes in standard deviation

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

* Less than NIS 1 million.

Sensitivity test to changes in standard deviation

			Gain (loss) from changes in standard deviation			
			Increase		Decrease	
		Fair Value	10%	5%	10%	5%
Swiss franc for hedging purposes		NIS millions				
Long	Put	16	5	2	(4)	(2)
Short	Call	(265)	(8)	(4)	7	4
		249	(3)	(2)	3	2

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		NIS millions						
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 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 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)
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	-	-
Long Put	3	(3)	(3)	16	7
Short Call	*	(1)	-	-	-
Short 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	NIS millions				
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	NIS millions				
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

		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	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 10%	Increase 5%	Decrease 10%	Decrease 5%
		NIS millions				
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 June 30, 2010 according to changes in market factors

Sensitivity test to changes in interest rate

Item	Fair value	Gain (loss) from changes in interest rate – Increase: 2% in absolute value	Increase: 10%	Increase: 5%	Decrease: 2% in absolute value	Decrease: 10%	Decrease: 5%
	NIS millions						
Long-term loans to affiliates (including current maturities)	1,182	(22)	(13)	(6)	22	14	6
Long-term deposits and other loans	116	(3)	(1)	(1)	2	1	1
Long-term receivables (including maturities)	15	(1)	-	-	1	-	-
Current investments, not including derivatives	1,287	(95)	(5)	(3)	95	5	3
Short-term loans and deposits	542	(1)	-	-	1	-	-
Debentures	(20,486)	1,682	300	151	(1,920)	(311)	(154)
Long-term loans from banks and others (including current maturities)	(4,661)	324	82	42	(425)	(85)	(43)
Current financial liabilities	(106)	1	-	-	(1)	-	-
Interest rate swap							
Not recognized for accounting purposes	(2)	1	-	-	(1)	-	-
	(22,113)	1,886	363	183	(2,226)	(376)	(187)

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)	1,004	100	50	(100)	(50)
Long-term deposits and other loans	47	5	2	(5)	(2)
Long-term receivables (including maturities)	112	11	6	(11)	(6)
Short-term loans and deposits	36	4	2	(4)	(2)
Trade and other receivables	66	7	3	(7)	(3)
Cash and cash equivalents	578	58	29	(58)	(29)
Long-term loans from banks and others (including current maturities)	(1,721)	(172)	(86)	172	86
Short-term loans	(186)	(19)	(9)	19	9
Trade payables, other payables and credit balances	(178)	(18)	(9)	18	9
Forward dollar					
Recognized as an accounting hedge	6	28	14	(28)	(14)
Not recognized as an accounting hedge	9	42	21	(42)	(21)
Dollar options for hedging purposes – Not recognized for accounting purposes					
Long Call	3	11	6	(2)	(2)
Long Put	1	(1)	(1)	22	6
Short Call	(2)	(17)	(7)	2	2
	(225)	39	21	(24)	(17)

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	232	23	12	(23)	(12)
Long-term bank loans	(2,741)	(274)	(137)	274	137
Trade payables, other payables and credit balances	(15)	(2)	(1)	1	1
Swiss franc options for hedging purposes – Not recognized for accounting purposes					
Long Put	8	(7)	(5)	55	13
Short Call	(49)	(109)	(46)	36	24
	(2,565)	(369)	(177)	343	163

In addition to the data set forth in the table above, it should be noted that also shares of Credit Suisse, which as at June 30, 2010 were traded on a stock exchange in Switzerland at a value of NIS 5,578 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 10%	Increase 5%	Decrease 10%	Decrease 5%
	NIS millions				
Long-term loans to affiliates (including current maturities)	186	19	9	(19)	(9)
Trade and other receivables	60	6	3	(6)	(3)
Cash and cash equivalents	37	4	2	(4)	(2)
Long-term loans from banks and others (including current maturities)	(19)	(2)	(1)	2	1
Short-term loans	(21)	(2)	(1)	2	1
Trade payables, other payables and credit balances	(26)	(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
Short Call	(1)	(2)	(1)	-	-
	217	20	9	(23)	(11)

* Less than NIS 1 million.

Sensitivity test to changes in the CPI

Forward CPI	Fair value	Gain (loss) from changes in the CPI – Increase 2%	Increase 1%	Decrease 2%	Decrease 1%
	NIS millions				
Not recognized as an accounting hedge	37	85	43	(85)	(43)

Sensitivity test to changes in marketable securities' prices

Item	Fair value	Gain (loss) from changes in marketable securities' prices – Increase 10%	Increase 5%	Decrease 10%	Decrease 5%
	NIS millions				
Investment in marketable securities – current	921	92	46	(92)	(46)
Investment in marketable securities – available for sale	2,286	229	114	(229)	(114)
Investment in pledged marketable securities – available for sale	4,511	451	226	(451)	(226)
	7,718	772	386	(772)	(386)

Sensitivity test to changes in standard deviation

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

Sensitivity test to changes in standard deviation

			Gain (loss) from changes in standard deviation			
			Increase		Decrease	
		Fair value	10%	5%	10%	5%
Swiss franc for hedging purposes		NIS millions				
Short	Call	8	2	1	(2)	(1)
Long	Put	(49)	(5)	(3)	5	3
		(41)	(3)	(2)	3	2

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, and therefore sensitivity tests were not presented in their respect.

Discount Investment Corporation Ltd.

Board of Directors' Report for the Second Quarter of 2011

Annex B to the Board of Directors' Report as at June 30, 2011

Updated rating reports of the rating company Midroog Ltd. regarding the debentures of DIC are attached in Hebrew to this report.

חברת השקעות דיסקונט בע"מ

רשימת מעקב | אוגוסט 2011

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מידרוג

חברת השקעות דיסקונט בע"מ

דירוג סדרות	Aa3	רשימת מעקב

מידרוג מכניסה לרשימת מעקב עם השלכות שליליות את דירוג אגרות החוב (סדרות ג, ד, ו, ז, ח, ט) שהנפיקה חברת השקעות דיסקונט בע"מ ("דסק"ש" או "החברה") זאת בהמשך לעלייה במאפייני הסיכון של אחזקתה בכור, אחת מהאחזקות העיקריות של דסק"ש, לאחר ההיחלשות המתמשכת במחיר מניות קרדיט סוויס ועלייה ברמת המינוף הכוללת.

ביום 07/08/2011, דווח על העמדת הלוואת גישור ע"י דסק"ש לכור בסך של כ- 413 מיליון ₪, המצטרפת להלוואה בסך של כ- 87 מיליון ₪ אשר העמידה אי.די.בי פיתוח וזאת כדי לסייע לכור בהורדת יחס החוב לבטוחה בקשר עם האשראי שקיבלה כור מהתאגידים המממנים את ההשקעה במניות קרדיט סוויס על רקע ירידת מחיר המנייה. מידרוג רואה בפעולה זו תמיכה פיננסית המעידה על מעורבות גבוהה וקשרי גומלין בין שתי החברות דסק"ש וכור ולפיכך בוחנת מידרוג את רמת המינוף של דסק"ש גם באיחוד יחסי עם כור (שיעור החזקה של כ-63%). עם זאת, מידרוג מעריכה כי השלמת עסקת כמצ'יינה אשר צפויה עד לסוף אוקטובר 2011, תתרום במידה משמעותית לשיפור ברמת הנזילות של כור ולפיכך מהווה גורם ממתן בהערכת הסיכונים של כור בטווח הזמן הקצר.

מידרוג תבחן את דירוג החברה תוך דגש על עליית רמת המינוף של החברה וההתפתחויות במאפיינים העסקיים והפיננסיים של כור ותעקוב אחר השלמת עסקת מכתשים אגן, והאסטרטגיה הפיננסית והעסקית של החברה.

להערכת מידרוג, אי שיפור ביחסי המינוף, לצד הימשכות הפגיעה בסיכון האשראי של המוחזקות יובילו להורדת הדירוג.

להלן סדרות החוב שהנפיקה החברה ומדורגות על ידי מידרוג:

סדרה	מספר ני"ע	ריבית נקובה	הצמדה	ערך בספרים 31/03/11 במ' ש"ח	תחילת פירעון קרן	סיום פירעון קרן
ג	6390140	4.30%	מדד	440	18/04/2008	18/04/2012
ד	6390157	5.00%	מדד	2,432	18/04/2012	18/04/2016
ו	6390207	4.95%	מדד	1,458	31/12/2017	31/12/2025
ז	6390215	6.35%	שקלי	40	31/12/2012	31/12/2016
ח	6390223	4.45%	מדד	221	28/06/2014	28/06/2019
ט	6390249	6.70%	שקלי	1,129	08/01/2010	08/01/2018

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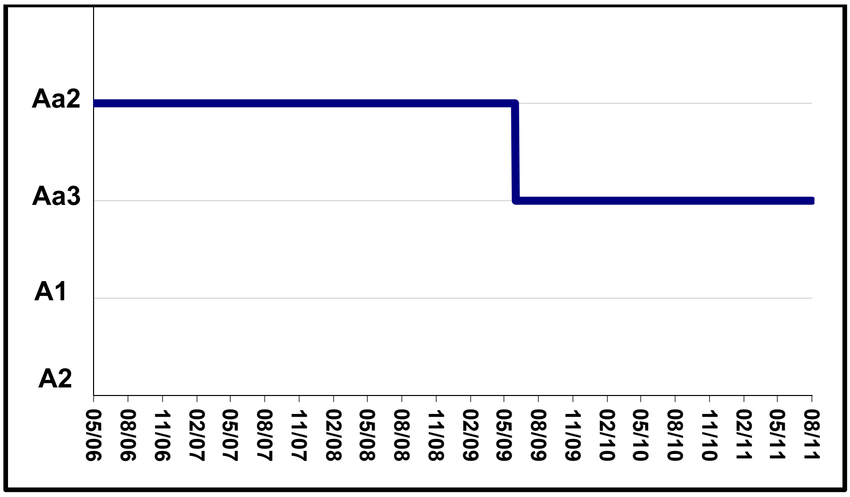
אודות החברה

דסק"ש הינה חברת אחזקות ציבורית אשר אחזקותיה העיקריות הינן: סלקום ישראל בע"מ (שיעור אחזקה של כ-43.3% מהון המניות המונפק וכ-46.7% מזכויות ההצבעה), כור תעשיות בע"מ (כ-63.1%), חברה לנכסים ולבנין בע"מ (כ-78.4%), שופרסל בע"מ (כ-46.1%), אלרון תעשיה אלקטרונית בע"מ (כ-50.5%), נטוויז'ן בע"מ (כ-38.0%, ביולי 2011 אושרה עסקת מיזוג עם סלקום באסיפות הכלליות שלהן) ומעריב החזקות בע"מ (כ-61%). כור תעשיות בע"מ הינה חברת אחזקות, אשר שתי אחזקותיה העיקריות הינן מכתשים אגן תעשיות בע"מ (כ-46.5% מההון המונפק וכ-47% מזכויות ההצבעה) ו-CREDIT SUISSE GROUP AG (כ-3.2%). בעלת השליטה בדסק"ש הינה אידיבי חברה לפתוח בע"מ ("אידיבי פתוח"), חברת אחזקות פרטית שהאג"ח שלה נסחרות בבורסה, בעלת השליטה באידיבי פתוח הינה אידיבי אחזקות - חברת אחזקות ציבורית הנשלטת על ידי גנדן הולדינגס בע"מ (חברה פרטית בשליטת מר נוחי דנקנר ושלי ברגמן, המחזיקה בכ-54.7% מהון המניות המונפק של אידיבי אחזקות), מנור השקעות וליבנת השקעות.

היסטוריית דירוג



רשימת מונחים פיננסיים עיקריים

הוצאות ריבית Interest	הוצאות מימון מדוח רווח והפסד.
הוצאות ריבית תזרימיות Cash Interest	הוצאות מימון מדוח רווח והפסד לאחר התאמות להוצאות מימון שאינן תזרימיות מתוך דוח תזרים מזומנים.
רווח תפעולי EBIT	רווח לפני מס + מימון + הוצאות/רווחים חד פעמיים.
רווח תפעולי לפני הפחתות EBITA	רווח תפעולי + הפחתות של נכסים לא מוחשיים.
רווח תפעולי לפני פחת והפחתות EBITDA	רווח תפעולי +פחת+ הפחתות של נכסים לא מוחשיים.
רווח תפעולי לפני פחת, הפחתות ודמי שכירות/חכירה EBITDAR	רווח תפעולי + פחת + הפחתות של נכסים לא מוחשיים + דמי שכירות + דמי חכירה תפעוליים.
נכסים Assets	סך נכסי החברה במאזן.
חוב פיננסי Debt	חוב לזמן קצר+ חלויות שוטפות של הלוואות לזמן ארוך+ חוב לזמן ארוך+ התחייבויות בגין חכירה תפעולית.
חוב פיננסי נטו Net Debt	חוב פיננסי - מזומן ושווי מזומן - השקעות לזמן קצר.
בסיס ההון Capitalization (CAP)	חוב+ סך ההון העצמי במאזן (כולל זכויות מיעוט) + מסים נדחים לזמן ארוך במאזן.
השקעות הוניות Capital Expenditures (Capex)	השקעות ברוטו בציוד, במכונות ובנכסים בלתי מוחשיים.
מקורות מפעילות * Funds From Operation (FFO)	תזרים מזומנים מפעילות לפני שינויים בהון חוזר ולפני שינויים בסעיפי רכוש והתחייבויות אחרים.
תזרים מזומנים מפעילות שוטפת * Cash Flow from Operation (CFO)	תזרים מזומנים מפעילות שוטפת לפי דוחות מאוחדים על תזרימי מזומנים.
תזרים מזומנים פנוי* Retained Cash Flow (RCF)	מקורות מפעילות (FFO) בניכוי דיבידנדים ששולמו לבעלי המניות.
תזרים מזומנים חופשי * Free Cash Flow (FCF)	תזרים מזומנים מפעילות שוטפת (CFO) - השקעות הוניות - דיבידנדים.

* יש לשים לב כי בדוחות IFRS, תשלומים ותקבולים של ריבית, מס ודיבידנד שהתקבל ממוחזקות יכללו בחישוב תזרימי המזומנים השוטפים גם אם אינם נרשמים בתזרים מפעילות שוטפת.

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סולם דירוג התחייבויות

דרגת השקעה	Aaa	התחייבויות המדורגות בדירוג Aaa הן, על פי שיפוטה של מידרוג, מהאיכות הטובה ביותר וכרוכות בסיכון אשראי מינימלי.
	Aa	התחייבויות המדורגות בדירוג Aa הן, על פי שיפוטה של מידרוג, מאיכות גבוהה, וכרוכות בסיכון אשראי נמוך מאד.
	A	התחייבויות המדורגות בדירוג A נחשבות על ידי מידרוג בחלק העליון של הדרגה האמצעית, וכרוכות בסיכון אשראי נמוך.
	Baa	התחייבויות המדורגות בדירוג Baa כרוכות בסיכון אשראי מתון. הן נחשבות כהתחייבויות בדרגה בינונית, וככאלה הן עלולות להיות בעלות מאפיינים ספקולטיביים מסוימים.
דרגת השקעה ספקולטיבית	Ba	התחייבויות המדורגות בדירוג Ba הן, על פי שיפוטה של מידרוג, בעלות אלמנטים ספקולטיביים, וכרוכות בסיכון אשראי משמעותי.
	B	התחייבויות המדורגות בדירוג B נחשבות על ידי מידרוג כספקולטיביות, וכרוכות בסיכון אשראי גבוה.
	Caa	התחייבויות המדורגות בדירוג Caa הן, על פי שיפוטה של מידרוג, בעלות מעמד חלש וכרוכות בסיכון אשראי גבוה מאוד.
	Ca	התחייבויות המדורגות בדירוג Ca הן ספקולטיביות מאוד ועלולות להיות במצב של חדלות פירעון או קרובות לכך, עם סיכויים כלשהם לפדיון של קרן וריבית.
	C	התחייבויות המדורגות בדירוג C הן בדרגת הדירוג הנמוכה ביותר ובד"כ במצב של חדלות פרעון, עם סיכויים קלושים לפדיון קרן או ריבית.

מידרוג משתמשת במשתנים המספריים 1, 2 ו- 3 בכל אחת מקטגוריות הדירוג מ- Aa ועד Caa. המשתנה '1' מציין שאגרת החוב מצויה בקצה העליון של קטגורית הדירוג שאליה היא משתייכת, המצוינת באותיות. המשתנה '2' מציין שהיא נמצאת באמצע קטגורית הדירוג; ואילו המשתנה '3' מציין שאגרת החוב נמצאת בחלק התחתון של קטגורית הדירוג שלה, המצוינת באותיות.

דו"ח מספר: CHDIC050811000M

מידרוג בע"מ, מגדל המילניום רח' הארבעה 17 תל-אביב 64739

טלפון 03-6844700, פקס 03-6855002, www.midroog.co.il

כל המידע המפורט במסמך זה ושעליו הסתמכה מידרוג נמסר לה על ידי מקורות הנחשבים בעיניה לאמינים ומדויקים. מידרוג אינה בודקת באופן עצמאי את נכונותו, שלמותו, התאמתו, דיוקו או אמיתותו של המידע (להלן: "המידע") שנמסר לה והיא מסתמכת על המידע שנמסר לה לצורך קביעת הדירוג על ידי החברה המדורגת.

הדירוג עשוי להשתנות כתוצאה משינויים במידע המתקבל ו/או כתוצאה מקבלת מידע חדש ו/או מכל סיבה אחרת. עדכונים ו/או שינויים בדירוגים מופיעים באתר האינטרנט של מידרוג שכתובתו: www.midroog.co.il. הדירוגים המתבצעים על ידי מידרוג הנם בגדר חוות דעת סובייקטיבית ואין הם מהווים המלצה לרכישה או להימנעות מרכישה של אגרות חוב או מסמכים מדורגים אחרים. אין לראות בדירוגים הנעשים על ידי מידרוג כאישור לנתונים או לחוות דעת כלשהן או כניסיונות לבצע הערכה עצמאית למצבה הכספי של חברה כלשהי או להעיד על כך, ואין להתייחס אליהם בגדר הבעת דעה באשר לכדאיות מחירן או תשואתן של אגרות חוב או של מסמכים מדורגים אחרים. דירוגי מידרוג מתייחסים במישרין רק לסיכוני אשראי ולא לכל סיכון אחר, כגון הסיכון כי ערך השוק של החוב המדורג ירד עקב שינויים בשערי ריבית או עקב גורמים אחרים המשפיעים על שוק ההון. כל דירוג או חוות דעת אחרת שמעניקה מידרוג צריכים להישקל כמרכיב בודד בכל החלטת השקעה הנעשית על ידי משתמש במידע הכלול במסמך זה או על ידי מי מטעמו, ובהתאם, כל משתמש במידע הכלול במסמך זה חייב ללמוד ולבצע הערכה של כדאיות השקעה מטעמו לגבי כל מנפיק, ערב, אגרת חוב או מסמך מדורג אחר שבכוונתו להחזיק, לרכוש או למכור. דירוגיה של מידרוג אינם מותאמים לצרכיו של משקיע מסוים ועל המשקיע להסתייע בייעוץ מקצועי בקשר עם השקעות, עם הדין או עם כל עניין מקצועי אחר. מידרוג מצהירה בזאת שהמנפיקים של אגרות חוב או של מסמכים מדורגים אחרים או שבקשר עם הנפקתם נעשה דירוג, התחייבו לשלם למידרוג עוד קודם לביצוע הדירוג תשלום בגין שרותי הערכה ודירוג הניתנים על ידי מידרוג.

מידרוג הינה חברת בת של מודי'ס אינבסטורס סרויס לטד.(Moody's Investors Service Ltd.) (להלן: "מודי'ס"), שלה 51% במידרוג. יחד עם זאת, הליכי הדירוג של מידרוג הנם עצמאיים ונפרדים מאלה של מודי'ס, ואינם כפופים לאישורה של מודי'ס. בו בזמן שהמתודולוגיות של מידרוג מבוססות על אלה של מודי'ס, למידרוג יש מדיניות ונהלים משלה וועדת דירוג עצמאית.

למידע נוסף על נהלי הדירוג של מידרוג או על ועדת הדירוג שלה, הנכם מופנים לעמודים הרלוונטיים באתר מידרוג.

Somekh Chaikin

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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 June 30, 2011 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the six and three month periods then ended. The Board of Directors and Management are responsible for the preparation and presentation of this interim financial information in accordance with 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 17% of the total consolidated assets as at June 30, 2011, and whose revenues from sales and services constitute 5% and 5% of the total consolidated revenues from sales and services for the six and three month periods then ended, respectively. Furthermore, we did not review the condensed interim financial information of equity accounted investees the investment in which amounted to NIS 1,852 million as at June 30, 2011, and the Group's share in their losses amounted to NIS 36 million and NIS 19 million for the six and three month periods then ended, respectively. 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.)

August 25, 2011

Consolidated Statements of Financial Position

	June 30, 2011 *	June 30, 2010	December 31, 2010
	(Unaudited)	(Unaudited)	(Audited)
	N I S millions		
Non-current assets			
Investments in affiliated companies	6,057	6,622 **	5,908
Other pledged investments	5,144	4,511	5,536
Other investments, including derivatives	281	1,403	316
Loans, pledged deposits and debit balances	1,231	493 **	714
Fixed assets	6,446	5,990	6,095
Investment property and other assets	8,671	7,599	7,714
Assets designated for the payment of employee benefits	22	20	22
Long-term trade receivables	777	500	521
Inventory of real estate	142	123	143
Deferred expenses	22	28 **	30
Deferred tax assets	162	207	200
Intangible assets	6,034	6,247 **	6,078
	34,989	33,743	33,277
Current assets			
Current investments, including derivatives	1,975	2,149	2,041
Short-term loans, deposits and pledged deposits	233	99	140
Receivables and debit balances	471	391	310
Current tax assets	57	59 **	43
Trade receivables	3,142	2,919	2,910
Inventory	1,015	913	888
Inventory of buildings held for sale	686	532	605
Assets classified as held for sale	145	278	224
Cash and cash equivalents	4,406	3,640 **	5,096
	12,130	10,980	12,257
Total assets	47,119	44,723	45,534

* As regards the first time consolidation of the financial statements of Maariv Holdings Ltd. as from June 2, 2011 – See note 4.F.1.
** Reclassified – See note 3.B.1.

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

Consolidated Statements of Financial Position (cont'd)

	June 30, 2011 *	June 30, 2010	December 31, 2010
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions		
Equity			
Share capital	742	742	742
Other capital reserves	3,556	3,157	2,673
Retained earnings (accumulated loss)	(680)	1,520	422
Equity attributed to the owners of the Company	3,618	5,419	3,837
Non-controlling interests	4,653	5,334	4,763
	8,271	10,753	8,600
Non-current liabilities			
Debentures	18,734	17,519	18,545
Bank loans and other financial liabilities	9,788	7,952 **	9,229
Provisions	60	29	29
Deferred tax liabilities	1,202	1,158	1,125
Employee benefits	122	89	91
Liabilities in respect of government grants and other liabilities	85	35	89
	29,991	26,782	29,108
Current liabilities			
Current maturities of debentures	2,103	1,537	1,675
Bank credit, overdraft and current maturities of bank loans and others	1,064	691	741
Payables and credit balances	2,397	2,105 **	2,156
Derivatives	279	62	147
Trade payables	2,737	2,455	2,433
Current tax liabilities	126	212 **	293
Provisions	151	126	111
Dividend payable	-	-	270
	8,857	7,188	7,826
Total equity and liabilities	47,119	44,723	45,534

* As regards the first time consolidation of the financial statements of Maariv Holdings Ltd. as from June 2, 2011 – See note 4.F.1.
** Reclassified – See note 3.B.1.

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

Date of approval of financial statements: August 25, 2011

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

Consolidated Statements of Income

	6 months ended June 30,		3 months ended June 30,		Year ended December
	2011 ***	2010 *, **	2011 ***	2010 **	31, 2010 *
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)
	NIS millions				
Income					
Sales and services	10,162	8,045	5,146	4,816	18,166
Group's share in earning of affiliates, net	191	-	-	-	-
Gain on sale of investments and assets, dividends and gain following rise to control	226	2,212	203	885	2,260
Increase in fair value of investment property and other assets	445	229	409	223	461
Other income	1	-	-	-	1
Financing income	216	185	113	116	381
	11,241	10,671	5,871	6,040	21,269
Expenses					
Cost of sales and services	6,535	5,050	3,368	3,079	11,595
Research and development expenses	38	46	19	20	80
Selling and marketing expenses	1,776	1,216	906	814	2,902
General and administrative expenses	553	519	297	275	1,049
Group's share in loss of affiliates, net	-	274	3	325	633
Loss on sale and reduction of investments and assets (See note 4.C.7 and 4.E.2)	1,881	21	1,878	14	29
Decrease in fair value of investment property and other assets	2	2	-	-	2
Other expenses	5	-	4	1	22
Financing expenses	1,420	794	1,007	641	2,031
	12,210	7,922	7,482	5,169	18,343
Earning (loss) before income tax	(969)	2,749	(1,611)	871	2,926
Income tax expense	(254)	(433)	(143)	(336)	(786)
Earning (loss) for the period	(1,223)	2,316	(1,754)	535	2,140
Attributable to:					
Owners of the Company	(949)	1,604	(1,202)	56	1,242
Non-controlling interests	(274)	712	(552)	479	898
	(1,223)	2,316	(1,754)	535	2,140
Earning (loss) per share for the owners of the Company	**NIS**	**NIS**	**NIS**	**NIS**	**NIS**
Basic earning (loss) per share	(11.2)	18.8	(14.1)	0.6	14.5
Diluted earning (loss) per share	(11.2)	18.8	(14.1)	0.6	14.5

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

** Reclassified – See note 3.B.2.

*** As regards the first time consolidation of the financial statements of Maariv Holdings Ltd. as from June 2, 2011 – See note 4.F.1.

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

Discount Investment Corporation Ltd.

Consolidated Statement of Comprehensive Income

	6 months ended June 30, 2011** (Unaudited)	6 months ended June 30, 2010 * (Unaudited)	3 months ended June 30, 2011 ** (Unaudited)	3 months ended June 30, 2010 (Unaudited)	Year ended December 31, 2010 * (Audited)
	NIS millions				
Profit (loss) for the year	(1,223)	2,316	(1,754)	535	2,140
Other comprehensive income					
Reserve for revaluation of investment following rise to control that was recognized in profit or loss	-	2	-	1	4
Actuarial gains from defined benefit plan, net of tax	5	2	5	-	4
Foreign currency translation differences for foreign operations, net of tax	(81)	55	(32)	82	(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	(6)	1	(2)	6	6
Net changes in fair value of cash flow hedges transferred to profit or loss, net of tax	8	9	4	7	(7)
Net changes in fair value of available-for-sale financial assets, net of tax	(440)	(1,302)	(608)	(1,567)	(1,307)
Net changes in fair value of available-for-sale financial assets transferred to profit or loss, net of tax	(9)	(51) ***	5	(19) ***	(79)
Impairment loss on available-for-sale financial assets transferred to profit or loss, net of tax	1,787	2 ***	1,787	2 ***	4
Revaluation of fixed assets transferred to investment property, net of tax	-	3	-	2	3
Company's share of other comprehensive income (loss) of affiliated companies, net of tax	(185)	91	(101)	189	(360)
Other comprehensive income (loss) for the period, net of tax	1,079	(1,195)	1,058	(1,297)	(1,859)
Total comprehensive income (loss) for the period	(144)	1,121	(696)	(762)	281
Attributable to:					
Owners of the Company	(276)	842	(541)	(752)	39
Non-controlling interests	132	279	(155)	(10)	242
Total comprehensive income (loss) for the period	(144)	1,121	(696)	(762)	281

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

** As regards the first time consolidation of the financial statements of Maariv Holdings Ltd. as from June 2, 2011 – See note 4.F.1.

*** Reclassified – See note 3.B.3.

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	(Accumulated loss) Retained earnings	Total equity attributable to the owners of the Company	Non-controlling interests	Total equity
	NIS millions											
For the 6 months ended June 30, 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
Loss for the period	-	-	-	-	-	-	-	-	(949)	(949)	(274)	(1,223)
Other comprehensive income for the period	-	-	-	(177)	2	846	-	-	6	673	406	1.079
Transactions with owners recorded directly in equity, contributions by owners and distributions to owners												
Dividend paid to the owners of the Company (See note 5.A)	-	-	-	-	-	-	-	-	(180)	(180)	-	(180)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(553)	(553)
Sales of shares in subsidiaries to non-controlling interests *	-	-	236	-	1	-	-	-	-	237	215	452
Non-controlling interests in respect of business combination (See note 4.F. and note 4.C.4)	-	-	-	-	-	-	-	-	-	-	87	87
Share-based payments granted by subsidiaries	-	-	-	-	-	-	-	-	-	-	9	9
Amortization against retained earnings of revaluation reserve in respect of step acquisition of subsidiary	-	-	-	-	-	-	(21)	-	21	-	-	-
Balance as at June 30, 2011	742	4,014	239	(865)	(30)	68	129	1	(680)	3,618	4,653	8,271

* 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 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	(Accumulated loss) 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 June 30, 2011 (unaudited)												
Balance as at April 1, 2011	742	4,014	6	(782)	(27)	(678) [(1)]	139	1	510	3,925	4,807	8,732
Loss for the period	-	-	-	-	-	-	-	-	(1,202)	(1,202)	(552)	(1,754)
Other comprehensive income for the period	-	-	-	(83)	(4)	746	-	-	2	661	397	1,058
Transactions with owners recorded directly in equity, contributions by owners and distributions to owners												
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(283)	(283)
Sales of shares in subsidiaries to non-controlling interests *	-	-	233	-	1	-	-	-	-	234	216	450
Non-controlling interests in respect of business combination (See note 4.F.)	-	-	-	-	-	-	-	-	-	-	64	64
Share-based payments granted by subsidiaries	-	-	-	-	-	-	-	-	-	-	4	4
Amortization against retained earnings of revaluation reserve in respect of step acquisition of subsidiary	-	-	-	-	-	-	(10)	-	10	-	-	-
Balance as at June 30, 2011	742	4,014	239	(865)	(30)	68	129	1	(680)	3,618	4,653	8,271

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

(1) 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	Capital reserve from controlling shareholders	Retained earnings	Total equity attributable to the owners of the Company	Non-controlling interests	Total equity
	NIS millions											
For the 6 months ended June 30, 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	-	-	-	-	-	-	-	-	1,604	1,604	712	2,316
Other comprehensive income (loss) for the period	-	-	-	107	(17)	(858)	4	-	2	(762)	(433)	(1,195)
Transactions with owners recorded directly in equity, contributions by owners and distributions to owners												
Dividend paid to the owners of the Company	-	-	-	-	-	-	-	-	(570)	(570)	-	(570)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(493)	(493)
Sales of shares in subsidiaries to non-controlling interests *	-	-	(1) ***	-	-	-	-	-	-	(1)	7	6
Acquisition of shares in subsidiaries from non-controlling interests **	-	-	21 ***	-	-	(4)	-	-	-	17	(44)	(27)
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	-	-	-	-	-	-	-	-	-	-	14	14
Transaction with controlling shareholders in subsidiary	-	-	-	-	-	-	-	1	-	1	-	1
Amortization against retained earnings of revaluation reserve in respect of step acquisition of subsidiary	-	-	-	-	-	-	(26)	-	26	-	-	-
Balance as at June 30, 2010	742	4,014	20	(284)	(22)	(753)	181	1	1,520	5,419	5,334	10,753

* Including effects from realization of shares-based payment in subsidiaries, and investments of non-controlling interests. ** Including effects from expirations of shares-based payment instruments in subsidiaries
*** Reclassified – See note 3.B.4.

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
	NIS millions											
For the 3 months ended June 30, 2010 (unaudited)												
Balance as at April 1, 2010	742	4,014	6	(477)	(13)	246	193	-	1,749	6,460	5,642	12,102
Earning for the period	-	-	-	-	-	-	-		56	56	479	535
Other comprehensive income (loss) for the period	-	-	-	193	(9)	(995)	2	-	1	(808)	(489)	(1,297)
Transactions with owners recorded directly in equity, contributions by owners and distributions to owners												
Dividend paid to the owners of the Company	-	-	-	-	-	-	-	-	(300)	(300)	-	(300)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(260)	(260)
Acquisition of shares in subsidiaries from non-controlling interests	-	-	14	-	-	(4)	-	-	-	10	(37)	(27)
Change in non-controlling interests following discontinuance of consolidation of subsidiary	-	-	-	-	-	-	-	-	-	-	(11)	(11)
Share-based payments granted by subsidiaries	-	-	-	-	-	-	-	-	-	-	10	10
Transaction with controlling shareholders	-	-	-	-	-	-	-	1	-	1	-	1
Amortization against retained earnings of revaluation reserve in respect of step acquisition of subsidiary	-	-	-	-	-	-	(14)	-	14	-	-	-
Balance as at June 30, 2010	742	4,014	20	(284)	(22)	(753)	181	1	1,520	5,419	5,334	10,753

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
	NIS millions											
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.

Consolidated Statements of Cash Flows

	6 months ended June 30,		3 months ended June 30,		Year ended December 31,
	2011 **	2010 *	2011 **	2010	2010 *
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions				
Cash flows generated by operating activities					
Earning (loss) for the period	(1,223)	2,316	(1,754)	535	2,140
Group's share in (net earning) loss of affiliates, net	(191)	274	3	325	633
Dividends received	225	347	219	339	384
Loss (gain) on sale and reduction of investments and assets, net, dividends and gain following rise to control	1,655	(2,191)	1,675	(871)	(2,231)
Increase in fair value of investment property and other assets, net	(443)	(227)	(409)	(223)	(459)
Depreciation of fixed assets and deferred expenses	336	330	171	179	642
Depreciation of intangible assets	257	209	128	127	533
Financing costs, net	1,206	605	894	524	1,648
Taxes on income, net	254	433 ***	143	336 ***	786
Income tax paid, net	(364)	(271) ***	(214)	(171) ***	(498)
Payments from settlement of derivatives	(8)	(10)	(5)	(4)	(14)
Share-based payment transactions	9	14	4	10	30
	1,713	1,829	855	1,106	3,594
Decrease(increase) in receivables and debit balances (including long-term amounts)	(79)	(42)	(67)	(28)	10
Decrease (increase) in trade receivables (including long-term amounts)	(365)	65	(116)	279	75
Decrease(increase) in inventory	(103)	134	119	120	153
Increase in non-current inventory	(15)	(2)	(5)	(2)	(24)
Change in provision and employee benefits	3	2	2	2	6
Increase (decrease) in trade payables	313	(95)	(111)	(267)	(151)
Increase (decrease) in sundry payables and credit balances, government grants and others (including long-term amounts)	45	(19) ***	(59)	(175) ***	(10)
	(201)	43	(237)	(71)	59
Net cash inflow generated by operating activities	1,512	1,872	618	1,035	3,653

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

** As regards the first time consolidation of the financial statements of Maariv Holdings Ltd. As from June 2, 2011 – See note 4.F.1.

*** Reclassified – See note 3.B.5.

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

Consolidated Statements of Cash Flows (cont'd)

	6 months ended June 30,		3 months ended June 30,		Year ended December 31,
	2011 **	2010 *	2011 **	2010	2010 *
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS millions				
Cash flows generated by operating activities					
Long-term deposits, loans and investments granted	(75)	(805) ***	-	(15) ***	(808)***
Collection of long-term deposits and loans granted	37	796	28	788	806
Increase in pledged deposits, net	(526)	(192) ***	(560)	(192) ***	(443)***
Short-term loans, deposits, pledged deposits and current investments that are not available-for-sale marketable securities, net	(43)	(194)	34	173	(115)
Current investment in available-for-sale marketable securities, net	71	(245)	14	(572)	(208)
Investments in investee companies	(176)	(97)	(66)	(56)	(183)
Non current investments	(133)	(2,122)	(10)	(285)	(2,184)
Investment in investment property, in fixed assets and in intangible assets	(1,180)	(1,826)	(299)	(1,506)	(2,586)
Proceeds from settlement of derivatives	47	24	3	6	17
Acquisition of subsidiaries net of cash acquired in the framework of their initial consolidation	(95)	552	(73)	(113)	538 ****
Proceeds from sale of subsidiaries net of cash disposed of in the framework of discontinuing in its consolidation	-	410	-	410	411
Proceeds from disposal of non current investments	161	340	121	119	359
Proceeds from disposal of investment property, fixed assets and other assets	49	107	19	89	283
Taxes paid on sale of investment property and fixed assets	(12)	(5) ***	(6)	(5) ***	(18)
Interest received	88	43	46	20	88
Net cash outflow generated by investing activities	(1,787)	(3,214)	(749)	(1,139)	(4,043)
Cash flows generated by financing activities					
Non-current financial liabilities received	1,885	3,375	304	1,700	6,299
Current financial liabilities, net	322	(171)	219	(81)	(130)
Sale of shares in subsidiaries to non-controlling interests	456	2	456	-	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	-	(26)	-	(26)	(27)
Interest paid	(848)	(690)	(309)	(289)	(1,273)
Dividend paid to the owners of the Company	(450)	(570)	(180)	(570)	(1,070)
Dividend to non-controlling interests of subsidiaries	(401)	(493)	(313)	(361)	(1,172)
Collection of non-current financial liabilities	(1,397)	(1,744)	(397)	(1,237)	(2,543)
Proceeds from settlement of derivatives	17	17	8	5	38
Net cash inflow (outflow) generated by financing activities	(414)	(295)	(212)	(859)	250
Decrease in cash and cash equivalents	(689)	(1,637)	(343)	(963)	(140)
Cash and cash equivalents at the beginning of the period	5,096	5,268	4,744	4,573	5,268
Effect of exchange rate fluctuations on cash and cash equivalents	(3)	9 ***	3	26 ***	(32)
Cash included in group of assets held for sale	-	-	-	4	-
Cash and cash equivalents at the end of the period	4,404******	3,640 ***	4,404 ******	3,640 ***	5,096

* The financial statements of Shufersal Ltd. are consolidated as from February 25, 2010. ** As regards the first time consolidation of the financial statements of Maariv Holdings Ltd. as from June 2, 2011 – See note 4.F.1. *** Reclassified – See note 3.B.5. **** Including an amount of NIS 244 million in respect of the initial consolidation of Elron Electronic Industries Ltd. on January 1, 2010. ***** Including proceeds from exercise of options to non-controlling interests and sale of treasury shares to non-controlling interests by subsidiaries. ****** After offsetting an overdraft in the amount of NIS 2 million.

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

Notes to the Financial Statements as at June 30, 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 Company's financial statements for the year ended December 31, 2010 that were authorized for issue on March 27, 2011 (hereinafter "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 June 30, 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 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 August 25, 2011.

Notes to the Financial Statements as at June 30, 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 June 30, 2011	3.415	4.0935	110.34
As at June 30, 2010	3.875	3.5853	105.9
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 six months ended June 30, 2011	3.8%	8.1%	2.2%	2.2%
For the six months ended June 30, 2010	2.6%	(2.2%)	0.7%	0.4%
For the three months ended June 30, 2011	(1.9%)	7.6%	1.5%	1.3%
For the three months ended June 30, 2010	4.4%	2.8%	1.5%	1.3%
For the year ended December 31, 2010	(6.0%)	3.3%	2.7%	2.3%

Notes to the Financial Statements as at June 30, 2011

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:

1. In the framework of *Improvements to IFRSs 2010*, in May 2010 the IASB approved and published 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. 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 June 30, 2010:
   - An amount of NIS 197 million was reclassified from cash and cash equivalents to loans, pledged deposits and debit balances.
   - Loans, pledged deposits and debit balances decreased by NIS 54 million; investments in affiliated companies increased by NIS 21 million; bank loans and other financial liabilities decreased by NIS 33 million.
   - Amounts of NIS 10 million and NIS 24 million were reclassified from current tax assets and current tax liabilities, respectively, to payables and credit balances.
   - An amount of NIS 54 million was reclassified from deferred expenses to intangible assets.

2. In the consolidated statements of income for the six and three months ended June 30, 2010:
   - The Group's share of losses of affiliates, net, in amounts of NIS 274 million and NIS 325 million for the six and three months, respectively, was reclassified from the Group's revenues to the Group's expenses.

Note 3 - Significant Accounting Policies (cont'd)

B. Change in classification (cont'd)

2. (cont'd)
   - An amount of NIS 3 million was reclassified from gain on sale of investments and assets, dividends and gain following rise to control to loss on sale and reduction of investments and assets
   - Amounts of NIS 4 million and NIS 2 million for the six and three months, respectively, were reclassified from cost of sales and services to research and development expenses.
   - An amount of NIS 4 million was reclassified between general and administrative expenses to taxes on income.
   - Amount of NIS 9 million and NIS 10 million for the six and three months, respectively, were reclassified from general and administrative expenses to selling and marketing expenses.

3. In the consolidated statements of comprehensive income an amount of NIS 2 million for the six and three months ended June 30, 2010 was reclassified from net change in fair value of available-for-sale financial assets transferred to profit or loss, net of tax, to impairment loss on available-for-sale financial assets transferred to profit or loss, net of tax.

4. In the consolidated statement of changes in equity for the six months ended June 30, 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.

5. a. In the consolidated statements of cash flows for the six months and three months ended June 30, 2010:
      - In the cash flows from operating activities an amount of 4 million was reclassified from increase (decrease) in sundry payables and credit balances, government grants and others to taxes on income, net.
      - An amount of NIS 5 million was reclassified from income tax paid, net, under cash flows from operating activities to taxes paid on sale of investment property and fixed assets under cash flows from investing activities.
      - Further to that mentioned in Note 3.B.1 above regarding a classification in the consolidated statement of financial position as at June 30, 2010, in the cash flows from investing activities for the aforementioned periods an amount of NIS 192 million was classified to increase in pledged deposits, net, the effect of exchange rate fluctuations on cash and cash equivalents was adjusted by the amount of NIS 5 million, and the balance of cash and cash equivalents at the end of the period was adjusted by the amount of NIS 197 million.

   b. In the consolidated statement of cash flows for the year ended December 31, 2010:
      - In the cash flows from investing activities an amount of NIS 443 million was reclassified from long-term deposits, pledged deposits, loans and investments granted to increase in pledged deposits, net.

Note 3 - Significant Accounting Policies (cont'd)

C. New standards and interpretations not yet adopted

1. **IFRS 9 (2009),** ***Financial Instruments*** (hereinafter "IFRS 9") and **IFRS 9 (2010)** (hereinafter "update to 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.

   The update to IFRS 9 generally preserves the instructions regarding classification and measurement of financial liabilities that are provided in IAS 39. Nevertheless, unlike IAS 39, the update to 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. The update to 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.

   IFRS 9 and the update to IFRS 9 are 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 and in the update to IFRS 9. IFRS 9 and the update to IFRS 9 are to be applied retrospectively other than in a number of exceptions as indicated in the transitional provisions included in IFRS 9 and in the update to IFRS 9.

Note 3 - Significant Accounting Policies (cont'd)

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

1. **IFRS 9 (cont'd)**

Following the reply of the Securities Authority to an initial inquiry of Koor, Koor is examining the possibility of early adopting IFRS 9 as from the first quarter of 2012. Insofar as Koor decides to do so, it is possible that according to the guidance of IFRS 9 it will choose the alternative of presenting the change in fair value of the investment in shares of Credit Suisse Group AG (hereinafter "Credit Suisse") in the framework of other comprehensive income, and never classifying the amounts included in other comprehensive income to profit or loss at a later date, not even upon selling the shares, other than dividends (that do not clearly constitute a return of the cost of the investment) that will be recorded in profit or loss. Furthermore, if Koor chooses the alternative of presenting the change in fair value under other comprehensive income, the comparative amounts for the years 2010 and 2011 will be amended by means of restatement, so that the negative difference as at June 30, 2011 between the cost of the Credit Suisse shares and their market value with respect to the balance of Credit Suisse shares held by Koor as at January 1, 2012 (meaning less shares realized), will be included in a capital reserve for financial assets through other comprehensive income, along with a reversal of the proportionate part of the impairment loss on these shares that was recognized in the statement of income for the second quarter of 2011. Changes in the value of the investment in subsequent periods will also be recognized in other comprehensive income. As a result, and insofar as Koor acts as described above, the impairment loss on the balance of Credit Suisse shares held by Koor on January 1, 2012 will not be reflected in the comparative data for 2011 in the statements of income, and the balance of retained earnings will reflect this amendment too.

Nevertheless, it is emphasized that insofar as Koor chooses to early adopt the instructions of IFRS 9 without designation to fair value through other comprehensive income, Koor shall present the change in fair value of the investment in shares of Credit Suisse in profit or loss. If Koor adopts IFRS 9 in this manner, and early adopts it in its financial statements for the third quarter of 2011 or in its annual financial statements for 2011, the negative difference will not be fully recognized in profit or loss in the second quarter of 2011, but will be included as at January 1, 2011 as a reduction from the balance of retained earnings at the beginning of 2011, with the balance of the negative difference being recognized in profit or loss of the first and second quarters of 2011.

The other Group companies are also examining the early adoption of IFRS 9.

There is no certainty that the Group will choose to early adopt IFRS 9 and/or regarding its method of application, insofar as it is adopted as aforementioned. See Note 4.C.7 hereunder for details regarding the anticipated effects of adopting IFRS 9 on matters relating to the investment of Koor in shares of Credit Suisse.

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 entity'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

Note 3 - Significant Accounting Policies (cont'd)

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

2. **IAS 12 (cont'd)**

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, has the ability to affect those returns through its power over that investee and there is a link between power and return.
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.
- 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. 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 an agent or as a principal when assessing whether an investor controls an investee.
- 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, while there is no such definition in existing IFRS.
- The exposure to risk and rewards of an investee does not, on its own determine that the investor has control over an investee, rather it is one of the factor of control analysis.

IFRS 10 is applicable retrospectively for annual periods beginning on or after January 1, 2013, with certain relief as provided in the transitional provisions of IFRS 10. 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*.
Taking into consideration that the Company is as a holding company, IFRS 10 may have material effects on the financial statements of the Company.

Note 3 - Significant Accounting Policies (cont'd)

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

4. **IFRS 11 *Joint Arrangements*** (hereinafter "IAS 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 (as defined in IFRS 10). 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, regardless of whether the joint arrangement is not structured in a separate vehicle, or is structured in a separate vehicle but 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 ventures – All joint arrangements structured in a separate vehicle in which the parties with joint control have rights to the net assets of the joint arrangement.
     Joint ventures shall only be accounted for using the equity method, meaning that the option to apply the proportionate consolidation method is removed.
   - Accounting treatment for transition from significant influence to joint control, or vice versa- IAS 28 (2011) eliminates the existing requirement to remeasure the existing or retained interest in the investment to fair value.
   - According to IAS 28 (2011), IFRS 5 applies on an investment, or a portion of an investment, in an affiliate or a joint venture, that meets the criteria to be classified as held for sale. The equity method continues to be applied on the portion of the investment that has not been classified as held for sale.

   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. 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 started the process of examining the effects of adopting IFRSs 10, 11 and 12 as described above in its financial statements.

Note 3 - Significant Accounting Policies (cont'd)

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

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. 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 *Share-Based Payment* and leasing transactions within the scope of IAS 17 *Leases*. IFRS 13 does not apply to measurements that are similar to but are not fair value (such as the measurement of the net realizable value of inventory, in accordance with IAS 2 *Inventories*, and the measurement of value in use, in accordance with IAS 36 *Impairment of Assets*). 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 before initial application. The Group has started assessing the effects of adopting IFRS 13 in its financial statements.

7. **Amendment to IAS 1,** ***Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*** (hereinafter "IAS 1").
IAS 1 changes the presentation of items of other comprehensive income (hereinafter "OCI") in the financial statements, so that items of OCI that may be reclassified to profit or loss in the future, would be presented separately from those that would never be reclassified to profit or loss. Additionally, IAS 1 changes the title of the Statement of Comprehensive Income to Statement of Profit or Loss and Other Comprehensive Income. IAS 1 is effective for annual periods beginning on or after July 1, 2012. The amendment will be applied retrospectively. Early adoption is permitted providing that disclosure is provided.

8. **Amendment to IAS 19,** ***Employee Benefits*** (hereinafter "IAS 19")
IAS 19 introduces a number of changes to the accounting treatment of employee benefits. The key changes are as follows:
   - IAS 19 eliminates the possibility of postponing recognition of actuarial gains and losses, known as the "corridor method" and, in addition, eliminates the option of recognizing actuarial gains and losses directly in profit or loss. As a result, all actuarial gains and losses will be recognized immediately in equity through other comprehensive income.
   - IAS 19 requires immediate recognition of past service costs regardless of whether the benefits have vested or not.
   - The calculation of net financing income or expense will be determined by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability (asset). Accordingly, calculation of actuarial gains or losses will also change.
   - IAS 19 changes the definitions of short-term employee benefits and of other long term employee benefits, so that the distinction between the two will depend on when the entity expects the benefits to be wholly settled, rather than when settlement is due.
   - IAS 19 enhances the disclosure requirements for defined benefit plans, in an effort to provide better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

Note 3 - Significant Accounting Policies (cont'd)

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

8. **IAS 19 (cont'd)**
   - The definition of termination benefits has been clarified so that termination benefits are recognized at the earlier of when the entity recognizes, in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, costs for a restructuring that includes the payment of termination benefits, and when the entity can no longer withdraw the offer of the termination benefits.

   IAS 19 is applicable retrospectively (excluding certain exceptions stated in IAS 19) for annual periods beginning on or after January 1, 2013. Early adoption is permitted providing that disclosure is provided.
   The Group has started assessing the effects of adopting IAS 19 in its financial statements.

9. **Jointly controlled entities** – As mentioned in Note 2.B.5 to the annual financial statements, jointly controlled entities are accounted for using the proportionate consolidation method.
   Nevertheless, the Company is examining the possibility of changing its aforesaid accounting policy with respect to jointly controlled entities and to present these investments using the equity method instead of the proportionate consolidation method. Any change made in this accounting policy will be applied retrospectively.

Note 4 - Investments in Investee and Other Companies

A. Cellcom Israel Ltd. (hereinafter "Cellcom"), a subsidiary in which DIC holds 43% of equity and 47% of voting

1. 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:
   a. 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.

   b. 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 in Note 4.A.4 hereunder, insofar as it is executed, and for various other possible purposes.

2. In April 2011 Cellcom distributed a cash dividend in the total amount of NIS 303 million. DIC's share of the aforesaid dividend amounted to NIS 147 million.

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

A. Cellcom (cont'd)

3. Further to that mentioned in Paragraph a.3.a of Note 3.G.2 to the annual financial statements, regarding a motion Cellcom filed in November 2010 with the Supreme Court against the decision of the Ministry of Communications from September 2010 to amend the communications regulations and reduce the interconnect tariff: The motion was denied in June 2011 with the consent of Cellcom.

4. 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. Further to this regulatory change, in June 2011 Cellcom and Netvision Ltd. (hereinafter "Netvision"), a company controlled by the Company and Clal Industries and Investments Ltd. (a fellow subsidiary of the Company), entered a merger transaction pursuant to which Cellcom will acquire, by means of its subsidiary, the entire issued share capital of Netvision for cash, following which Netvision will become a wholly owned subsidiary of Cellcom. The fair value of Netvision was determined taking into consideration a valuation that was prepared by an independent valuer that was appointed for this purpose at the mutual agreement of both parties. According to the aforesaid valuation, the fair value of Netvision was estimated at NIS 1,538 million as at March 31, 2011 (the aforesaid valuation includes the value of Netvision as an independent business plus the value of the synergy with Cellcom that is attributed to Netvision according to the valuation, if the merger transaction is completed). Interest at the annual rate of 5% will be added to the amount determined in the aforesaid valuation, beginning from April 1, 2011 until the date of completing the merger. If the aforesaid transaction is executed, the Company expects to receive an amount of NIS 585 million plus interest as aforementioned in respect of the sale of its holding in Netvision to Cellcom. In July 2011 the transaction was approved by the Ministry of Communications and by the general shareholders' meetings of Netvision and Cellcom. Completing the transaction is subject to receiving a merger certificate from the registrar of companies. In the opinion of Netvision, the transaction will be completed in the next few weeks. Cellcom intends to finance the aforesaid acquisition, all or part, by raising new debt – see also Note 4.A.1 above and Note 6.K hereunder. If the aforesaid transaction is executed, Cellcom and the Company will begin consolidating the financial statements of Netvision in their financial statements. According to generally accepted accounting principles, the transition to consolidation will be accounted for in the financial statements of the Company as a sale of its investment in Netvision prior to the merger and a reacquisition of its entire holding in Netvision after the merger. Based on the carrying amount in these financial statements of the Company's investment in Netvision and according to the aforesaid valuation of Netvision, the Company expects to recognize a gain of NIS 74 million upon completing the transaction.

5. In June 2011 the Company sold 5% of the issued share capital of Cellcom for a total of NIS 456 million. As a result of the sale the Company recorded in the second quarter of 2011 a capital reserve for transactions with non-controlling interests having a credit balance of NIS 235 million and tax income in the amount of NIS 7 million, and DIC's interest in Cellcom decreased from 48.3% to 43.3% of the issued share capital and from 51.7% to 46.7% of the voting power.

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

A. Cellcom (cont'd)

5. (cont'd)

It is noted that the Company is considering requesting from the Securities Authority to examine the effect of certain possible changes in Cellcom's articles, which may increase the effective power of Cellcom's shareholding public, combined with a sale of part of DIC's interest in Cellcom, on the ability of DIC to discontinue consolidating the financial statements of Cellcom in its financial statements, and to accordingly recognize a gain on revaluation of the investment in Cellcom following discontinuance of the consolidation. This, also if additional shares are sold, and even though DIC is a large and major shareholder of Cellcom. The gain on the revaluation will be at the amount of the difference between the fair value of DIC's investment in Cellcom and the amount that will be included in the consolidated financial statements of the Company in respect of the share of DIC in the assets less liabilities of Cellcom and in the goodwill attributed to Cellcom (including capital reserves in its respect), all at that time. For indication in present value terms of the possible quantitative effect of executing such a valuation, see an annex to the financial statements. At this stage no changes in the articles have been formulated and there is no certainty that DIC shall choose to initiate any such changes, or that it will realize additional parts of its investment in Cellcom, and it is possible that DIC shall choose to increase its investment in Cellcom in the future.

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

1. In January 2011 Property & Building, by means of an American corporation (hereinafter "the buying corporation") wholly owned by 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.

   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. The lease agreements were assigned to the buying corporation on the date of completing the transaction.

   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.

   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.

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

B. Property & Building (cont'd)

1. (cont'd)
   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.

2. 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 that are in receivership, for a total consideration of NIS 262 million. The share of the aforesaid subsidiary in the aforesaid consideration is NIS 131 million. These lots of land are designated for the construction of 560 residential units. The commitment to purchase land in Rehovot for the purpose of constructing 290 residential apartments was approved by the court. The commitment to purchase land in Givat Shmuel for the purpose of constructing 270 residential apartments was not approved by the court.

3. 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:
   a. 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.

   b. 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.

4. Further to that mentioned in Paragraph 2.b.3 of Note 3.G to the annual financial statements, Property & Building is a 25% partner in a parcel of land with an area of approximately 140,000 sq. meters in Las Vegas, upon which there are plans to build an exclusive project including a hotel, a casino, commercial space, a convention hall and residential apartments – the Plaza Project (hereinafter "the project").
   The project will be built in stages, is in the process of planning and its construction will begin after reaching an appropriate arrangement with the existing lenders that partly financed acquisition of the land and subject to obtaining financing that meets the financing requirements of the project in the forthcoming years, so that under suitable market conditions the project company will be able to begin construction as described hereunder.
   IAS 36 provides a requirement to test and write-down, upon the existence of certain circumstances indicated in it, the value of tangible and intangible assets in its scope, up to their recoverable amount. IAS 36 provides that the recoverable amount is the higher of the value in use, which is calculated according to the discounted cash flows anticipated from the asset or the fair value less costs to sell, with the latter being the value that could be presently received from disposal of the assets.

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

B. Property & Building (cont'd)

4. (cont'd)

The recoverable amount of the project was determined to be $ 1 billion as at December 31, 2010 on the basis of a valuation that was prepared on the basis of the value in use method.

The project company intends to build the project in stages on the basis of the market conditions on the relevant dates. Because of the project company's intention to begin construction after obtaining financing for the construction and according to market conditions, the recoverable amount presented for the project in its financial statements was calculated according to the provisions of IAS 36 using the value in use method. The project company is in the process of planning and intends to take steps in 2011, as well as after that if necessary, to obtain appropriate financing according to the financing requirements of the project in the forthcoming years, so that if these conditions are met it will be able to begin construction.

The project company received an opinion from the project's valuer, by which in the valuer's opinion there has been no significant negative change as at June 30, 2011 in the economic parameters that were the basis for the aforesaid valuation of the project for December 31, 2010. The valuer stated that the opinion does not constitute a valuation of the project.

It is noted that the project company does not capitalize financing expenses that in the first half of 2011 amounted to $ 17 million and are included in the statement of income.

Furthermore, in the first half of 2011 Property & Building, together with its partners to the project, has started examining various alternatives for obtaining the financing required 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 groups that partly financed acquisition of the land and is due in August 2012 (the share of Property & Building - $ 155 million) (hereinafter "the loan"). Among other things, the possibility of engaging an international investment bank to assist in the negotiations with the lenders is being examined but has not yet been finalized.

Since no arrangement has as yet been reached with the existing lenders of the aforesaid loan and the project financing has not yet been obtained, the planned date for beginning construction of the project is expected to be postponed, so that instead of beginning construction at the end of 2011 it may begin in 2012.

In the opinion of Property & Building, based on there being no negative change in the economic parameters that were the basis for the valuation of the project as aforementioned, even if beginning construction of the project is postponed by up to one year, the value of the project is not expected to decrease (according to the value in use method) as compared with the aforesaid valuation as at December 31, 2010.

In the opinion of Property & Building, in the present conditions of the US market, the value of the project's assets according to the value in use method is higher than their fair value less costs to sell, the method that may be applied in its financial statements if construction of the project is not possible.

The project is presented in these financial statements and in the financial statements of Property & Building on a proportionate consolidation basis. Property & Building is examining the possibility of presenting its investment in the project company as an equity accounted affiliated company.

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

B. Property & Building (cont'd)

5. 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. In addition, in June 2011 Ispro the Israeli Properties Rental Corporation Ltd., a subsidiary of Property & Building, filed with the Securities Authority a draft shelf prospectus that has not yet been approved.

6. In April and June 2011 Property & Building distributed cash dividends of NIS 120 million and NIS 180 million, respectively. The share of DIC in the aforesaid dividends was NIS 94 million and NIS 141 million, respectively.

7. The fair value of the HSBC headquarters building in New York, which is held by an American corporation held in equal parts by Property & Building and Koor Industries Ltd. (hereinafter "Koor") was updated to the amount of $ 480 million on the basis of a valuation that was prepared by an independent appraiser in the USA. The transaction falls under the agreement with Rock Real described in Paragraph C.7 of Note 34 to the annual financial statements.
Following the aforementioned, Property & Building and Koor each recognized income from revaluation of the building in the amount of NIS 139 million and a provision in the amount of NIS 14 million. As a result of the aforementioned, in the second quarter of 2011 DIC recognized income in the amount of NIS 278 million under increase in fair value of investment property and other assets, an expense in the amount of NIS 28 million under general and administrative expenses and a deferred tax expense in the amount of NIS 113 million. DIC's share of the net gain of Property & Building and of Koor, which derives from the fair value adjustment of the building, amounted to NIS 97 million.

8. In the first quarter of 2011 Property & Building prepared valuations in respect of its investment property under construction in Israel. In addition, on June 30, 2011 Property & Building updated the valuations of all its investment property in Israel, mainly because of the significant change in the cash flows expected from the properties due to the properties being leased under CPI-linked leased contracts (the CPI increased by 2.8% from the date of the last valuation in September 2010), and following the real increase in rent payments Property & Building collects on its income producing properties in Israel.
The valuations were prepared by independent outside appraisers having appropriate professional qualifications. The valuations were performed mainly by discounting the future cash flows anticipated to derive from the properties. The discount rates used by the appraisers range between 7.75%-11% per year and were selected based on the type of property and its intended use, its location, the amount of the rent compared to market price and the quality of the lessees. In determination of the values of office buildings, buildings zoned for high-tech industries and commercial buildings (located primarily in the State's central zone and high-tech parks having a high quality of lessees) discount rates ranging 8%-9% per year were used, whereas workshop, warehouse and industrial buildings (located primarily in the suburban areas) were mainly valued using discount rates of 9%-10% per year. There was no change in the discount rates used in the present valuation from the discount rates Property & Building used in its last valuation in September 2010.

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

B. Property & Building (cont'd)

8. (cont'd)

As a result of the update in fair value as aforementioned, the Company's consolidated statements of income for the six and three month periods ended June 30, 2011 include income in the amount of NIS 151 million and NIS 128 million, respectively.

9. In June 2011 IDB Group USA Investments Inc. (hereinafter "IDBG"), a company equally owned by Property & Building and IDB Development (the Company's parent company) signed an agreement to acquire from another owner all its rights (constituting 29.75% of the ownership rights) in Great Wash Park, LLC (hereinafter "GW"), an affiliated company of Property & Building that is constructing a commercial project and offices in Las Vegas, as well as shareholders' loans the same owner of rights had granted to GW (the loans' principal amounts to $ 5 million) for a total of $ 4 million. The transaction was completed in August 2011.

C. Koor, a 63% subsidiary of the Company

1. In January 2011, Koor, Makhteshim-Agan Industries Ltd. (hereinafter "Makhteshim-Agan"), which is held by Koor at the rate of 47%, 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 all the public's holding in Makhteshim-Agan will be acquired, and shares of Makhteshim-Agan held by Koor will be acquired from it, so that immediately upon completing the merger Makhteshim-Agan will become a private company owned jointly by ChemChina (60%) and by Koor (40%) (hereinafter "the merger agreement").

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 20.1). 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.7 hereunder regarding a compromise in a claim against Koor and Makhteshim-Agan with respect to the aforesaid merger agreement.

Upon the closing of the merger, Makhteshim-Agan's shares will be de-listed from trading on the Tel Aviv Stock Exchange, and as aforementioned Makhteshim-Agan will become a private company. 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.

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

C. Koor (cont'd)

1. (cont'd)

In June 2011 a detailed loan agreement was signed in which ChemChina undertook that in the framework of completing the merger agreement, Koor would be provided a non-recourse loan in the amount of $ 960 million through a Chinese bank (hereinafter "the Chinese bank"), which will be secured solely by a lien on the Makhteshim-Agan shares held by Koor. In addition, the Chinese bank granted to Koor a letter of credit in the amount of the loan principal, which is backed by HSBC and guarantees provision of the loan. The loan principal will be fully repaid at the end of 7 years and will bear interest at a rate not exceeding the interest rate on the financing taken by ChemChina for paying the overall merger consideration, and in any case no more than the rate of Libor (for 6 months) +4.5% p.a. Upon the signing of the loan agreement ChemChina declared that the interest rate on the financing it will receive as aforementioned will be Libor (for 6 months) +4.5% p.a. Considering the current Libor rate the effective interest is estimated at 6% (after grossing up a deduction of taxes, to the extent required, and before fees). In the first 4 years of the loan, interest will not be paid (except interest payments from dividend receipts) but will be added to the principal of the loan and be paid with the principal at the end of the seventh year, and after then the current interest will be paid every 3 months. The loan agreement provides that Koor will bear reasonable expenses and various fees related to the loan and letter of credit.

The loan can 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. In the event of shares of Makhteshim-Agan being transferred to an unrelated third party, the consideration that will be received will be used first to repay a proportionate part of the loan (according to the number of pledged shares transferred). 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.

The merger's closing is contingent upon the fulfillment of various conditions which include (but are not limited to): obtaining the approvals required by the governmental authorities in China – proximate to the date of approval of these financial statements all the approvals required from the governmental authorities in China for execution of the transaction have been received; obtaining approvals from the Restrictive Trade Practices Authority or the passing of the waiting period provided in the law for their receipt – proximate to the date of approval of these financial statements the approvals of the restrictive trade practices authorities in Brazil and in the USA have been received, and the request for approvals of the restrictive trade practices authority in the European Union is still pending; approval to the Makhteshim-Agan merger agreement by a general meeting of Makhteshim-Agan at a special majority, in accordance with the provisions of Sections 320(f) and Section 275 of the Companies Law, 1999 – the approval of the general meeting was obtained in August 2011; and the signing of a loan agreement and providing the loan to Koor – the loan agreement was signed proximate to the date of approval of these financial statements and it will be provided to Koor upon the close of the transaction, should it be closed.

Subject to fulfillment of all the suspending conditions, the transaction is expected to close by October 31, 2011, while after that date each party has the right to cancel the agreement if it is not closed (subject to an extension under certain circumstances).

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

C. Koor (cont'd)

1. (cont'd)

As part of Koor's preparations for closing the merger agreement, it reached additional understandings with an Israeli bank that provides it credit (hereinafter in this note – "the bank") regarding liabilities of Koor with respect to credit that the bank had provided to it and its subsidiary (hereinafter in this note – "the credit"), which are subject to the merger agreement being closed by the end of 2011, of which the main understandings are as follows: Koor will be permitted to sell part of its holding in Makhteshim-Agan and to pledge the rest of its holding against receipt of the loan, and it will no longer be obligated to being the largest controlling shareholder in Makhteshim-Agan and to holding at least 26% of it. Concurrently, Koor undertook that as from the date the loan amount is transferred to its account and until the earlier of (a) the signing of a new agreement with the bank regarding new financial covenants, or (b) repayment of the credit, Koor will deposit an amount equal to NIS 1 billion in an unpledged bank account (non-deposit of the amount will be considered by the bank to be a cause for immediate repayment of the credit). Under certain circumstances of the merger agreement not being closed, the aforesaid amount will not be deposited and the previous letters of undertaking between Koor and the bank will again be in effect, other than adjustments under certain circumstances. Proximate to the date of approval of these financial statements, the balance of Koor's liability to the bank in respect of the credit amounts to NIS 0.9 billion, in addition to short-term loans in the amount of NIS 300 million.

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 and by the Company's general shareholders' meeting in August 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.

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

C. Koor (cont'd)

1. (cont'd)

If and when the transaction will close, the Company 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 56 million (takes into account capital reserves with debit balances that will be realized for NIS 62 million), and Koor expects to recognize net income, estimated at this stage at NIS 136 million (takes into account capital reserves with debit balances that will be realized, totaling NIS 73 million). Concurrently, on the closing date of the transaction, the Company and Koor will record an increase in equity for the said capital reserves that will be realized. These estimates of Koor and the Company 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 June 30, 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.

In addition to the aforesaid income, Koor will recognize income from the characteristics of the loan, net of tax and net of expenses relating to the compromise agreement in a claim against Koor and against Makhteshim-Agan, as detailed in Note 7.B.7 hereunder, which according to the aforementioned economic opinion could be significant and its final amount will be decided upon proximate to the date of closing the transaction.

Koor is examining the possibility of recording the benefit from the loan characteristics as a derivative under the other long-term investments including derivatives item, which will be updated in subsequent periods to profit or loss over the life of the loan on the basis of fair value, or of alternatively presenting the loan on the basis of its fair value, such that recognition of the benefit component in profit or loss will be spread over the life of the loan using the effective interest method. The Company will recognize its share in Koor's income for the characteristics of the loan, as noted.

The merger agreement 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 accounted for in the books of Koor and the Company by the equity method. It is clarified that the closing of the merger is not certain.

2. 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.

3. 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 Note 4.C.1, and following receipt of the approvals required from governmental authorities in China for closing

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

C. Koor (cont'd)

3. (cont'd)
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.

4. 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 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
	NIS millions		
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)

C. Koor (cont'd)

4. (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)

5. Further to that mentioned in Paragraph c.6 of Note 3.G.2 to the annual financial statements, in the first half of 2011 Koor invested an amount of $ 18 million in Credit Suisse Emerging Markets Credit Opportunity Fund L.P. (hereinafter "EMCO"). Proximate to the date of approval of these financial statements, the aggregate amount of Koor's investments in EMCO is $ 24 million, and it has a commitment to invest in it an additional amount of $ 101 million. In the second quarter of 2011 Koor's interest in EMCO declined from 12.5% to 12.2% as a result of the joining of additional limited partners.

6. In the first half of 2011 Koor bought and sold additional shares of Carrefour SA (hereinafter "Carrefour"). As a result of the aforesaid sales Koor recognized losses of NIS 4 million and NIS 7 million in the six and three month periods ended June 30, 2011, respectively. The Company's share of these losses amounted to NIS 3 million and NIS 4 million, respectively. As at June 30, 2011 Koor does not hold any shares of Carrefour. As from June 2009 (the first date Koor invested in shares of Carrefour) until June 30, 2011, Koor and the Company have recorded cumulative gains on this investment in the amount of NIS 39 million and NIS 25 million, respectively. As at the date of approval of these financial statements, the framework for investing in Carrefour has been cancelled.

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

C. Koor (cont'd)

7. In the first half and second quarter of 2011 Koor and the Company recorded gains (losses) and capital reserves in respect of their investment in shares of Credit Suisse as follows:

	Six months ended June 30, 2011		Three months ended June 30, 2011	
	On Koor's books	The Company's share	On Koor's books	The Company's share
	NIS millions			
Gains (losses)				
Impairment loss on the investment as at June 30, 2011	(1,825)	(1,148)	(1,825)	(1,148)
Cash distribution from Credit Suisse *	197	124	197	124
Deferred tax income **	74	47	65	41
Total loss	(1,554)	(977)	(1,563)	(983)
Movement in capital reserve				
Debit balance of capital reserve (net of tax effect) at beginning of period	(1,359)	(853)	(1,183)	(742)
Change in capital reserve during the period (net of tax effects)	(400)	(253)	(576)	(364)
Transfer of debit balance of capital reserve (net of tax effects) as at June 30, 2011 to the statement of income	1,759	1,106	1,759	1,106
Debit balance of capital reserve at end of period	-	-	-	-

* In May 2011 Credit Suisse distributed to its shareholders an amount in cash of CHF 1.3 per share from its capital reserves.

** Deferred tax income deriving mainly from transferring tax income recorded in comprehensive income to the statement of income, while at the same time recognizing an impairment loss on the investment in Credit Suisse.

As at June 30, 2011 Koor held 3.22% 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 5.14 billion as at that date. The negative difference between the original cost of the shares and their value on the stock exchange as at June 30, 2011 amounted to NIS 1.82 billion, reflecting a decline of 26.2% in the market value of the shares compared to their cost. See Note 6.D. hereunder regarding the sale of additional shares of Credit Suisse subsequent to the date of the statement of financial position and regarding Koor's shares in Credit Suisse proximate o the date of approval of these financial statements.

In view of the conditions prevailing in the business environment in which Credit Suisse operates and its shares are traded, and noting the unique characteristics of this investment, Koor's management has decided that the decline in value will be deemed significant if the decline in fair value (at the cut-off date) is 30% of the original cost or, if the decline in fair value (at the cut-off date) exceeds 25% of the original cost during the period of three consecutive months ending on

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

C. Koor (cont'd)

7. (cont'd)

the cut-off date. A decline in value will be deemed prolonged if the decline in fair value (on the cut-off date) relative to original cost continued over a period of twelve consecutive months. Examination of consecutiveness of a period, for the purpose of the above criteria, is based on a daily calculation of the share cost relative to its fair value, based on the available most up-to-date price at that date, between the two principal markets on which the Credit Suisse share is traded (the SIX Swiss Exchange in Switzerland and the NYSE in New York). It was also decided that this policy will be implemented as long as there has been no change in circumstances that would require a re-examination, and other than in extraordinary cases.

As regards the end of the second quarter of 2011, Koor examined the overall circumstances and mainly the length of the period that the fair value of the Credit Suisse shares (at the cutoff date) is lower than their original cost. Even though the aforesaid impairment period has not continued for more than twelve consecutive months, based on a single trading day on which the value did not decline and the consecutiveness of the period was broken, in the second quarter of 2011 the Group recognized an impairment loss in the statement of income at the amount of the negative difference of NIS 1.82 billion.

In accordance with IAS 39, after recognizing an impairment loss in the second quarter of 2011, any additional impairment in the aforesaid investment in shares of Credit Suisse will be immediately recognized in profit or loss, whereas any increase in value will be recognized in other comprehensive income – all in reference to the cut-off dates. The gain/loss from shares sold after the end of the second quarter of 2011, in which the loss was fully recognized as aforementioned, will be calculated compared to the reduced cost (the cost of the shares less impairment losses recognized until the last cut-off date) and will be included in profit or loss.

Further to that mentioned above in Note 3.C.1, the Group companies are considering the possibility of early adopting IFRS 9. Following the reply of the Securities Authority to an initial inquiry of Koor, Koor is examining the possibility of early adopting IFRS 9 as from the first quarter of 2012. Insofar as Koor decides to do so, it is possible that according to the guidance of IFRS 9 it will choose the alternative of presenting the change in fair value of the investment in shares of Credit Suisse in the framework of other comprehensive income, so that the negative difference as at June 30, 2011 between the cost of the Credit Suisse shares and their market value with respect to the balance of Credit Suisse shares held by Koor as at January 1, 2012 will be included in a capital reserve for financial assets through other comprehensive income, and at the same time a proportionate part of the impairment loss in respect of that same negative difference that was recognized in the statement of income for the second quarter of 2011 will be reversed. According to the amount of shares Koor holds at the date of approval of these financial statements, an impairment loss of NIS 1.24 billion that was recognized in the second quarter of 2011 will be reversed (the Company's share of this amount is NIS 0.8 billion). As a result, and insofar as Koor acts as described above, the impairment loss on the balance of Credit Suisse shares held by Koor on January 1, 2012 will not be reflected in the comparative data for 2011 in the statements of income, and the balance of retained earnings will reflect this amendment too. Nevertheless, it is emphasized that insofar as Koor chooses to early adopt the instructions of IFRS 9 without designation to fair value through other comprehensive income, Koor shall present the change in fair value of the investment in shares of Credit Suisse in profit or loss. If the Group adopts IFRS 9 in this manner, and early adopts it in the financial statements

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

C. Koor (cont'd)

7. (cont'd)

of Koor and of the Company for the third quarter of 2011 or in their annual financial statements for 2011, the negative difference of NIS 1.82 billion (the Company's share is NIS 1.1 billion) will not be fully recognized in profit or loss in the second quarter of 2011, rather a negative difference as at January 1, 2011 in the amount of NIS 1.4 billion (the Company's share of this negative difference is NIS 0.9 billion) will be included in the financial statements of Koor as a reduction from the balance of retained earnings at the beginning of 2011, with the balance of the negative difference of NIS 0.4 billion (the Company's share of this amount is NIS 0.3 billion) being recognized in profit or loss for the first and second quarters of 2011 – a gain of NIS 0.2 billion and a loss of NIS 0.6 billion, respectively (the share of the Company in these amounts is a gain of NIS 0.1 billion and a loss of NIS 0.4 billion, respectively).

As at June 30, 2011 Koor and its wholly owned subsidiaries have debt balances to a corporation of Citigroup and to a corporation of the Morgan Stanley group (hereinafter "the lending corporations") in the total amount of CHF 955 million (about NIS 3.91 billion). In addition, an amount of CHF 250 million (about NIS 1.02 billion) was deposited in deposits that are pledged in favor of the lending corporations. The net debt (less pledged deposits) to the lending corporations amounted to CHF 705 million (about NIS 2.89 billion). All the shares of Credit Suisse that at that date had a value of CHF 1.26 billion (about NIS 5.14 billion, as aforementioned) were pledged as security for the credit. In this respect see also Note 6.A 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 June 30, 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 249 million. In the first half and second quarter of 2011 Koor recognized financing expenses in the amount of NIS 82 million and NIS 177 million, respectively, from the valuation of Swiss franc/NIS cylinder transactions. The Company's share of the aforesaid expenses amounted to NIS 52 million and NIS 112 million, respectively. In accordance with Regulation 49 of the Securities Regulations (Periodic and Immediate Reports) – 1970, the valuation that Koor used to determine the fair value of liabilities in respect of Swiss franc/NIS currency options, which are held by it in respect of its investment in Credit Suisse and its Swiss franc denominated financing, is attached to these financial statements, even though the effect on operations of the aforesaid options did not exceed the quantitative threshold that requires attaching the valuation.

In view of the circumstances of holding such options, the fluctuations in the exchange rates and in the amounts of the transactions (it is noted that the amounts of the transaction change frequently), and taking into consideration the rate of the financing expenses for the six months ended June 30, 2011 from the representative profit and the amount of this loss, the Company has chosen to attach the aforesaid valuation on the basis of qualitative considerations. See also Note 6.D hereunder.

8. The fair value of the HSBC headquarters building in New York, which is held by a jointly held corporation of Property & Building and Koor, was updated as at June 30, 2011. See Note 4.B.7 above on this matter.

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

C. Koor (cont'd)

9. As at June 30, 2011, Koor has short-term bank loans in the amount of NIS 350 million bearing an average interest rate of 4.8% p.a. Until the date of approval of these financial statements, Koor was granted additional short-term bank loans in the amount of NIS 165 million. See also Note 6.B hereunder.

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

1. In February and June 2011 Shufersal distributed cash dividends in the amount of NIS 104 million and NIS 173 million, respectively (net of a dividend to a subsidiary of Shufersal). DIC's share in the dividends amounted to NIS 50 million and NIS 83 million, respectively.

2. In the first half of 2011 Shufersal paid NIS 312 million in respect of acquisitions and investments in branches (including the acquisition of rights in a land-owning company for the purpose of constructing a logistics center) and it also invested an amount of NIS 56 million in investment property.

3. 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 was approved by the Commissioner of Restrictive Trade Practices in June 2011. 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. The aforesaid transaction was closed in July 2011.

E. Elron Electronic Industries Ltd. (hereinafter "Elron"), a 50.5% subsidiary of DIC

1. 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 to Elron that at the time of reporting:
   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.

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

E. Elron (cont'd)

1. (cont'd)

   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 June 2011 the buyer reported that there have been no material changes compared to that reported by the buyer in March 2011.
   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.

2. Further to that mentioned in Paragraph 2.e.2 of Note 3.G and in Note 17 to the annual financial statements, with respect to shares in the Canadian company that Elron had received in the framework of selling its investment in Teledata Networks Ltd. (hereinafter "Teledata"), in the first half of 2011 all the shares of the Canadian company were released from their lock-up and also all the shares of the Canadian company that were held in trust were received.
   In the second quarter of 2011 Elron recognized a loss in the amount of $ 9 million from impairment of its shares in the Canadian company, after it examined at the reporting date the amount of the difference between the fair value of its shares in the Canadian company and their original cost at the date of selling Teledata, while taking into consideration the changes in fair value, the length of time the fair value was lower than the original cost and changes in the technological, economic and legal environment and in the market in which the Canadian company operates.
   DIC's share of the aforesaid loss amounted to NIS 15 million.

F. Maariv Holdings Ltd. (hereinafter "Maariv"), a 61% subsidiary of DIC

1. 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") were approved by the Company's Board of Directors in March 2011, and in their framework in March 2011 the Company provided to Maariv interim financing in the amount of NIS 20 million as a loan that was recorded on account of the Company's investment in Maariv when completing the transaction.
   The investments were completed in June 2011 in accordance with the investment agreements (hereinafter "the series of transactions"), and in this framework the Company acquired 61% of the issued and paid-in share capital of Maariv, as it is immediately after completing the series of

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

F. Maariv (cont'd)

1. (cont'd)

transactions, for a total investment of NIS 147 million. The investment was performed as follows: the Company invested in Maariv and provided to it an amount of NIS 120 million (which includes the interim financing in the amount of NIS 20 million that the Company had provided to Maariv in March 2011) in consideration for a private issuance of Maariv's shares to the Company. In addition the Company acquired, in consideration for NIS 20 million, shares of Maariv and a shareholders' loan to Maariv that amounted to NIS 11 million, from a company controlled by Dr. Zak Rachiv, one of the controlling shareholders in Maariv at the time of completing the series of transactions (hereinafter "Rachiv"). The shareholders' loan thus acquired by the Company was converted into shares of Maariv. In addition, the Company acquired shares of Maariv (that constituted 1.8% of the issued share capital of Maariv immediately after closing the series of transactions) that belonged to Mr. Gosinski and were pledged to an Israeli bank (hereinafter in this note "the bank") for the price of $ 2 million. In addition, the Company undertook towards the bank that if proceedings are initiated to realize certain additional shares of Maariv (that constituted 4.2% of the issued share capital of Maariv immediately after closing the series of transactions) that belong to Mr. Gosinski and are pledged to the bank, 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 series of transactions, subject to any applicable law. This liability of the Company towards the bank is accounted for in the financial statements as a put option of non-controlling interests in Maariv, meaning it was recognized as a liability and accounted for as a contingent cost of non-controlling interests.

Concurrently with the Company's above investment, the Land Development Corporation group, one of the controlling shareholders of Maariv before completing the series of transactions (hereinafter "LDC"), invested in Maariv and provided to it an amount of NIS 12 million in consideration for a private issuance of Maariv's shares to LDC, and it converted into shares of Maariv shareholders' loans having a balance of NIS 40 million that LDC had provided to Maariv in the past, following which LDC holds 27% of the issued and paid-in share capital of Maariv as it is immediately after completing the series of transactions. In addition, LDC and Maariv amended a number of agreements relating to assets that LDC leases out to Maariv, in which they extended the lease periods. The investment agreements also include a mutual waiver between Rachiv and Maariv and its subsidiaries with respect to claims, allegations or demands of any kind relating to the investment agreement of Rachiv in Maariv from May 2010 and its amendments.

Upon completion of the series of transactions, a shareholders' agreement between the Company and LCD came 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 accordance with an agreement from April 2011 between Maariv and the bank, on the date of closing the series of transactions Maariv repaid an amount of NIS 42 million to the bank (with the addition of any as yet unpaid interest) as the final settlement of all the debts of the Maariv

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

F. Maariv (cont'd)

1. (cont'd)

group to the bank in the amount of NIS 106 million. Maariv also reached understandings with other banks, and in their framework and together with the loan forgiveness described above and the loan forgiveness of LDC in the framework of the investment agreements, Maariv was forgiven a debt in the total amount of NIS 74 million. Furthermore, part of the banks postponed the repayment of debt by up to 36 months and lowered the interest on those loans.

The financial statements of Maariv are consolidated in these financial statements as from June 2, 2011. As a result of the initial consolidation of Maariv's financial statements, the Company recorded adjustments in the fair value of identifiable assets and liabilities, net, which were mainly allocated to land and buildings in the amount of NIS 31 million, with the building component being depreciated over 11 years, to trademarks in the amount of NIS 14 million, which are amortized over 15 years, to customer relations in the amount of NIS 17 million, most of which are amortized over 3 years, and to goodwill in the amount of NIS 51 million.

The effect on the assets and liabilities in the consolidated statement of financial position as at the date of initial consolidation of Maariv's financial statements in the financial statements of the Company was as follows:

	Value on books of Maariv before the first date of consolidation	Adjustments to fair value and goodwill	Values recognized upon the first date of consolidation
	NIS millions		
Current assets	186	-	186
Goodwill	31	20	51
Other intangible assets	-	31	31
Fixed and other assets	187	31	218
Current liabilities	(158)	-	(158)
Non-current liabilities	(99)	(2)	(101)
	147	80	227
Less: Non-controlling interests *	(44)	(20)	(64)
	103	60	163 **

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

** This amount reflects an investment of NIS 147 million, plus a liability in respect of the put option to non-controlling interests in the amount of NIS 16 million.

The aggregate cash flows derived for the Group from the acquisition:

	NIS millions
Cash paid	(147)
Cash and cash equivalents of Maariv	74
	(73)

Notes to the Financial Statements as at June 30, 2011

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

F. Maariv (cont'd)

1. (cont'd)
The revenues that were included in these financial statements as a result of the consolidation of the financial statements of Maariv from the date of rising to control until June 30, 2011 amounted to NIS 24 million. In addition, in the said period Maariv contributed to the loss attributable to the owners of the Company a loss of NIS 7 million.
If the Maariv business combination had been executed on January 1, 2011, the revenues from sales and services in the consolidated statements of income for the six and three month periods ended June 30, 2011 would have been NIS 118 million and NIS 47 million higher, respectively.

2. Maariv is examining the implementation of a number of actions and efficiency measures aimed at improving its cash flow and financial results in the long term. Proximate to the date of approval of these financial statements, it has not yet been decided which actions Maariv may decide to take and there is no certainty regarding their effect on its financial position. In the opinion of Maariv it will be able to meet its known financial liabilities.

G. Netvision, a 38% affiliate of the Company

1. In April 2011 Netvision paid a cash dividend in the amount of NIS 41 million. The share of DIC in the said dividend amounted to NIS 16 million.

2. See Note 4.A.4 above regarding the merger transaction between Netvision and Cellcom.

H. Ham-Let (Israel Canada) Ltd. (hereinafter "Ham-Let"), a 60% subsidiary of DIC

In May 2011 Ham-Let issued a shelf prospectus in the framework of which it will be able to offer to the public shares, options, debentures, and commercial securities.

Note 5 - Other Events in the Reporting 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. 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. 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. See also Note 6.J hereunder.

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 5 - Other Events in the Reporting Period (cont'd)

D. 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, the Company, 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 was voluntarily liquidated and all its excess assets were transferred to the Company.
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 annual financial statements 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.

E. In May 2011 the Company issued a shelf 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.

Note 6 - Subsequent Events

A. Further to that mentioned in Paragraphs 2.a and 2.b of Note 20.C to the annual financial statements, with respect to non recourse credit arrangements secured by Credit Suisse shares (hereinafter in this note “the credit arrangements”) that Koor has with the lending corporations, it is noted that according to the terms of the credit arrangements the lending corporations are allowed, during the credit period, to use the Credit Suisse shares furnished as collateral, including a pledge of the shares, lending them or executing additional dispositions of the pledged shares, provided that upon partial (including in the event of a sale of shares by Koor) or full repayment of the credit, the lending corporations will ensure the return of the identical number (as applicable) of the Credit Suisse shares to Koor as were furnished as collateral, as stated.
In July and August 2011, Koor reached agreements with the lending corporations regarding the following changes in the said credit arrangements: (a) in connection with the provision requiring the furnishing of a cash deposit as additional security in the event that the ratio of the net debt (after deducting pledged deposits) (hereinafter “net debt balance”) to the value of the pledged shares (hereinafter “debt to collateral ratio”) (according to the closing price on the Swiss stock exchange) exceeds the prescribed ceiling, it was agreed to raise the said ceiling from 60% to 68% (subject to changes in certain circumstances, related to a decrease in the average daily trading volume in the share on the Swiss stock exchange) (hereinafter “the fixed ratio”), in the event that the debt to collateral ratio exceeds the fixed ratio, Koor could be required to furnish a cash deposit as additional collateral, in a significant amount, that will lead to compliance with the debt to collateral ratio of 55% (subject to

Note 6 - Subsequent Events (cont'd)

A. (cont'd)

changes in certain circumstances); (b) regarding the provision regarding the right of the lending corporations to bring about forced immediate repayment of the credit in the event of a decline in the price of the Credit Suisse share, it was agreed to reduce the floor price of the share that exercises this right from CHF 24.75 per share (according to the credit arrangements before their update) to CHF 18 per share; and (c) adding an interest level up to the new ceiling of the debt to collateral ratio, and the margin was amended so that the interest rate paid on the utilized part of the credit will be the relevant Libor rate (on the Swiss franc) plus a margin ranging between 1.80% and 3.25%, based on the debt to collateral ratio (instead of a margin ranging between 1.70% and 2.60% according to the terms of the credit arrangements prior to their update).

Note that in the event the debt to collateral ratio exceeds 80% during a trading day, Koor could be required to immediately furnish a cash deposit as additional collateral, as aforesaid.

The said updates will be in effect until the beginning of the extension period, except with respect to the additional margin, which will range between 1.80% and 2.90% in the extension period (as long as Koor will exercise its right to extend the period) of each of the credit arrangements (December 2011 with respect to the credit arrangement with Morgan Stanley and January 2012 with respect to the credit arrangement with Citigroup).

According to the credit arrangements, Koor has the right to reduce the debt to collateral ratio by increasing the balance of the pledged deposits and by selling part of its holdings in Credit Suisse shares. In such a sale, the proceeds will be used to repay part of the debt, according to the credit arrangements, and the balance, if any, will be used to increase the pledged deposits. Withdrawal of the balance of the said deposits is limited (these deposits bear daily Swiss franc interest that changes from time to time ("TOIS interest"). According to the TOIS interest rate proximate to the date of approval of these financial statements, which approximates zero, the interest on the said deposits is trivial). According to the credit arrangements, in the event that the debt to collateral ratio falls below 50% (subject to changes in certain circumstances, as aforesaid), Koor will be allowed to release monies from the pledged deposits, such that after the said withdrawal of monies, the debt to collateral ratio will be 55% (subject to changes in certain circumstances, as aforesaid).

See Note 4.C.7 above for details regarding the balance of the Morgan Stanley credit and the balance of the Citigroup credit as at June 30, 2011.

Proximate to the date of approval of these financial statements, inter alia, following the sale of Credit Suisse shares described in Note 6.D hereunder, the balance of the Morgan Stanley credit and of the Citigroup credit amounted to CHF 315 million (NIS 1.44 billion) and CHF 321 million (NIS 1.47 billion), respectively, and the balance of the pledged deposits was CHF 327 million (NIS 1.49 billion). The balance of the net debt (after deducting pledged deposits) to Morgan Stanley and to Citi was CHF 309 million (NIS 1.41 billion).

To secure the credit, all of the Credit Suisse shares were pledged, with a value (according to the closing price on the Swiss stock exchange) as at such date of CHF 558 million (NIS 2.55 billion). Furthermore, the debt to collateral ratio was 55%.

B. Following the high volatility and sharp price declines in the world's stock exchanges, and the significant decrease posted in the price of Credit Suisse shares recently, and in order to enable Koor, inter alia, at its discretion, to use the right conferred on it under its non recourse credit framework arrangements with the lending corporations, secured by Credit Suisse shares, to increase the pledged deposits in favor of the lending corporations, thereby reducing the debt to collateral ratio, Koor has taken the following actions:

Notes to the Financial Statements as at June 30, 2011

Note 6 - Subsequent Events (cont'd)

B. (cont'd)

1. Regarding the sales of Credit Suisse shares subsequent to the date of the statement of financial position and Koor's share in Credit Suisse at the date of approval of these financial statements, see Note 6.D hereunder.

2. Regarding updated consents pertaining to the credit agreements with the lending corporations from the Citigroup Group and the Morgan Stanley Group, see Note 6.A above.

3. Further to that mentioned in Paragraph 2.d of Note 20.C to the annual financial statements regarding the financial covenants prescribed in the agreement of Koor (and a wholly-owned subsidiary of Koor) with one of the banks, presented below are the updates regarding the financing arrangement with the bank:
   Koor's commitment that the market value to debt ratio will at no time fall below 1.4 was updated to 1.32. A decrease in the said ratio below 1.32 (as long as it is not lower than 1.3) does not constitute a breach of the financing arrangements with the bank, unless it will continue for 14 consecutive business days, and Koor did not give notice by the end of the period of its intention to take certain actions that were specified in order to correct the ratio to the satisfaction of the bank and/or did not take any of the actions it gave notice about, as noted, to the bank, on the dates so prescribed. It was also agreed that regarding calculation of the "market value to debt ratio", as provided below, the bridge loan amounts provided to Koor by the Company and IDB Development will be deducted from the "net financial debt", as provided below. No change occurred in the remaining provisions of the financing arrangement, nor were there changes to the provisions regarding the "market value to debt ratio" of 1.3.
   The "market value to debt ratio" constitutes the quotient obtained from dividing the "assets value" as defined in the financing arrangement with the bank by "net financial debt", based on the financial data of Koor that consolidates only M.A.G.M. Chemistry Holdings Ltd. (hereinafter "M.A.G.M."), as long as M.A.G.M. is wholly-owned by Koor, when:
   - The "assets value" is the market value * of: Makhteshim-Agan shares held by Koor and by a wholly-owned subsidiary of Koor; plus the Credit Suisse shares **, the investment in which is derived from the debt to finance Credit Suisse as well as the Credit Suisse shares free of any lien, which are not deposited with any lender whatsoever that financed their purchase, held by Koor and/or the subsidiary of Koor (as long as the subsidiary is wholly-owned by Koor); plus the shares of Carrefour ***, the investment in which is derived from the debt to finance the Carrefour purchase and the shares of Carrefour free of any lien that are not deposited with any lender whatsoever that financed their purchase, held by Koor and/or the subsidiary of Koor (as long as the subsidiary is wholly-owned by Koor); and plus 50% (30% subject to certain conditions) of the value of Koor's holdings in EMCO.

     As at June 30, 2011 and proximate to the date of approval of these financial statements, the "assets value" totaled NIS 9.03 billion and NIS 6.51 billion, respectively.

     * "Market value" is the closing rate of the security trading on the relevant stock exchange, published on the last trading date before the relevant examination date.

     ** As at June 30, 2011 and proximate to the date of approval of these financial statements, all of the Credit Suisse shares are pledged in favor of the lending corporations.

     *** As at June 30, 2011 and proximate to the date of approval of these financial statements, Koor does not hold any Carrefour shares.

Note 6 - Subsequent Events (cont'd)

B. (cont'd)

3. (cont'd)

- Net financial debt * means the total of: debts and liabilities to banking corporations and other financial entities, interest-bearing liabilities **; debentures and capital notes; guarantees and obligations of Koor to secure the credit that any third party did and/or will receive from banking corporations and/or any other financial entity, except for a guarantee limited in amount given by Koor in favor of Bank Leumi USA, to secure repayment of 50% of the loan received by the jointly held American corporation held in equal parts by Property & Building and Koor that they used to acquire the HSBC headquarters building in New York, according to the guarantee deed signed in April 2010, as described in Paragraph b.1 to Note 3.G.2 to the annual financial statements; net of cash and cash equivalents (including that received in the bridge loans, as described below) and net of short-term deposits and investments and net of deposits in banking corporations of the Morgan Stanley Group and the Citigroup Group that secure credit given by the banking corporations to Koor and/or the subsidiary (as long as the subsidiary is wholly-owned by Koor) to purchase the Credit Suisse shares; and net of NIS 700 million provided to Koor as bridge loans by the Company and IDB Development during August 2011, as described hereunder in this note (deduction of this amount will apply until the earlier of the following dates: (a) the date of receipt of the loan monies that will be provided to Koor under the terms of the closing of the merger transaction between Makhteshim-Agan and ChemChina, or (b) on January 1, 2013 (but not before the repayment of Koor's debt to the bank), or (c) the date on which Koor repaid the bridge loans – in full or in part).

* The position in the cylinder transactions is not included in financial assets/liabilities.
** Includes recourse debt to Koor and non recourse debt to purchase Credit Suisse and Carrefour shares.

As at June 30, 2011, and proximate to the date of approval of these financial statements, “net financial debt” totaled NIS 5.68 billion and NIS 4.11 billion, respectively.
As at June 30, 2011 and proximate to the date of approval of these financial statements, the “market value to debt ratio” is 1.59 and 1.58, respectively.

4. In August 2011, the audit committees and boards of directors of the Company, IDB Development and Koor, in accordance with the Companies Regulations (Relief in Interested Party Transactions), 2000 (“Relief Regulations”), approved the provision of bridge loans to Koor in the amount of NIS 700 million by the Company and IDB Development, pro rata to their direct holdings in Koor (NIS 578 million from the Company and NIS 122 million from IDB Development). The loans provided by the Company and IDB Development are at identical terms, linked to the CPI, interest-free and unsecured. The repayment date of the loans will be the earlier of the following dates: (1) the date on which Koor actually receives in its bank account the loan monies that will be provided to it under the terms of the closing of the merger transaction between Makhteshim-Agan and ChemChina, as described in Note 4.C.1 above; or (2) January 1, 2013 (but not before repayment of Koor's debt to the bank mentioned in Note 4.C.1 above, unless the bank has consented).
All amounts received by Koor from the Company and IDB Development out of the aforesaid loans, and all the amounts Koor pays the Company and IDB Development for repayment of the linkage differences and loan principal will be divided between the Company and IDB Development pro rata to their direct holdings in Koor. The aforesaid loans were provided to Koor in full by the Company and IDB Development.

Note 6 - Subsequent Events (cont'd)

B. (cont'd)

4. (cont'd)

According to the Relief Regulations, general meetings of the shareholders of the Company and of Koor would have been required to approve the transaction if oppositions to use the Relief Regulations with respect to the transaction had been submitted to any one of them as required in those Regulations. As at the approval date of the financial statements, no such oppositions have been submitted as required under the Relief Regulations, and the date for their submission has passed.

C. In the period from June 30, 2011 through August 24, 2011, the exchange rate of the Swiss franc increased by 11.7% from NIS 4.0935 to NIS 4.5714 per Swiss franc. This increase caused financing expenses in the said period in the amount of NIS 691 million in respect of balances of monetary assets (excluding shares of Credit Suisse, which are not classified as monetary assets, but as financial assets available for sale), net of monetary liabilities of Koor, denominated in or linked to Swiss francs, including in respect of Swiss franc-NIS cylinder trades. The Company’s share of these financing expenses is NIS 436 million.

D. Following the high volatility and sharp price declines in the world's stock exchanges, and the significant decrease posted in the price of Credit Suisse shares recently, in August 2011 Koor sold Credit Suisse shares in consideration for a total of NIS 1.34 billion. On these sold shares, Koor will recognize an additional loss of NIS 378 million in the third quarter of 2011, beyond the impairment loss recognized in the second quarter of 2011 as described in Note 4.C.7 above. The Company’s share of this loss is NIS 238 million. The proceeds from the sales of Credit Suisse shares were used to reduce the credit taken within the framework of the non recourse credit arrangements that are secured by Credit Suisse shares, in which Koor has undertaken with the lending corporations, and reduced the debt to collateral ratio prescribed in the credit arrangements.
As of the date of approval of these financial statements, after the said sales of Credit Suisse shares, Koor holds 2.14% of the issued share capital of Credit Suisse, with a value in the statement of financial position as at June 30, 2011 of NIS 3.42 billion, and the negative difference between their value of NIS 2.57 billion according to their price on the New York Stock Exchange proximate to the date of approval of these financial statements, and their value in the aforesaid statement of financial position, amounts to NIS 0.85 billion (the Company’s share of the said difference is NIS 0.54 billion).
Proximate to the date of approval of these financial statements, Koor has open CHF-NIS cylinder transactions totaling CHF 690 million. The fair value of these cylinder transactions proximate to the date of approval of these financial statements, according to a preliminary estimate prepared by Koor, is a liability totaling NIS 578 million.
In the event that the liability balance of the cylinder transactions executed through banking corporations exceeds the credit facilities provided to Koor by the same banking corporations in connection with those transactions (following an increase in the exchange rate of the Swiss franc), Koor is required to deposit the full amount of the difference as pledged collateral (in the event that the difference decreases, Koor is allowed to reduce the pledged balances accordingly).
As at June 30, 2011 and proximate to the date of approval of these financial statements, the deposits pledged for the cylinder transactions totaled NIS 18 million and NIS 43 million, respectively.

E. In August 2011, Midroog Ltd. (hereinafter “Midroog”) placed Koor's Series H, I and J debentures, which are rated by Midroog, on its watch list with a negative outlook.

Note 6 - Subsequent Events (cont'd)

F. See Note 4.C.1 above regarding developments in the merger transaction between Makhteshim-Agan and ChemChina subsequent to the date of the statement of financial position.

G. See Note 4.A.4 above regarding developments in the merger transaction between Netvision and Cellcom subsequent to the date of the statement of financial position.

H. Further to that mentioned in Paragraph 2.b.2 of Note 3.G to the annual financial statements regarding an agreement for the sale of land and buildings in Beer Tuvia for a consideration of NIS 130 million that two subsidiaries of Property & Building entered into in December 2010, and regarding a claim that was filed against them in February 2011 by an entrepreneur regarding validity of the option to acquire part of that property that had been granted to it by the said subsidiaries:

- In July 2011 the aforesaid subsidiaries announced that the transaction from December 2010 is void.
- In July 2011 the aforesaid subsidiaries signed a compromise with the entrepreneur and a company that controls the entrepreneur (hereinafter “the buyers”), which grants to the buyers an option to acquire all their rights in the aforesaid property in Beer Tuvia until May 2012. The option can be exercised by the buyers for the price of NIS 130 million with the addition of VAT, and an amount of NIS 25 million was deposited in escrow after signing the option agreement. The rest of the consideration, in the amount of NIS 105 million, is linked to the Consumer Price Index and bears annual interest of 4% as from June 2011 until the actual date of payment. In August 2011 the parties submitted the option agreement to the court that is hearing the legal proceedings between the parties so that it would be awarded force of judgment, and in doing so the parties waived any allegation and/or demand and/or claim relating to the original option agreement between the aforesaid subsidiaries and the entrepreneur and with respect to the aforesaid legal proceedings.

I. In July 2011, Property & Building issued to the public NIS 400 million par value of its existing Series C debentures, in accordance with a shelf registration offer from July 2011 that was issued according to its shelf prospectus from May 2011, at a price reflecting an effective interest rate of 3.92% p.a., linked to the Consumer Price Index. Property & Building received an overall amount of NIS 496 million in respect of these debentures.

J. In August 2011 Midroog placed the Company’s series C, D, F, G, H and I debentures that are rated by Midroog on credit watch negative.

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

1. Debentures having a total par value of NIS 622 million from Cellcom’s existing Series D, which were issued at a price reflecting effective interest of 4.03% p.a. linked to the Consumer Price Index. Cellcom received total proceeds of NIS 743 million for these debentures.

2. Debentures having a total par value of NIS 378 million from Cellcom’s existing Series E, which were issued at a price reflecting unlinked effective interest of 5.81% p.a. Cellcom received total proceeds of NIS 398 million for these debentures.

Note 6 - Subsequent Events (cont'd)

K. (cont'd)

2. (cont'd)
Cellcom plans to use the proceeds from the aforementioned issuance to finance part of the merger transaction mentioned in Note 4.A.4 hereunder, insofar as it is executed, and for various other possible purposes, as decided by the board of directors of Cellcom from time to time.

L. Further to that mentioned in Note 30.A.1 to the annual financial statements regarding an amendment to the regulations that raised the rates of royalties payable by the cellular companies alone (including Cellcom) in 2011 and 2010, in July 2011 the State of Israel announced that it accepts the suggestion of the High Court of Justice (in a motion on the matter that was submitted to it by Cellcom and two other cellular companies) that the rate of royalties be 1.75% in 2011 and 2012, and 0% as from 2013. The State of Israel reserved its right to collect royalties or other payments in primary legislation. The petitioners also accepted the suggestion of the High Court of Justice.

M. In August 2011 Ispro the Israeli Properties Rental Corporation Ltd., a subsidiary of Property & Building, issued a shelf prospectus in the framework of which it will be able to offer to the public debentures, options exercisable into debentures, and commercial securities.

N. 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	May 2011	July 2011	292	141
Cellcom	August 2011	October 2011	232	100
Property & Building	August 2011	September 2011	94	74
Shufersal	August 2011	September 2011	67 *	32
				347

* After deducting dividend to subsidiary of Shufersal.

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 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 dismiss the claim and to strike out the request to certify it as a class action.

2. Further to that mentioned in Paragraph 1.e 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 150 million that was filed in August 2003 with the Tel Aviv-Jaffa District Court against Cellcom:
   In July 2011 the plaintiff filed a revised appeal with respect to only one matter in the Court's decision regarding acceptance of the defense arguments of Cellcom because the statute of limitations had expired for most of the causes of action.

3. Further to that mentioned in Paragraph 1.p 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 100 million that was filed in July 2010 with the Tel Aviv-Jaffa District Court against Cellcom:
   In July 2011 the Court decided, at the request of the plaintiff, to dismiss the claim and to strike out the request to certify it as a class action.

4. Further to that mentioned in Paragraph 1.u of Note 27.B to the annual financial statements regarding nine claims against Cellcom and requests to certify the claims as class actions that were filed in December 2010 with various district courts (and were later transferred to the Central Region District Court) with respect to a malfunction in the network of Cellcom that occurred on December 1, 2010:
   Some of the claims were dismissed at the request of the plaintiffs that filed them. In May 2011 the court approved a procedural arrangement between the plaintiffs in the other claims, by which one of the claims, in the amount of NIS 61 million (hereinafter "the remaining claim") will remain pending, and the plaintiffs in the other claims will withdraw from them, and that if they should so request the remaining claim shall be amended so as to include causes of claim and remedies that were included in each of the other aforesaid claims (hereinafter "the procedural arrangement"). The other claims were dismissed as a result of the procedural arrangement, other than one in the amount of NIS 25 million that the plaintiffs requested to withdraw from. Until the date of approval of these financial statements, no request has been filed in accordance with the procedural arrangement to amend the remaining claim.

5. Further to that mentioned in Paragraph 3.e 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 1,084 million that was filed in March 2010 with the Central Region District Court against Shufersal and a certain manufacturer:
   In June 2011 the Court approved a compromise agreement, in which the plaintiff withdrew from the aforesaid request and Shufersal was not required to pay any amount to the plaintiff.

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 (cont'd)

6. Further to that mentioned in Paragraph 3.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 1.2 billion that was filed in January 2009 with the Tel Aviv-Jaffa District Court against Shufersal:
In August 2011 the Court decided to dismiss the claim and to strike out the request to certify it as a class action, at the request of both parties.

7. 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 loan that it is supposed to receive as part of the merger transaction between Makhteshim-Agan and ChemChina that is described in Note 4.C.1 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. In June 2011, after Koor filed a motion for leave to appeal with the Supreme Court on the interim ruling of the Court, a compromise agreement was signed between the parties (that was filed for approval of the Court, under the Class Actions Law), in the framework of which:
   - Without constituting recognition of the allegations on which the action is based, Koor will pay to the shareholders of Makhteshim-Agan entitled to consideration under the terms of the merger transaction, other than Koor and its subsidiary that hold Makhteshim-Agan shares (hereinafter “the Group Members”), the total sum of $45 million, which will be reduced correspondingly in the event of the submitting of withdrawal notices, or in the event that Koor's shareholding percentage in Makhteshim-Agan increases until the closing of the merger transaction. Making such payment is subject to the closing of the merger transaction, Koor receiving the loan of $ 960 million in an account it owns under the terms of the merger agreement, and approval of the compromise agreement (without changes being made to it that have not been consented to by the parties) by the Court in a peremptory ruling that cannot be appealed.
   - The recommendation of Koor and the plaintiff is that Koor will pay the plaintiff compensation of $1.35 million as well as fees to the plaintiff's representatives of $2.25 million (plus VAT, as applicable).

   In August 2011, the Court approved the compromise agreement (including the amounts of compensation and fees to be paid to the plaintiff and his representatives), giving it the validity of a ruling.
   If the compromise is not carried out for any reason, the legal proceedings related to the motion will continue, and their outcome is uncertain. It is clarified that in such an event, Koor will continue to have all of its allegations within the framework of the claim and the motion, as though no compromise agreement had been signed.

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 (cont'd)

7. (cont'd)

If and as long as the merger transaction is closed, the payment to the Group members and the payments to the plaintiff and his representatives will be recognized as an expense that will offset part of the gain due to the characteristics of the loan that will be recognized by Koor, which will be deduced from the economic value of the benefit to Koor from the characteristics of the loan, as described in Note 4.C.1 above.

8. Further to that mentioned in Paragraph 2.I of Note 27.B to the annual financial statements regarding claims and requests for injunctions against subsidiaries of Makhteshim-Agan in England and Denmark:

The current assessment of Makhteshim-Agan, which is based on the opinion of its legal counsel, is that Makhteshim-Agan has worthy arguments against the validity of the patent that is the object of the aforesaid legal proceedings, although the proceedings are still in the preliminary stages.

9. 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 dismiss the claim and to strike out the request to certify it as a class action.

10. Further to that mentioned in Note 27.C.1 to the annual financial statements regarding a claim and request to certify the claim as a class action that were filed in September 2007 with the Tel Aviv-Jaffa District Court against Netvision, Nana 10 Ltd. (held 50% by Netvision), other companies that operated electronic trade sites and various suppliers:

In June 2011 the District Court decided to dismiss the request to certify the claim as a class action.

In July 2011 the plaintiffs filed an appeal with the Supreme Court with respect to the aforesaid ruling of the District Court. In the opinion of Netvision, which is based on that of its legal counsel, the chances of the appeal being denied are higher than its chances of being accepted, and therefore no provision was included in the financial statements of Netvision in respect thereto.

11. Further to that mentioned in Paragraph 5.b to Note 27.B to the annual financial statements regarding a request for declaratory relief that was filed in February 2011 with the Beer Sheva District Court against two subsidiaries of Property & Building:

In July 2011 a compromise agreement was signed with the plaintiff as described in Note 6.H above.

12. Further to that mentioned in Paragraph 5.a of Note 27.B to the annual financial statements regarding legal proceedings between QT, an affiliated company of Property & Building, and the former primary contractor of a residential project in Las Vegas that is being executed by QT, in

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 (cont'd)

12. (cont'd)

July 2011 the supreme court of Nevada dismissed with prejudice the requests of QT to cancel the arbitration between the parties and order that the dispute between the parties be heard before the district court of Las Vegas. Therefore the proceedings between the parties are expected to continue in arbitration. As described in the Company's annual financial statements, QT intends to exploit its causes of action against the primary contractor in the arbitration proceeding.

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. In the opinion of Shufersal, which is based on the opinion of its legal counsel, the chances of the claim and request to certify it as a class action being dismissed are higher than the chances of them being accepted, and therefore no provision was included in the financial statements of Shufersal in respect thereto. In addition, in August 2011 two claims and requests to certify the claims as class actions were filed with the Tel Aviv-Jaffa District Court and the Central Region District Court against Shufersal (another company is also named as a defendant in one of these claims) in the overall amount of between NIS 49 million and NIS 54 million. At this preliminary stage, Shufersal is unable to assess the chances of the aforesaid claims or the extent of the potential exposure, insofar as one exists. 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.

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.

Note 7 - Contingent Liabilities (cont'd)

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

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 their 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. 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 by a plaintiff alleging to be a customer of Cellcom. In the claim it is alleged that Cellcom grants refunds and benefits while discriminating between its customers, contrary to the law and its license. The amount of the claim if it is certified as a class action is estimated by the plaintiff at approximately NIS 150 million. At this initial stage, Cellcom is unable to assess the chances of the aforementioned legal proceeding.

7. In June 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 three other cellular operators, in which it is alleged that the defendants mislead their customers who buy accessories for carrying cellular handsets or do not disclose to them relevant data concerning radiation hazards associated with the usage of such accessories, allegedly contrary to the instructions and warnings of the manufacturers of the cellular handsets and the recommendations of the Israeli Ministry of Health. Subsequently, the plaintiff also requested interim remedies to prevent further sale of such accessories by Cellcom and two other cellular operators (the forth allegedly doesn't sell such accessories) or to require them to take necessary precautionary measures, including by complying with alleged disclosure duties and by ceasing alleged misleading.
   In July 2011, at the request of Cellcom, the claim and request to certify it as a class action were transferred to be heard by the judge hearing the a similar claim and request for certification as a class action that had been filed against Cellcom and three other cellular operators in May 2011, by the same plaintiff and three other plaintiffs, raising similar questions. The total amount claimed from Cellcom, if the lawsuit is certified as a class action, is estimated by the plaintiff to be approximately NIS 1 billion (out of a total sum of approximately NIS 2.7 billion against all defendants), substantially all for non monetary damages. At this preliminary stage, Cellcom is unable to assess the chances of success of this legal proceeding.

Note 7 - Contingent Liabilities (cont'd)

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

8. In July 2011 a claim and request to certify a class action were filed against Cellcom with the District Court of Central Region by a plaintiff claiming to be a customer of Cellcom. The claim alleges that Cellcom unlawfully and in violation of its license and agreement with its customers raised certain tariffs without providing notice reasonable time in advance. The total amount claimed from Cellcom, if the lawsuit is certified as a class action, is estimated by the plaintiff to be millions of NIS without specifying the precise amount. At this preliminary stage, Cellcom is unable to assess the chances of success of this legal proceeding.

9. 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 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. In addition, three claims and requests to certify two of these claims as class actions in the total amount of NIS 144 million, which were included in the overall amount mentioned in the aforesaid note, were dismissed in June and July 2011. Other than these changes there has been no material change in the overall amount mentioned in the aforesaid note.

10. Further to that mentioned in Note 27.C.4 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. In the opinion of Netvision, which is based on the opinion of the aforesaid subsidiary’s legal counsel, the chances of the aforesaid claim and request being accepted are no higher than the chances of them being dismissed. Therefore, no provision was included in the financial statements of Netvision in respect of the aforesaid claim and request. 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.
    In addition, in June 2011 a compromise agreement was signed between Netvision and former officers of Netvision with respect to a claim in the amount of NIS 18 million and an allotment of options to shares of Netvision to the aforesaid officers. The compromise agreement was approved by the Court, following which Netvision paid an amount of NIS 8 million to the plaintiffs in June 2011 plus an amount of NIS 1 million for legal costs, and recorded an expense in the aforesaid amount in its financial statements. The Company’s share of the aforesaid expense amounted to NIS 3 million. 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)

11. In June 2011 a claim and request to certify the claim as a class action were filed with the Tel Aviv-Jaffa District Court against a wholly owned subsidiary of Maariv by plaintiffs alleging that readers of the Maariv newspaper and the local newspapers published by Maariv were caused mental anguish by certain advertisements in those newspapers that allegedly constitute prohibited advertising and offering of sex services. The total amount claimed, if the claim is certified as a class action, is estimated by the plaintiff at NIS 342 million. At this preliminary stage, Maariv is studying the claim and request, and is unable to assess the chances of success of this legal proceeding.

12. Various claims containing various allegations were filed with the courts by various plaintiffs and are pending against Maariv. In respect of some of the claims there are also requests to certify them as class actions. The aggregate amount of such claims is NIS 81 million on the basis of the plaintiffs’ assessments. The financial statements of Maariv include provisions in the total amount of NIS 12 million in respect of all the claims pending against it.

13. In July 2011, a monetary claim and request to certify the claim as a class action were filed with the Beer Sheva District Court against a wholly owned subsidiary of Makhteshim-Agan by plaintiffs alleging they were caused odor and noise nuisances. The total amount claimed, if the claim is certified as a class action, is estimated by the plaintiffs at NIS 642 million. At this preliminary stage, Makhteshim-Agan is unable to assess the chances of this legal proceeding.

14. In July 2011 a claim and request to certify the claim as a class action were filed with the Central Region District Court against Shufersal and another chain of food stores, by a plaintiff alleging that the price of a multi-pack that contains several units of a certain product, which according to that written on it should have been sold at a certain rate of discount, actually reflected a lower rate of discount, according to a calculation based on the price of an individual unit of that same product, and that this conduct appears to be in violation of a number of laws. The remedies requested in the claim are to force the defendants to provide a discount at the full rate promised when buying the multi-pack, and to impose on them a refund and compensation. The plaintiff alleges that each month the public lost and continues to lose between NIS 2.3 million and NIS 5.7 million (the plaintiff does not split the amount of the alleged loss between the defendants) and notes that the claim relates to the seven-year period prior to its filing. At this preliminary stage, Shufersal is unable to assess the chances of this legal proceeding and the exposure it expects in respect thereto.

15. In August 2011 a claim and request to certify the claim as a class action were filed with the Tel Aviv-Jaffa District Court against the Company by two plaintiffs, one of whom contends holding shares of the Company and the other contends holding debentures of the Company, with respect to a bridge loan in the amount of NIS 578 million that the Company granted to Koor in the first half of August 2011 as described in Note 6.B.4 (hereinafter in this item – “the loan”). The claim alleges, inter alia, that in providing the loan the Company acted against its interest and the interests of those holding its debentures and shares, breached the provisions of various laws and included misrepresentations in its reports. The group the plaintiffs request to represent includes

Note 7 - Contingent Liabilities (cont'd)

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

15. (cont'd)

anyone who held a share and/or debenture of the Company from August 3, 2011. The remedies requested by the plaintiffs are (a) a monetary remedy compensating the group members for the decline of the share and debenture (in the language of the claim) between August 3, 2011 and August 11, 2011 (according to calculations presented by the plaintiffs, they estimate the damage to the group to amount to NIS 102 million from the decline in the share and to NIS 97 million from the decline in the debenture), plus an additional amount to be recommended by an expert that the plaintiffs are requesting the court to appoint and who will calculate the fair value of the premium the plaintiffs allege that Koor received as a result of the Company providing the loan; the title of the statement of claim states the amount of the claim to be NIS 700 million, and together with the claim the plaintiffs set the class action at a different amount of NIS 1.07 billion in respect of the decline in the share and the debenture plus the amount recommended by the aforesaid expert; (b) a mandatory injunction ordering the Company to convene a general shareholders' meeting for discussing and voting on the loan including its terms, and to take back the loan if the general meeting does not approve the terms by which it was granted. A number of days after filing the aforesaid claim and request to the court, the plaintiffs submitted to the court an urgent request to move up the hearing on the mandatory injunction and to hold it before hearing the request to certify the claim as a class action. The court decided that there is no place to hold an emergency hearing on the aforesaid urgent request during the court recess. At this initial stage, the Company is studying the details of the claim and plans to vigorously defend against it.

16. In August 2011 a claim and request to certify a class action were filed against Cellcom with the Tel Aviv-Jaffa District Court by a plaintiff claiming to be a subscriber of Cellcom. The claim alleges that Cellcom unlawfully and in violation of its agreements with its customers charged its subscribers for text messages. The total amount claimed from Cellcom, if the lawsuit is certified as a class action, is estimated by the plaintiff to be NIS 146 million. At this preliminary stage, Cellcom is unable to assess the chances of success of this legal proceeding.

17. In August 2011 a claim and request to certify a class action were filed against Cellcom and two other cellular operators (hereinafter "the defendants") with the District Court of Central Region by plaintiffs claiming to be customers of the defendants, and alleging that the defendants charge the customers for calls the defendants' customers make or receive when they are overseas according to units that are different from the units allegedly permitted in the licenses of the defendants, this being against the law and in violation of the said licenses. The plaintiffs did not include in their request any estimate of the overall amount claimed from either of the defendants should the claim be certified as a class action. At this preliminary stage, Cellcom is unable to assess the chances of success of this legal proceeding.

Notes to the Financial Statements as at June 30, 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
	NIS millions							
For the 6 months period ended June 30, 2011 (unaudited)								
Sales and services	3,176	746	5,812	5,298	-	1,274	(6,144)	10,162
Segment results – attributable to the owners of the Company	275	83	35	156	(977)	(9)	(512)	(949)
For the 6 months period ended June 30, 2010 (unaudited)								
Sales and services	3,271	757	5,448	4,976	-	1,192	(7,599)	8,045
Segment results – attributable to the owners of the company	302	70	1,351	(148)	147	150	(268)	1,604
For the 3 months period ended June 30, 2011 (unaudited)								
Sales and services	1,589	318	3,020	2,488	-	649	(2,918)	5,146
Segment results – attributable to the owners of the Company	126	66	22	16	(983)	(21)	(428)	(1,202)

Notes to the Financial Statements as at June 30, 2011

Note 8 – Segments (cont'd)

A. Segment results (cont'd)

	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 June 30, 2010 (unaudited)								
Sales and services	1,691	282	2,683	2,276	-	613	(2,729)	4,816
Segment results – attributable to the owners of the company	154	23	33	(192)	96	163	(221)	56
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

Notes to the Financial Statements as at June 30, 2011

Note 8 - Segments (cont'd)

A. Segment results (cont'd)

	6 months ended June 30		3 months ended June 30,		Year ended December 31,
	2011	2010	2011	2010	2010
	(Unaudited)	(Unaudited)	(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	(6,236)	(7,657) *	(2,958)	(2,767)	(12,457) *
Including the sales and services of Koor's headquarters	3	3	1	1	7
Other adjustments	89	55	39	37	138
	(6,144)	(7,599)	(2,918)	(2,729)	(12,312)
* Including sales and services of Shufersal before its consolidation on February 25, 2010.					
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) *	(562)	(339)	(466)	(277)	(914)
Other adjustments	50	71	38	56	95
	(512)	(268)	(428)	(221)	(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 six and three month periods ended June 30, 2011 is expenses in the amount of NIS 52 million and NIS 112 million, respectively (2010 – expenses in the amount of NIS 6 million and NIS 23 million, respectively), and for the year ended December 31, 2010 is an expense in the amount of NIS 60 million. In addition, this item includes the Company’s share in the effect of loans in Swiss francs from foreign banks for the six and three month periods ended June 30, 2011, which amount to expenses of NIS 216 million and NIS 192 million, respectively (2010 – expenses in the amount of NIS 54 million and NIS 76 million, respectively), and for the year ended December 31, 2010 to expenses of NIS 203 million. 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 June 30, 2011

Note 8 - Segments (cont'd)

B. Segment assets

	Cellcom	Property & Building	Shufersal	Makhteshim Agan	Credit Suisse	Other segments	Adjustments for consolidated	Consolidated
	NIS millions							
As at June 30, 2011 (unaudited)	7,187	13,124	6,682	13,586	5,144	3,989	(2,593)	47,119
As at June 30, 2010 (unaudited)	6,178	12,133	6,036 *	14,985	5,578	4,444	(4,631)	44,723
As at December 31, 2010 (audited)	5,996	12,575	6,761	13,198	5,536	3,781	(2,313)	45,534

* Reclassified – see Note 3.B.1

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

	June 30, 2011 (Unaudited)	June 30, 2010 (Unaudited)	December 31, 2010 (Audited)
	NIS millions		
Elimination of amounts in respect of segments classified as affiliated companies in the financial statements	(15,927)	(17,488)	(15,662)
Including the investment that are affiliated companies on an equity basis as included in the financial statements	4,854	5,046	4,757
Including fair value adjustments of assets of subsidiaries and the goodwill in respect thereto in DIC and Koor	4,810	4,918	4,759
Including other assets of DIC's headquarters and Koor's headquarters	3,386	2,497	3,435
Other adjustments	284	396	398
	(2,593)	(4,631)	(2,313)

Notes to the Financial Statements as at June 30, 2011

Annex to the Financial Statements of Discount Investment Corporation Ltd. as at June 30, 2011

Details on investments in directly held investees of DIC as at June 30, 2011

	Equity and voting rights	Amount of the investment in the investee	Reserves (1)	Total	Market value of shares traded on the TASE (2) June 30, 2011	August 24, 2011	Country of incorporation
	%	NIS millions					
Investment in subsidiaries *							
Elron Electronic Industries Ltd.	50.5	322	78	400	257	217	Israel
Bartan Holdings & Investments Ltd.	56	12	-	12			Israel
Ham-Let (Israel-Canada) Ltd.	60	163	28	191	234	190	Israel
Property & Building Corporation Ltd.	78	1,309	250	1,559	1,082	840 (7)	Israel
Koor Industries Ltd (3) (5)	63	2,382	345	2,727	1,946	956	Israel
Maariv Holdings Ltd. (6)	65	156	-	156	276	253	Israel
Maxima Air-Separation Center Ltd.	75	168	(11)	157	132	126	Israel
Cellcom Israel Ltd. (voting 47%)	43	1,851	10	1,861	4,070	3,429	Israel
Shufersal Ltd. (3) (4) (voting 50.2%)	48	2,118	(3)	2,115	1,966	1,531	Israel
Investment in affiliated companies *							
Given Imaging Ltd. (direct holding)	16	137	28	165	322	267	Israel
Makhteshim Agan Industries Ltd (direct holding)	0.2	18	6	24	20	20	Israel
Netvision Ltd.	38	523	-	523	566	583	Israel
Total		9,159					
Less – investments in subsidiaries		(8,481)					
Add investments in affiliated companies of subsidiaries		5,379					
		6,057					

* 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 June 30, 2011 (cont'd)

Details on investments in directly held investees of DIC as at June 30, 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) Shares of Cellcom and Given Imaging are traded also in the USA. The market value of the shares according to the closing price as at June 30, 2011: Cellcom – NIS 4,078 million (NYSE), Given Imaging – NIS 328 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 Note 4.C.1 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 takes into consideration also 4% of the issued share capital of Maariv that is owned by Gosinski and is pledged to an Israeli bank, which the Company had undertaken to acquire from that bank if realization proceedings are initiated in respect thereto, as described in Note 4.F.1 above.

(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.N 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.

פרטים בדבר עבודה כלכלית בנושא הערכת שווי הוגן של התחייבויות בגין אופציות על שער החליפין של הפרנק השוויצרי אל מול השקל, ליום 30 ביוני 2011 [תקנה 49(א)] :

לדוחות הכספיים של החברה מצורפת הערכת שווי ששימשה את כור לקביעת שוויין ההוגן של התחייבויות בגין אופציות על שער החליפין של הפרנק השוויצרי אל מול השקל, המוחזקות על ידה בקשר עם השקעתה בקרדיט סוויס ומימון הנקוב בפרנק שוויצרי.

להלן פרטים בדבר הערכת השווי:

1. זיהוי נושא ההערכה – עסקאות צילינדר פר"ש/ש"ח הפתוחות ליום 30 ביוני 2011.

2. עיתוי ההערכה – 30 ביוני 2011.

3. שווי נושא ההערכה בספרי כור סמוך לפני הערכת השווי – התחייבות בסך כ-249 מיליון ש"ח.

4. שווי נושא ההערכה שנקבע בהערכת השווי – התחייבות בסך כ-249 מיליון ש"ח.

5. זיהוי המעריך ואיפיוניו – חיסונים פיננסים בע"מ, חברה פרטית בניהול ד"ר אדם רויטר, בעלת ניסיון רב בתחום הנגזרות. לא קיימת תלות בין המעריך לבין החברה מזמינת ההערכה. הסכם ההתקשרות עם מעריך השווי כולל התחייבות לשיפוי מעריך השווי אם יקבע בהליך משפטי או בהליך אחר שעליו לשלם סכום כלשהו לצד שלישי בקשר עם ביצוע השירותים, למעט אם פעל מעריך השווי בקשר לחוות הדעת בזדון או ברשלנות רבתי.

6. מודל הערכה שלפיו פעל המעריך – נוסחת גרמן-קולהאגן (Garman Kohlhagen), שהינה פיתוח של נוסחת Black & Scholes עבור אופציות מט"ח.

7. ההנחות לפיהן בוצעה הערכת השווי:

א. שער חליפין פר"ש – 4.0935.

ב. סטיית תקן – 0%-22.15%.

ג. ריבית שקלית – 2.47%-2.53%.

ד. ריבית פר"ש – 0.11%-0.29%.

כור תעשיות בע"מ

הערכת שווי הוגן

פר"ש/שקל

ליום 30/06/2011

פארק וויצמן למדע, בניין לב הנ.י.צ.ן. רח' גולדה מאיר 3 ,נס ציונה 74036
טלפון : 9369800- 08 פקס : 9369801- 08
www.immunities.co.il

חיסונים
פיננסים

הגבלת אחריות

חיסונים פיננסים בע"מ (להלן: "חיסונים") הינה חברה פרטית שהוקמה בשנת 1994. חיסונים פיננסים עוסקת במתן ייעוץ ניהול סיכונים פיננסיים וייעוץ פיננסי. כמו כן, חיסונים פיננסים עוסקת במתן חוות דעת מומחה, הערכות שווי הוגן למכשירים פיננסים, הערכות שווי לחברות לצורך עסקאות רכישה/מכירה/מיזוגים, לצורך השקעות פיננסיות במניות ולצורכי מס. החברה גם מבצעת ניתוחי כדאיות כלכלית של השקעות ריאליות.

עבודתנו מיועדת לשימוש הנהלות כור תעשיות בע"מ, אידיבי חברה לפתוח בע"מ, אידיבי חברה לאחזקות בע"מ וחברת השקעות דיסקונט בע"מ, ולצורך המתואר במכתב הנלווה בלבד. ואין לעשות במסמך זה כל שימוש אחר. פרט לדרישה על פי דין, אין להעביר את חוות דעתנו לשום צד שלישי, או לאזכר את עבודתנו, בלא קבלת הסכמתנו מראש ובכתב. בשום מקרה, בין אם ניתנה הסכמה כאמור ובין אם לאו, לא נישא בשום אחריות כלפי צד שלישי אליו הועברה חוות דעתנו. ידוע לנו כי עבודה זו תצורף לדוחות הכספיים של כור תעשיות בע"מ, אידיבי חברה לפתוח בע"מ, אידיבי חברה לאחזקות בע"מ וחברת השקעות דיסקונט בע"מ, תוצג לרואי החשבון של כור תעשיות בע"מ, אידיבי חברה לפתוח בע"מ, אידיבי חברה לאחזקות בע"מ וחברת השקעות דיסקונט בע"מ וכן לרשות לניירות ערך ככל שיידרש.

במהלך עבודתנו קיבלנו מידע, הסברים ומצגים כור תעשיות בע"מ ו/או ממי מטעמם. האחריות למידע, נכונות הנתונים, המצגים וההבהרות הנ"ל הנה על ספקי מידע זה. מסגרת עבודתנו לא כללה בדיקה ו/או אימות של הנתונים שקיבלנו כאמור. לאור זאת, עבודתנו לא תיחשב ולא תהווה אישור לנכונותם, שלמותם או דיוקם של הנתונים שהועברו אלינו. עם זאת, התבצעו בדיקות שונות במספר מקרים לסבירות הנתונים והתחזיות. בדיקות אלו כללו, בין היתר, ניתוח דוחות כספיים ומידע פיננסי אחר. בשום מקרה לא נהיה אחראים לכל הפסד, נזק, עלות או הוצאה אשר יגרמו בכל אופן ודרך ממעשי הונאה, מצג שווא, הטעיה, מסירת מידע שאינו נכון ואינו מלא או מניעת מידע מצידם של כור תעשיות בע"מ ו/או מי מטעמם, או כל התבססות אחרת על מידע כאמור, בכפוף לאמור לעיל.

למרות שבמהלך עבודתנו ניתחנו מידע פיננסי וחשבונאי, עבודתנו לא כללה ביקורת של ספרי כור תעשיות בע"מ על פי כללי ביקורת מקובלים. לפיכך, אין אנו נוטלים אחריות או מביעים דעה בנוגע לנכונות המידע שסופק לנו על ידי כור תעשיות בע"מ ו/או מי מטעמם.

ככלל, תחזיות מתייחסות למאורעות עתידיים ומתבססות על הנחות סבירות ליום התחזית. הנחות אלו עשויות להשתנות על פני תקופת התחזית, ועל כן תחזיות אשר נערכו לימי ההערכה עשויות להיבדל מהתוצאות הפיננסיות בפועל ו/או מהערכות שתעשנה במועד מאוחר יותר. על כן, לא ניתן להתייחס לתחזיות שנערכו ברמת הביטחון המיוחסת לנתוני דוחות כספיים מבוקרים. אין אנו מביעים דעה באשר להתאמת התחזיות שנערכו על ידי כור תעשיות בע"מ ו/או מי מטעמם לתוצאות הפיננסיות שתתקבלנה בפועל.

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חיסונים
פיננסים

הערכות כלכליות אינן מתיימרות להיות מדע מדויק ומסקנותיהן תלויות במקרים רבים בשיקול הדעת הסובייקטיבי של מעריך השווי. לפיכך, אין שווי הוגן יחיד בלתי מעורער, ובדרך כלל אנו קובעים טווח סביר לשווי ההוגן. היות ובמקרה זה מטרת ההערכה דורשת שווי ספציפי, נקבע שווי המייצג את נקודת האמצע של טווח השווי הסביר. למרות שאנו סבורים שהשווי שנקבע על ידינו הנו סביר בהתבסס על המידע שסופק לנו, הרי שמעריך שווי אחר עשוי היה להגיע להערכת שווי שונה.

עבודתנו אינה מהוה בדיקת נאותות ואין להסתמך עליה כבדיקת נאותות. בנוסף, עבודתנו לא תשמש כתחליף לכל הליך שעל כור תעשיות בע"מ לנקוט בקשר עם עסקאות הרכישה.

מוסכם בין חיסונים פיננסים וכור תעשיות בע"מ, כי פרט למקרה בו ייקבע על ידי בית משפט כי חיסונים פיננסים פעלה בזדון או ברשלנות רבתי, לא תישא חיסונים פיננסים בכל אחריות כלפי כור תעשיות בע"מ, מכל מקור שהוא ועל פי כל עילה שהיא, לרבות בנזיקין, בכל הקשור לביצוע שירותים על פי הצעה זו, ולא תהיה ל כור תעשיות בע"מ או למי מטעמה כל טענה ו/או תביעה כלפי חיסונים פיננסים, לרבות בדרך של הודעת צד שלישי, בכל הקשור, במישרין או בעקיפין, לשירותים הניתנים בהתקשרות ובשירותים המוענקים על ידי חיסונים פיננסים לכור תעשיות בע"מ.

מבלי לגרוע מהאמור לעיל, אחריותה של חיסונים פיננסים לפצות את כור תעשיות בע"מ במקרה של נזקים שייגרמו לה כתוצאה ישירה מפעולת חיסונים פיננסים, במידה שייקבע על ידי בית המשפט בהתאם לאמור לעיל, לא תעלה על שכר הטרחה שישולם לחיסונים פיננסים בגין השרות.

אם יקבע בהליך משפטי או בהליך אחר שעלינו לשלם סכום כלשהו לצד שלישי בקשר עם ביצוע השירותים המפורטים במכתב זה, מתחייבת כור תעשיות בע"מ לפצות ולשפות את חיסונים פיננסים בגין תביעה כאמור, ובלבד שנעדכן את כור תעשיות בע"מ על ההליך המשפטי בתחילתו ונשתף פעולה עם כור תעשיות בע"מ כדי להדוף את התביעה, וכמו כן לשאת בכל ההוצאות הסבירות שנוציא או שנידרש לשלם עבור ייעוץ וייצוג משפטי, חוות דעת מומחים, התגוננות מפני הליכים משפטיים, משא ומתן וכיו"ב, בקשר לכל תביעה, דרישה או הליכים אחרים בשל חוות דעת זו. לא תחול כל חובת שיפוי על כור תעשיות בע"מ אם ייקבע כי פעלנו בקשר לחוות הדעת בזדון או ברשלנות רבתי.

בברכה,

חיסונים פיננסים בע"מ

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חיסונים פיננסים

פרטי החברה המעריכה ומעריך השווי

<u>החברה המעריכה</u>:

חברת חיסונים פיננסים בע"מ הינה חברה פרטית בניהול ד"ר אדם רויטר, שהוקמה בשנת 1994. החברה עוסקת במתן יעוץ פיננסי ויעוץ בניהול סיכונים פיננסיים ,ליותר מ- 200 חברות מכל ענפי המשק, המהוות יחדיו יותר מ- 40% מהתוצר.

לחברה צוות מיומן ומנוסה הכולל כלכלנים, מתמטיקאים, רו"ח ודילרים במט"ח. רוב יועצי החברה בעלי תואר MBA במנע"ס בהתמחות מימון והכשרה ורסטילית בניהול סיכונים פיננסיים. החברה ביצעה את החלק הארי של עבודות החשיפה האסטרטגיות לסיכוני מט"ח וריבית עבור החברות הגדולות במשק. הכלכלן הראשי של החברה הינו פתחיה בר שביט ,לשעבר הכלכלן הראשי של בנה"פ.

חברת חיסונים פיננסים בע"מ הינה בעלת ניסיון רב בתחום הנגזרות. החברה עוסקת במתן חוות דעת מומחה והערכות שווי לחברות רבות. לצורך הערכת השווי ההוגן נעזרת החברה במערכות ממוחשבות וכן בצוות עובדים בעל ניסיון של כ-3 שנים.

חיסונים פיננסים

21 אוגוסט 2011

לכבוד,
אורן הילינגר - סמנכ"ל כספים
מאיר מאירוביץ- גזבר
כור תעשיות בע"מ

הנדון: הערכת שווי הוגן ליום 30/06/2011

1. כללי

להלן נתוני עסקאות הצילינדר הסגורות ליום 30/06/2011:

SELL CALL

Final Rate/ Strike	Base Amt.	Ccy Pair	Value Date	C/P	B/S
3.8875	50,000,000	CHF/ILS	14/09/2011	call	sell

BUY CALL

Final Rate/ Strike	Base Amt.	Ccy Pair	Value Date	C/P	B/S
3.8875	50,000,000	CHF/ILS	14/09/2011	call	buy

BUY PUT

Final Rate/ Strike	Base Amt.	Ccy Pair	Value Date	C/P	B/S
3.7500	50,000,000	CHF/ILS	14/09/2011	put	buy

SELL PUT

Final Rate/ Strike	Base Amt.	Ccy Pair	Value Date	C/P	B/S
3.7500	50,000,000	CHF/ILS	14/09/2011	put	sell

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חיסונים פיננסים

להלן נתוני עסקאות הצילינדר הפתוחות ליום 30/06/2011:

SELL CALL

Final Rate/ Strike	Base Amt.	Ccy Pair	Value Date	C/P	B/S
3.7450	50,000,000	CHF/ILS	19/07/2011	call	sell
3.7805	50,000,000	CHF/ILS	26/07/2011	call	sell
3.8010	50,000,000	CHF/ILS	20/12/2011	call	sell
3.8001	50,000,000	CHF/ILS	22/12/2011	call	sell
3.8410	50,000,000	CHF/ILS	27/12/2011	call	sell
3.8505	50,000,000	CHF/ILS	19/01/2012	call	sell
3.8430	50,000,000	CHF/ILS	19/01/2012	call	sell
3.8785	50,000,000	CHF/ILS	15/02/2012	call	sell
3.8800	50,000,000	CHF/ILS	21/02/2012	call	sell
3.8220	50,000,000	CHF/ILS	30/04/2012	call	sell
3.7360	50,000,000	CHF/ILS	03/05/2012	call	sell
3.6400	50,000,000	CHF/ILS	08/05/2012	call	sell
3.6450	50,000,000	CHF/ILS	07/05/2012	call	sell
4.1150	50,000,000	CHF/ILS	15/05/2012	call	sell

BUY PUT

Final Rate/ Strike	Base Amt.	Ccy Pair	Value Date	C/P	B/S
3.6610	50,000,000	CHF/ILS	19/07/2011	put	buy
3.5000	50,000,000	CHF/ILS	26/07/2011	put	buy
3.7350	50,000,000	CHF/ILS	20/12/2011	put	buy
3.7500	50,000,000	CHF/ILS	22/12/2011	put	buy
3.7600	50,000,000	CHF/ILS	27/12/2011	put	buy
3.7700	50,000,000	CHF/ILS	19/01/2012	put	buy
3.7650	50,000,000	CHF/ILS	19/01/2012	put	buy
3.7800	50,000,000	CHF/ILS	15/02/2012	put	buy
3.8150	50,000,000	CHF/ILS	21/02/2012	put	buy
3.6300	50,000,000	CHF/ILS	30/04/2012	put	buy
3.6000	50,000,000	CHF/ILS	03/05/2012	put	buy
3.5500	50,000,000	CHF/ILS	08/05/2012	put	buy
3.5500	50,000,000	CHF/ILS	07/05/2012	put	buy
3.9800	50,000,000	CHF/ILS	15/05/2012	put	buy

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2. הגדרות

אופציה - היא חוזה בין שני צדדים המקנה לרוכש אותה זכות (ללא התחייבות), לקנות או למכור כמות קבועה של נכס מסוים למשך תקופת זמן מוגדרת במחיר קבוע מראש (מחיר מימוש). בעבור זכות זו משלם הרוכש פרמיה למוכר.

פרמיה - תשלום חד פעמי ובלתי חוזר שמשלם רוכש האופציה לכותב האופציה תמורת הזכות שקיבל. הפרמיה אמורה לשקף את המחיר הכלכלי של האופציה.

מחיר המימוש (STRIKE) - המחיר שנקבע מראש בו יוכל רוכש האופציה לקנות (או למכור) את נכס הבסיס אם ירצה בכך.

אופציית רכש (CALL) - הנה הזכות לקנות את נכס הבסיס במחיר הנקבע מראש (מחיר המימוש) במועד מסוים (תאריך הפקיעה).

אופציית מכר (PUT) - הנה הזכות למכור את נכס הבסיס במחיר הנקבע מראש (מחיר המימוש) במועד מסוים (תאריך הפקיעה).

אסטרטגיית צילינדר - משלבת רכישת אופציית מכר (PUT) ומכירת אופציית רכש (CALL), כאשר לשתי האופציות נכס בסיס ומועד פקיעה זהים, אך שערי מימוש שונים. אופציית המכר מספקת הגנה מלאה מפני ירידת שע״ח מתחת למחיר המימוש של אופציית המכר. אופציית הרכש מגבילה את האפשרות לרווח מעליית שע״ח עד למחיר המימוש שלה.

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חיסונים
פיננסים

3. הערכת השווי ההוגן של עסקאות הצילינדר

חישוב שווי הוגן (Fair Value)

שווי הוגן - הוא הסכום (או לחילופין ערך שקול לסכום) שעבורו נכס ייקנה או יימכר בעסקה המבוצעת בין שני צדדים מרצון. כלומר, השווי ההוגן משקף את מחירו של נכס מסוים בשוק.

שווי הוגן של אופציות ונילה (Vanilla Options)

מאחר ובאופציות קיים אלמנט הסתברותי, הנגזר משער המימוש ומהעובדה שמדובר בזכות ולא בהתחייבות, תמחור המכשיר הינו מורכב. ברמה התיאורטית מבוצע התמחור באמצעות נוסחת גרמן-קולהאגן (Garman Kohlhagen), שהינה פיתוח של נוסחת Black & Scholes עבור אופציות מט"ח. במקור, בדומה לנוסחת B&S, מתבססת נוסחת גרמן-קולהאגן על התפלגות נורמאלית, והיא לוקחת בחשבון את המשתנים: שער הספוט במועד ביצוע העסקה (S), מחיר המימוש של האופציה (K), הריבית האפקטיבית חסרת הסיכון במטבע הראשי (r_f), הריבית האפקטיבית חסרת הסיכון במטבע המשני (r), פרק הזמן עד הפקיעה בשנים (T) והתנודתיות הנגזרת משער החליפין (σ). להלן נוסחאות גרמן-קולהאגן וחישוב מחירי אופציות רכש (C ,Call) ואופציות מכר (P ,Put):

$$
\begin{aligned}
C &= Se^{-r_f T}N(d_1) - Ke^{-rT}N(d_2) \\
P &= Ke^{-rT}N(-d_2) - Se^{-r_f T}N(-d_1)
\end{aligned}
$$

$$
\begin{aligned}
d_1 &= \frac{\ln(S/K) + (r - r_f + \sigma^2/2)T}{\sigma\sqrt{T}} \\
d_2 &= d_1 - \sigma\sqrt{T}
\end{aligned}
$$

יש לציין כי מערכות מידע מתקדמות, כגון אלה בהן נעשה שימוש בחיסונים פיננסים, מתבססות על התפלגות היסטורית, ולא על התפלגות נורמאלית. כמו כן, מערכות אלו משקללות בתוך המודל מחירי שוק, ולפיכך ניתן לעיתים לזהות סטייה ביחס לתוצאה המתקבלת מהנוסחה האמורה.
מאחר והשווי ההוגן של אופציה הוא למעשה הפרמיה הנגבית/משולמת בגינה, מדובר בעסקה המבוצעת לכאורה במועד החתך. כלומר, מפני שאין מבוצעת התחשבנות עתידית, כמו בעסקת אקדמה, לא מבוצע היוון של הערך המתקבל.

חיסונים
פיננסים

<u>להלן השווי ההוגן של האופציות הסגורות ליום החתך 30/06/2011:</u>

B/S	C/P	Value Date	Ccy Pair	Base Amt.	Final Rate/ Strike	שווי הוגן אלפי ש"ח
buy	put	14/09/2011	CHF/ILS	50,000,000	3.7500	225
						225

B/S	C/P	Value Date	Ccy Pair	Base Amt.	Final Rate/ Strike	שווי הוגן אלפי ש"ח
sell	put	14/09/2011	CHF/ILS	50,000,000	3.7500	(225)
						(225)

B/S	C/P	Value Date	Ccy Pair	Base Amt.	Final Rate/ Strike	שווי הוגן אלפי ש"ח
sell	call	14/09/2011	CHF/ILS	50,000,000	3.8875	(12,095)
						(12,095)

B/S	C/P	Value Date	Ccy Pair	Base Amt.	Final Rate/ Strike	שווי הוגן אלפי ש"ח
buy	call	14/09/2011	CHF/ILS	50,000,000	3.8875	12,095
						12,095

חיסונים פיננסים

להלן השווי ההוגן של האופציות הפתוחות ליום החתך 30/06/2011:

שווי הוגן אלפי ש"ח	Final Rate/ Strike	Base Amt.	Ccy Pair	Value Date	C/P	B/S
0	3.6610	50,000,000	CHF/ILS	19/07/2011	put	buy
0	3.5000	50,000,000	CHF/ILS	26/07/2011	put	buy
644	3.7350	50,000,000	CHF/ILS	20/12/2011	put	buy
747	3.7500	50,000,000	CHF/ILS	22/12/2011	put	buy
859	3.7600	50,000,000	CHF/ILS	27/12/2011	put	buy
1,123	3.7700	50,000,000	CHF/ILS	19/01/2012	put	buy
1,083	3.7650	50,000,000	CHF/ILS	19/01/2012	put	buy
1,445	3.7800	50,000,000	CHF/ILS	15/02/2012	put	buy
1,849	3.8150	50,000,000	CHF/ILS	21/02/2012	put	buy
842	3.6300	50,000,000	CHF/ILS	30/04/2012	put	buy
688	3.6000	50,000,000	CHF/ILS	03/05/2012	put	buy
479	3.5500	50,000,000	CHF/ILS	08/05/2012	put	buy
475	3.5500	50,000,000	CHF/ILS	07/05/2012	put	buy
5,265	3.9800	50,000,000	CHF/ILS	15/05/2012	put	buy
15,501						

שווי הוגן אלפי ש"ח	Final Rate/ Strike	Base Amt.	Ccy Pair	Value Date	C/P	B/S
(17,786)	3.7450	50,000,000	CHF/ILS	19/07/2011	call	sell
(16,115)	3.7805	50,000,000	CHF/ILS	26/07/2011	call	sell
(18,179)	3.8010	50,000,000	CHF/ILS	20/12/2011	call	sell
(18,288)	3.8001	50,000,000	CHF/ILS	22/12/2011	call	sell
(16,744)	3.8410	50,000,000	CHF/ILS	27/12/2011	call	sell
(16,939)	3.8505	50,000,000	CHF/ILS	19/01/2012	call	sell
(17,223)	3.8430	50,000,000	CHF/ILS	19/01/2012	call	sell
(16,530)	3.8785	50,000,000	CHF/ILS	15/02/2012	call	sell
(16,617)	3.8800	50,000,000	CHF/ILS	21/02/2012	call	sell
(20,194)	3.8220	50,000,000	CHF/ILS	30/04/2012	call	sell
(23,549)	3.7360	50,000,000	CHF/ILS	03/05/2012	call	sell
(27,576)	3.6400	50,000,000	CHF/ILS	08/05/2012	call	sell
(27,347)	3.6450	50,000,000	CHF/ILS	07/05/2012	call	sell
(11,835)	4.1150	50,000,000	CHF/ILS	15/05/2012	call	sell
(264,923)						

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4. נתונים ששימשו לחישוב השווי ההוגן

להלן נתוני סטיות התקן (Implied volatility) אשר שימשו לצורך חישוב השווי ההוגן של האופציות הסגורות ביום החתך 30/06/2011:

סטיית תקן	Final Rate/ Strike	Base Amt.	Ccy Pair	Value Date	C/P	B/S
11.87%	3.7500	50,000,000	CHF/ILS	14/09/2011	put	buy

סטיית תקן	Final Rate/ Strike	Base Amt.	Ccy Pair	Value Date	C/P	B/S
11.87%	3.7500	50,000,000	CHF/ILS	14/09/2011	put	sell

סטיית תקן	Final Rate/ Strike	Base Amt.	Ccy Pair	Value Date	C/P	B/S
12.13%	3.8875	50,000,000	CHF/ILS	14/09/2011	call	sell

סטיית תקן	Final Rate/ Strike	Base Amt.	Ccy Pair	Value Date	C/P	B/S
12.13%	3.8875	50,000,000	CHF/ILS	14/09/2011	call	buy

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להלן נתוני סטיית התקן (Implied volatility) אשר שימשו לצורך חישוב השווי ההוגן של האופציות הפתוחות ביום החתך 30/06/2011:

סטיית תקן	Final Rate/ Strike	Base Amt.	Ccy Pair	Value Date	C/P	B/S
0.00%	3.6610	50,000,000	CHF/ILS	19/07/2011	put	buy
0.00%	3.5000	50,000,000	CHF/ILS	26/07/2011	put	buy
11.19%	3.7350	50,000,000	CHF/ILS	20/12/2011	put	buy
11.26%	3.7500	50,000,000	CHF/ILS	22/12/2011	put	buy
11.33%	3.7600	50,000,000	CHF/ILS	27/12/2011	put	buy
11.46%	3.7700	50,000,000	CHF/ILS	19/01/2012	put	buy
11.45%	3.7650	50,000,000	CHF/ILS	19/01/2012	put	buy
11.60%	3.7800	50,000,000	CHF/ILS	15/02/2012	put	buy
11.71%	3.8150	50,000,000	CHF/ILS	21/02/2012	put	buy
11.38%	3.6300	50,000,000	CHF/ILS	30/04/2012	put	buy
11.27%	3.6000	50,000,000	CHF/ILS	03/05/2012	put	buy
11.08%	3.5500	50,000,000	CHF/ILS	08/05/2012	put	buy
11.07%	3.5500	50,000,000	CHF/ILS	07/05/2012	put	buy
12.39%	3.9800	50,000,000	CHF/ILS	15/05/2012	put	buy

סטיית תקן	Final Rate/ Strike	Base Amt.	Ccy Pair	Value Date	C/P	B/S
22.15%	3.7450	50,000,000	CHF/ILS	19/07/2011	call	sell
17.88%	3.7805	50,000,000	CHF/ILS	26/07/2011	call	sell
12.86%	3.8010	50,000,000	CHF/ILS	20/12/2011	call	sell
12.86%	3.8001	50,000,000	CHF/ILS	22/12/2011	call	sell
12.84%	3.8410	50,000,000	CHF/ILS	27/12/2011	call	sell
12.88%	3.8505	50,000,000	CHF/ILS	19/01/2012	call	sell
12.88%	3.8430	50,000,000	CHF/ILS	19/01/2012	call	sell
12.94%	3.8785	50,000,000	CHF/ILS	15/02/2012	call	sell
12.95%	3.8800	50,000,000	CHF/ILS	21/02/2012	call	sell
13.06%	3.8220	50,000,000	CHF/ILS	30/04/2012	call	sell
13.09%	3.7360	50,000,000	CHF/ILS	03/05/2012	call	sell
13.25%	3.6400	50,000,000	CHF/ILS	08/05/2012	call	sell
13.23%	3.6450	50,000,000	CHF/ILS	07/05/2012	call	sell
13.68%	4.1150	50,000,000	CHF/ILS	15/05/2012	call	sell

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חיסונים פיננסים

<u>להלן נתוני הריביות אשר שימשו לצורך חישוב השווי ההוגן של האופציות הסגורות ביום החתך 30/06/2011:</u>

ריבית פר"ש	ריבית שקלית	Final Rate/ Strike	Base Amt.	Ccy Pair	Value Date	C/P	B/S
0.160%	2.466%	3.7500	50,000,000	CHF/ILS	14/09/2011	put	buy

ריבית פר"ש	ריבית שקלית	Final Rate/ Strike	Base Amt.	Ccy Pair	Value Date	C/P	B/S
0.160%	2.466%	3.7500	50,000,000	CHF/ILS	14/09/2011	put	sell

ריבית פר"ש	ריבית שקלית	Final Rate/ Strike	Base Amt.	Ccy Pair	Value Date	C/P	B/S
0.160%	2.466%	3.8875	50,000,000	CHF/ILS	14/09/2011	call	sell

ריבית פר"ש	ריבית שקלית	Final Rate/ Strike	Base Amt.	Ccy Pair	Value Date	C/P	B/S
0.160%	2.466%	3.8875	50,000,000	CHF/ILS	14/09/2011	call	buy

חיסונים פיננסים

להלן נתוני הריביות אשר שימשו לצורך חישוב השווי ההוגן של האופציות הפתוחות ביום החתך :30/06/2011

ריבית פר"ש	ריבית שקלית	Final Rate/ Strike	Base Amt.	Ccy Pair	Value Date	C/P	B/S
0.108%	2.523%	3.6610	50,000,000	CHF/ILS	19/07/2011	put	buy
0.118%	2.465%	3.5000	50,000,000	CHF/ILS	26/07/2011	put	buy
0.229%	2.507%	3.7350	50,000,000	CHF/ILS	20/12/2011	put	buy
0.233%	2.510%	3.7500	50,000,000	CHF/ILS	22/12/2011	put	buy
0.234%	2.512%	3.7600	50,000,000	CHF/ILS	27/12/2011	put	buy
0.245%	2.523%	3.7700	50,000,000	CHF/ILS	19/01/2012	put	buy
0.245%	2.523%	3.7650	50,000,000	CHF/ILS	19/01/2012	put	buy
0.254%	2.532%	3.7800	50,000,000	CHF/ILS	15/02/2012	put	buy
0.256%	2.534%	3.8150	50,000,000	CHF/ILS	21/02/2012	put	buy
0.281%	2.528%	3.6300	50,000,000	CHF/ILS	30/04/2012	put	buy
0.283%	2.525%	3.6000	50,000,000	CHF/ILS	03/05/2012	put	buy
0.284%	2.523%	3.5500	50,000,000	CHF/ILS	08/05/2012	put	buy
0.283%	2.523%	3.5500	50,000,000	CHF/ILS	07/05/2012	put	buy
0.287%	2.518%	3.9800	50,000,000	CHF/ILS	15/05/2012	put	buy

ריבית פר"ש	ריבית שקלית	Final Rate/ Strike	Base Amt.	Ccy Pair	Value Date	C/P	B/S
0.108%	2.523%	3.7450	50,000,000	CHF/ILS	19/07/2011	call	sell
0.118%	2.465%	3.7805	50,000,000	CHF/ILS	26/07/2011	call	sell
0.229%	2.507%	3.8010	50,000,000	CHF/ILS	20/12/2011	call	sell
0.233%	2.510%	3.8001	50,000,000	CHF/ILS	22/12/2011	call	sell
0.234%	2.512%	3.8410	50,000,000	CHF/ILS	27/12/2011	call	sell
0.245%	2.523%	3.8505	50,000,000	CHF/ILS	19/01/2012	call	sell
0.245%	2.523%	3.8430	50,000,000	CHF/ILS	19/01/2012	call	sell
0.254%	2.532%	3.8785	50,000,000	CHF/ILS	15/02/2012	call	sell
0.256%	2.534%	3.8800	50,000,000	CHF/ILS	21/02/2012	call	sell
0.281%	2.528%	3.8220	50,000,000	CHF/ILS	30/04/2012	call	sell
0.283%	2.525%	3.7360	50,000,000	CHF/ILS	03/05/2012	call	sell
0.284%	2.523%	3.6400	50,000,000	CHF/ILS	08/05/2012	call	sell
0.283%	2.523%	3.6450	50,000,000	CHF/ILS	07/05/2012	call	sell
0.287%	2.518%	4.1150	50,000,000	CHF/ILS	15/05/2012	call	sell

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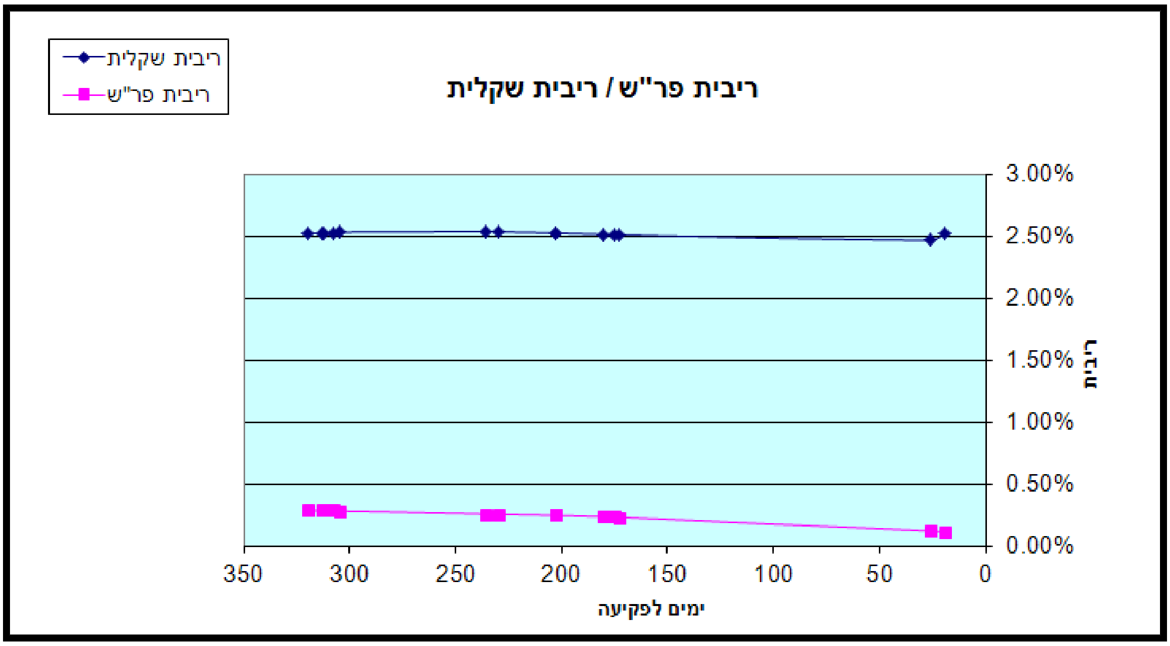
חיסונים פיננסים

להלן עקומי הריביות אשר שימשו לחישוב השווי ההוגן של האופציות:



שער פר"ש/שקל לחישוב השווי ההוגן הוא השער היציג ביום 30/06/2011- **4.0935**

הנתונים ששימשו לחישוב השווי ההוגן הינם נתוני שוק (נתונים נצפים בהתאם להיררכית השווי ההוגן של תקן דיווח כספי בינלאומי IFRS7, שבהתאם להגדרות התקן נחשבים נתונים ברמה 2).

5. ניתוח רגישות

<u>רגישות לשינויים בשע"ח פר"ש /שקל</u>

	שינויים בשווי ההוגן		שווי הוגן	שינויים בשווי ההוגן	
	10%	5%	4.0935	-5%	-10%
אופציות ונילה					
קניית אופציות מכר פר"ש/שקל	(13,571)	(9,931)	15,501	24,343	75,393
מכירת אופציות רכש פר"ש/שקל	(211,186)	(105,978)	(264,923)	98,129	175,351
סה"כ	**(224,757)**	**(115,910)**	**(249,423)**	**122,473**	**250,745**

<u>רגישות לשינויים בריבית פר"ש</u>

	שינויים בשווי ההוגן			שווי הוגן	שינויים בשווי ההוגן		
	56%	10%	5%		-5%	-10%	-56%
אופציות ונילה							
קניית אופציות מכר פר"ש/שקל	301	53	27	15,501	(27)	(53)	(297)
מכירת אופציות רכש פר"ש/שקל	1,963	351	176	(264,923)	(176)	(352)	(1,974)
סה"כ	**2,264**	**405**	**202**	**(249,423)**	**(203)**	**(405)**	**(2,271)**

<u>רגישות לשינויים בריבית השקלית הנומינלית</u>

	שינויים בשווי ההוגן			שווי הוגן	שינויים בשווי ההוגן		
	200BP	10%	5%		-5%	-10%	-200BP
אופציות ונילה							
קניית אופציות מכר פר"ש/שקל	(3,666)	(512)	(258)	15,501	262	527	4,639
מכירת אופציות רכש פר"ש/שקל	(23,146)	(2,895)	(1,446)	(264,923)	1,444	2,887	22,661
סה"כ	**(26,812)**	**(3,407)**	**(1,704)**	**(249,423)**	**1,706**	**3,414**	**27,300**

בוצע ניתוח רגישות לעלייה וירידה של 2% (בערך מוחלט) בריבית השקלית (ניתוח הירידה מבוצע בפועל רק עבור עסקאות בהן הריבית גבוהה מ-2%, כאשר בעסקאות בהן הריבית השקלית נמוכה מ-2% מבוצע ניתוח רגישות לירידת הריבית עד ל-0% בלבד).

חיסונים פיננסים

<u>רגישות לשינויים בסטיית התקן</u>

	שינויים בשווי ההוגן		שווי הוגן	שינויים בשווי ההוגן	
	10%	**5%**		**-5%**	**-10%**
<u>אופציות ונילה</u>					
קניית אופציות מכר פר"ש/שקל	4,610	2,242	15,501	(2,106)	(4,068)
מכירת אופציות רכש פר"ש/שקל	(7,576)	(3,731)	(264,923)	3,605	7,072
סה"כ	**(2,966)**	**(1,489)**	**(249,423)**	**1,499**	**3,004**

כל הנתונים מוצגים באלפי שקלים.

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חברת השקעות דיסקונט בע"מ

נתונים כספיים מתוך

הדוחות הכספיים המאוחדים ביניים של החברה

ליום 30 ביוני 2011

המיוחסים לחברה עצמה

(לא מבוקר)

[תקנה 38ד']

<u>נתונים כספיים מתוך הדוחות הכספיים המאוחדים ביניים של החברה ליום 30 ביוני 2011</u>
<u>המיוחסים לחברה עצמה</u>
[תקנה 38ד']

להלן נתונים כספיים מתוך הדוחות הכספיים המאוחדים ביניים של החברה ליום 30 ביוני 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
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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 30 ביוני 2011 ולתקופות של ששה ושלושה חודשים שהסתיימו 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 הישות". 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

25 באוגוסט 2011

תמצית נתונים על המצב הכספי ביניים המיוחסים לחברה עצמה

	ליום 30 ביוני 2011	ליום 30 ביוני 2010	ליום 31 בדצמבר 2010
	(לא מבוקר)	(לא מבוקר)	(מבוקר)
	מיליוני ש"ח		
נכסים שאינם שוטפים			
השקעה בחברות מוחזקות	11,010	14,108	13,201
השקעות אחרות, כולל נגזרים	31	33	35
הלוואות ויתרות חובה	2	1	2
רכוש קבוע	1	2	2
נכסים המיועדים לתשלום הטבות לעובדים	11	9	10
	11,055	14,153	13,250
נכסים שוטפים			
השקעות שוטפות, כולל נגזרים	81	160	86
הלוואות לחברה בת	-	61	-
הלוואות, חייבים ויתרות חובה	2	8	7
דיבידנד לקבל	105	-	-
מזומנים ושווי מזומנים	486	162	386
	674	391	479
סך הכל נכסים	11,729	14,544	13,729
הון			
הון מניות	742	742	742
קרנות הון	3,556	3,157	2,673
עודפים (יתרת הפסד)	(680)	1,520	422
סך הכל הון	3,618	5,419	3,837
התחייבויות שאינן שוטפות			
אגרות חוב	4,791	5,373	5,414
הלוואות מבנקים והתחייבויות פיננסיות אחרות	828	435	833
הלוואות מחברות בנות בבעלות מלאה	1,075	2,365	2,248
הטבות לעובדים	17	14	16
	6,711	8,187	8,511
התחייבויות שוטפות			
חלויות שוטפות של אגרות חוב	755	579	575
הלוואות לזמן קצר וחלויות שוטפות של הלוואות לזמן ארוך מחברות בנות בבעלות מלאה	59	80	95
חלויות שוטפות של הלוואות מבנקים	98	71	134
זכאים ויתרות זכות	130	180	252
נגזרים	1	5	5
הפרשות	6	9	7
התחייבויות מס שוטפות	29	11	43
דיבידנד לשלם	-	-	270
חברות בנות בבעלות מלאה	322	3	-
	1,400	938	1,381
סך הכל הון והתחייבויות	11,729	14,544	13,729

תאריך: 25 באוגוסט 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 המיוחסים לחברה עצמה

רווח והפסד

	לשישה חודשים שנסתיימו ביום 30 ביוני 2011 (לא מבוקר)	לשישה חודשים שנסתיימו ביום 30 ביוני 2010 (לא מבוקר)	לשלושה חודשים שנסתיימו ביום 30 ביוני 2011 (לא מבוקר)	לשלושה חודשים שנסתיימו ביום 30 ביוני 2010 (לא מבוקר)	לשנה שנסתיימה ביום 31 בדצמבר 2010 (מבוקר)
	מ י ל י ו נ י	ש " ח			
הכנסות					
חלק החברה ברווח הנקי של חברות מוחזקות, נטו	-	1,827	-	224	1,733
רווח ממימוש השקעות ונכסים ודיבידנדים	11	18	3	1	35
הכנסות אחרות	6	5	4	3	9
הכנסות מימון	20	8	4	16	35
	37	1,858	11	244	1,812
הוצאות					
חלק החברה בהפסד של חברות מוחזקות, נטו	673	-	1,040	-	-
הוצאות הנהלה וכלליות	17	31	12	16	49
הוצאות מימון	301	218	166	167	501
הפסד ממימוש והפחתת השקעות והוצאות אחרות	2	5	2	5	19
	993	254	1,220	188	569
רווח (הפסד) לפני מסים על ההכנסה	(956)	1,604	(1,209)	56	1,243
הוצאות (הכנסות) מסים על הכנסה	7	-	7	-	(1)
רווח (הפסד) לתקופה המיוחס לבעלים של החברה	(949)	1,604	(1,202)	56	1,242

תמצית נתוני רווח כולל ביניים המיוחסים לחברה עצמה

רווח כולל

	לשישה חודשים שנסתיימו ביום 30 ביוני 2011 (לא מבוקר)	לשישה חודשים שנסתיימו ביום 30 ביוני 2010 (לא מבוקר)	לשלושה חודשים שנסתיימו ביום 30 ביוני 2011 (לא מבוקר)	לשלושה חודשים שנסתיימו ביום 30 ביוני 2010 (לא מבוקר)	לשנה שנסתיימה ביום 31 בדצמבר 2010 (מבוקר)
	מ	י ל	י ו נ	י ש "	ח
רווח (הפסד) לתקופה המיוחס לבעלים של החברה	(949)	1,604	(1,202)	56	1,242
מרכיבים של רווח כולל אחר					
שינוי נטו בשווי ההוגן של נכסים פיננסיים זמינים למכירה	5	3	(2)	(1)	10
שינוי נטו בשווי ההוגן של נכסים פיננסיים זמינים למכירה שהועבר לדוח רווח או הפסד	(5)	(14)	2	-	(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	673	(751)	661	(807)	(1,193)
רווח (הפסד) כולל אחר לתקופה, נטו ממס	673	(762)	661	(808)	(1,203)
סך הכל רווח (הפסד) כולל לתקופה	(276)	842	(541)	(752)	39

המידע הנוסף מהווה חלק בלתי נפרד מהנתונים הכספיים.

תמצית נתונים על תזרימי המזומנים ביניים המיוחסים לחברה עצמה

	לשישה חודשים שנסתיימו ביום 30 ביוני		לשלושה חודשי שנסתיימו ביום 30 ביוני		לשנה שנסתיימה ביום 31 בדצמבר
	2011	2010	2011	2010	2010
	(לא מבוקר)	(לא מבוקר)	(לא מבוקר)	(לא מבוקר)	(מבוקר)
	מיליוני ש"ח				
תזרימי מזומנים מפעולות שוטפות					
רווח (הפסד) לתקופה המיוחס לבעלים של החברה	(949)	1,604	(1,202)	56	1,242
חלק החברה בהפסד (ברווח הנקי) של חברות מוחזקות, נטו	673	(1,827)	1,040	(224)	(1,733)
דיבידנדים שנתקבלו מחברות בנות	* 317	418	* 307	343	759
דיבידנדים שנתקבלו מחברות כלולות ואחרות	16	27	16	26	52
(רווח) הפסד ממימוש השקעות ונכסים, נטו	(9)	(13)	(1)	4	(31)
עלויות מימון, נטו	281	210	162	151	466
הוצאות (הכנסות) מסים על הכנסה	(7)	-	(7)	-	1
	322	419	315	356	756
ירידה (עליה) בחייבים ויתרות חובה (כולל סכומים לזמן ארוך)	1	1	1	2	-
שינוי בהפרשות ובהטבות לעובדים	-	(1)	-	(1)	(1)
עליה (ירידה) בזכאים ויתרות זכות (כולל סכומים לזמן ארוך)	(26)	(6)	(14)	3	9
	(25)	(6)	(13)	4	8
מזומנים נטו שנבעו מפעולות שוטפות	297	413	302	360	764
תזרימי מזומנים מפעולות השקעה					
הלוואות לזמן ארוך שניתנו	(20)	-	-	-	-
פרעון הלוואות לזמן ארוך שניתנו, לרבות הלוואות שנפרעו מחברות מוחזקות	20	-	20	-	62
השקעות שוטפות, נטו	(1)	(4)	(2)	-	(2)
השקעה שוטפת בניירות ערך סחירים זמינים למכירה, נטו	6	(68)	(1)	(68)	7
השקעות בחברות מוחזקות	(147)	(423)	(147)	-	(423)
תמורה ממימוש חברות מוחזקות	** 86	1	** 83	1	5
תקבולים ממימוש השקעות שאינן שוטפות	7	16	7	-	16
ריבית שנתקבלה	2	3	1	2	9
מזומנים נטו ששימשו לפעולות השקעה	(47)	(475)	(39)	(65)	(326)

* בנוסף לדיבידנדים הכלולים בדוח זה, חילקה חברה בת בבעלות מלאה של החברה דיבידנד, כמפורט במידע נוסף 2.ה.3 להלן.
**כולל 83 מיליון ש"ח בגין פירוק חברה בת בבעלות מלאה של החברה – ראה מידע נוסף 3.ה להלן.

המידע הנוסף מהווה חלק בלתי נפרד מהנתונים הכספיים.

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

	לשישה חודשים שנסתיימו ביום 30 ביוני		לשלושה חודשים שנסתיימו ביום 30 ביוני		לשנה שנסתיימה ביום 31 בדצמבר
	2011	2010	2011	2010	2010
	(לא מבוקר)	(לא מבוקר)	(לא מבוקר)	(לא מבוקר)	(מבוקר)
	מ י ל י ו נ י		ש " ח		
תזרימי מזומנים מפעולות מימון					
ריבית ששולמה	(271)	(203)	(163)	(156)	(292)
ריבית ששולמה לחברות בנות בבעלות מלאה של החברה	(16)	(22)	(16)	(22)	(54)
דיבידנד ששולם	(450)	(570)	(180)	(570)	(1,070)
פרעון אגרות חוב והלוואות מבנקים	(596)	(308)	(266)	(232)	(391)
תמורה (תשלומים) מסילוק נגזרים	7	-	2	-	3
רכישת מניות בחברות בנות מבעלי זכויות שאינן מקנות שליטה	-	(26)	-	(26)	(26)
מכירת מניות בחברות בנות לבעלי זכויות שאינן מקנות שליטה	456	2	456	-	2
פרעון הלוואות מחברות בנות בבעלות מלאה של החברה	(5) *	-	(5) *	-	(73)
שינוי בהתחייבויות שוטפות של חברות בנות בבעלות מלאה	709	6	296	(508)	6
קבלת הלוואות מבנקים	-	499	-	499	999
קבלת הלוואה לזמן קצר מחברה בת בבעלות מלאה	16	-	16	-	-
קבלת הלוואות מחברות בנות בבעלות מלאה של החברה	-	625	-	625	625
מזומנים נטו שנבעו (ששימשו) לפעולות מימון	(150)	3	140	(390)	(271)
עליה (ירידה) במזומנים ושווי מזומנים	100	(59)	403	(95)	167
יתרת מזומנים ושווי מזומנים לתחילת התקופה	386	221	83	257	221
השפעת תנודות בשער החליפין על יתרות מזומנים ושווי מזומנים	-	-	-	-	(2)
יתרת מזומנים ושווי מזומנים לסוף התקופה	486	162	486	162	386

* בנוסף לפרעון ההלוואות מחברות בנות בבעלות מלאה של החברה המוצג בדוח זה, פרעה החברה הלוואות נוספות, כמפורט במידע נוסף 3.ה להלן.

המידע הנוסף מהווה חלק בלתי נפרד מהנתונים הכספיים.

מידע נוסף

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 דיבידנדים ששילמה החברה בינואר ובאפריל 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 השקעה ורכישת השליטה במעריב החזקות בע"מ, ראה באור 4.ו בדוחות הכספיים.

ה. 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 ולכניסתו לתוקף של הסכם מס ישראלי מיולי 2010, ראה באור 5.ד בדוחות הכספיים. בעקבות הסכמי המס האמורים:

1. פי אי סי פורקה מרצון וכל עודף רכושה הועבר לדסק"ש. כחלק מהליך הפירוק האמור, באפריל 2011 פרעה החברה לפי אי סי יתרת הלוואה בסך 85 מיליון דולר ואת הריבית הצבורה בגינה.

2. ביוני 2011 פרעה החברה לדי אי סי הלוואות בע"מ (להלן "די אי סי הלוואות", חברה בת בבעלות מלאה של החברה, שהיתה בבעלות משותפת של החברה ושל פי אי סי) חלק מההלוואות שקיבלה ממנה בעבר ואת הריבית הצבורה בגינן בסך של כ-929 מיליון ש"ח, וזאת במקביל לחלוקת דיבידנד על ידי די אי סי הלוואות, כמפורט בסעיף 3.ז להלן.

3. ראה גם מידע נוסף 4.ב להלן.

ו. למידע בדבר תשקיף מדף שפרסמה החברה במאי 2011, ראה באור 5.ה בדוחות הכספיים.

ז. להלן פרוט חלוקות דיבידנד על ידי חברות מוחזקות במחצית הראשונה בשנת 2011:

חברה	מועד התשלום	סכום החלוקה	חלק החברה
		מיליוני ש"ח	
דיאיסי תקשורת וטכנולוגיה	אפריל, יוני 2011	67	67
פיאיסי מימון *	אפריל 2011	110	110
די אי סי הלוואות	יוני 2011	929	929
סלקום	אפריל 2011	303	72
נטוויז'ן	אפריל 2011	41	16
נכסים ובנין	אפריל, יוני 2011	300	42
שופרסל	פברואר, יוני 2011	277 **	26
סה"כ			1,262

* דיבידנד שחולק על ידי חברה שהתקבלה במסגרת פירוק פי אי סי, כמפורט בסעיף 3.ה' לעיל.
** לאחר ניכוי דיבידנד לחברה מאוחדת בבעלות מלאה של שופרסל.

4. ארועים לאחר תאריך הנתונים על המצב הכספי

א. למידע בדבר הלוואות גישור בסך 578 מיליון ש"ח שהעמידה החברה לכור ראה סעיף 4 בבאור 6.ב בדוחות הכספיים.

ב. בהמשך לאמור במידע נוסף 3.ה לעיל, ביולי 2011 אישר בית המשפט בקשה שהגישה די אי סי הלוואות לביצוע חלוקה לפי סעיף 303 לחוק החברות בסכום של עד 2,166 מיליון ש"ח מתוך סכומים הכלולים בהון העצמי שלה שאינם עודפים. בהתאם לאישור זה ולהסכם המס הישראלי חילקה די אי סי הלוואות לחברה ביולי 2011 נכסים שמקורם בפי אי סי שכללו מזומנים בסך 1,480 מיליון ש"ח והשקעות בחברות מוחזקות (כ-27% ממניות נכסים ובנין, כ-1.5% ממניות שופרסל, כ-9% ממניות אלרון, כ-12% ממניות מקסימה וכ-8% ממניות המלט) ששווין הכולל בבורסה במועד ההעברה היה 582 מיליון ש"ח. במקביל, ביולי 2011 פרעה החברה לדי אי סי הלוואות את יתרת ההלוואות שקיבלה ממנה בעבר ואת הריבית הצבורה בגינן בסך של כ-1,134 מיליון ש"ח.

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

חברה	מועד ההחלטה	מועד התשלום	סכום החלוקה	חלק החברה
			מיליוני ש"ח	
סלקום	מאי 2011	יולי 2011	291	105
דיאיסי תקשורת וטכנולוגיה	יולי 2011	יולי 2011	11	11
סלקום	אוגוסט 2011	אוקטובר 2011	232	72
נכסים ובנין	אוגוסט 2011	ספטמבר 2011	94	13
שופרסל	אוגוסט 2011	ספטמבר 2011	* 67	6
סה"כ				207

* לאחר ניכוי דיבידנד לחברה מאוחדת בבעלות מלאה של שופרסל.

ד. למידע בדבר הודעת מידרוג באוגוסט 2011 בקשר לאגרות החוב של החברה ראה באור 6.י בדוחות הכספיים.