2021
INTERIM FINANCIAL STATEMENTS

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JUNE 30, 2021

DIC | DISCOUNT INVESTMENT CORPORATION

Discount Investment Corporation Ltd.

Financial Statements

June 30, 2021
(Unaudited)

DIC

Discount Investment Corporation Ltd

Interim Financial Statements June 30, 2021

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

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

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Report for the Second Quarter of 2021

The Board of Directors of Discount Investment Corporation Ltd. ("DIC" or the "Company") hereby respectfully submits the Board of Directors' Report for June 30, 2021, which reviews the Company's principal operations in the second quarter of 2021 (the "Reporting Period"). The report has been prepared in accordance with the Securities Regulations (Periodic and Immediate Reports), 5730-1970, and is based on the assumption that the reader is also in possession of the Company's complete periodic report for the year ending December 31, 2020 (the "Periodic Report"), including the Board of Directors' Report and the 2020 Financial Statements ("the Annual Financial Statements"), as they were included in the Periodic Report.

The Company is a holding company which invests, independently and through investee companies, in companies which are engaged in various segments of the Israeli economy and abroad (the "Group"). Some of the investee companies operate through global diversification of their investments.
The Company concentrates its operations through consolidated companies[1], associate companies[2], and other investee companies over which the Company does not have significant influence.

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

Further to that stated in Note 1.A to the Company's annual Financial Statements, regarding the process of receivership of the Company's shares, and regarding the approval which was given by the District Court of Tel Aviv-Yafo for the sale of the Company's shares to Mega Or Holdings Ltd. ("Mega Or") and a group of investors led by it, in accordance with its offers (the "Sale Transactions"), and regarding the Ministry of Communication's approval for the transfer of Cellcom's means of control and control (as these terms are defined in the Communications Law (Telecommunications and Broadcasting) 5742-1982), and regarding the Competition Commissioner's conditional approval of the merger between Mega Or and DIC, on March 25, 2021, the first stage of the sale transaction was completed, which involved the transfer of approximately 35.2 million shares of DIC, which constitute approximately 24.9% of its issued capital, to Mega Or, while approximately 31.9 million shares of DIC, which constitute approximately 22.5% of its issued capital, were transferred to other buyers. On April 20, 2021, another approximately 7.0 million shares of the Company, which constitute approximately 5.0% of its issued capital, were transferred to Mega Or, such that Mega Or's stake in the Company's issued capital after the transfer amounted to approximately 29.9%.
Upon the completion of the first stage of the sales agreement in question and from that date onwards, the Company has been a company without a controlling shareholder (according to the definition of the term "control" in the Securities Law, 5728-1968), and no longer constitutes a "tier company" (as this term is defined in the Law to Promote Competition and Reduce Concentration, 5774-2013) ("The Centralization Law"), and accordingly, the companies under its control, which are reporting corporations pursuant to the Securities Law, are not subject to restrictions by virtue of the Concentration Law in connection with the ability of those companies to directly hold control of other tier companies.

On April 13, 2021, the Company received the Commissioner's notice of the cancellation of the conditions for the merger between the Company and Mega Or.

On April 21, 2021, Elco Ltd. ("Elco") received the decision of the Competition Commissioner, which approved the merger between Elco and DIC. In June 2021 approval was received from the Ministry of Communications to purchase the Company's shares by Elco, and Elco completed the purchase of the Company's shares, which constitute 29.8% of its issued capital. For additional details, see Note 1.A. to the financial statements.

For details on the receipt of a statement of claim, subsequent to the balance sheet date, against the Company, Mr. Tzachi Nachmias, Property & Building and Gav-Yam, which claims, among other things, that the Centralization Law has been violated, see Note 10.H. to the Financial Statements.

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

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

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

1.1 General

- The Company is a holding company which directly and indirectly holds various companies that are engaged in various market sectors. Due to its status as a holding company, the Company's business position, operating results, capital and cash flows are primarily affected by the business positions of its primary directly and indirectly held investee companies, and by the results of their operations, cash flows and changes in equity, and sometimes also by the value of the Company's holdings in those companies. Therefore, the Board of Directors' Report presented herein also includes explanations regarding the impact of the position of these primary companies on the Company. Additionally, the Company's position, results of operations, capital and cash flows are also affected by the Company's headquarter activities, which include financing expenses and income, and general and administrative expenses The Company's degree of stability is affected, inter alia, by the fact that the Company distributes its investments. The Company's fortitude is influenced , among other things, by the fact that the Company is characterized by the distribution of its investments. The Company's direct and indirect investments include some investments in companies with potential for growth and optimization. The Company's cash flow was also affected, and may continue being affected, by the raising and refinancing of debt from investments, the realization of investments, and the receipt of dividends from the Company's investee companies (see also section 1.6.4 below, regarding balances of distributable profits in investee companies directly held by the Company, and the resulting restrictions).

  The business results of the Company, and sometimes also the capital attributed to the owners of the Company, may fluctuate (in accordance with current accounting principles) a great deal between the various reporting periods, due to, inter alia, the timing and extent of realizing and making investments by DIC and its investee companies, to the effects of changes in prices of securities on the capital market and in the value of assets, and to changes in the financing expenses (net) of the Company and its investee companies.

  The business results of the Company and its investee companies are affected, inter alia, by the condition of capital markets and by the economic condition of the Israeli and global markets. Changes of trends in capital markets in Israel and around the world may affect the values of assets and the prices of marketable securities which are held by the Company and by its investee companies, and may cause, in certain cases, amortization or the recording of losses, whether in the statement of income or in the statement of comprehensive income, due to the impairment of such holdings, and may affect their ability to generate appropriate proceeds and profits, whether those which are carried to the statement of income, or those which are carried directly to the Company's shareholders' equity, from the realization of their holdings.

  Additionally, trend changes, as stated above, may affect the ability to raise financing through private or public issuances of securities by the Company and the Company's investee companies, or to find financing sources or financing terms when these are required in order to finance their operating activities. The Company and its investee companies are also exposed to changes in interest rates, inflation, and exchange rates, which affect the business results of the aforementioned companies, and the value of their assets and liabilities.

  The Group's member companies evaluate, each on its own level, the value of the assets held by them, as well as the attributed and unattributed excess cost included in their reports. The Group's investments in investee companies accounted by the equity method are evaluated for each holding company, on the level of its entire investment. For details regarding the book value of the main investments in investee companies as of September 30, 2021, as compared with market value, are presented in Note 3.B. to the financial statements.

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

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

1.1 **General (Cont.)**

- Market instability and economic downturn - Conditions of instability in capital markets around the world may occur due to a wide variety of local and global factors, such as economic crisis, political uncertainty, epidemics, emergency situations and inter-country conflicts. Such instability may be expressed in strong fluctuations in securities rates and may lead to an economic slowdown financial crises and damage to the ability to raise sources of finance. Furthermore, a global economic downturn could also have a significantly adverse impact on the income and operating results of the Group's member companies.
- **Disclosure regarding the coronavirus crisis** - Further to that stated in Note 1.B. to the annual financial statements regarding the coronavirus pandemic (COVID-19) (the "**Coronavirus**"), which has spread throughout the world and has caused concern and uncertainty – due to the decreased coronavirus infection rates and the vaccination program, and in accordance with the government's decision, some of the restrictions which had been imposed in accordance with the issued directives were lifted, until June 1 2021, when they were lifted in full, and the economy is currently in the process of recovering from the crisis. At the same time, in July 2021 a new surge of illness occurred from the Delta variant of Covid-19, and there is a risk of an additional widespread outbreak. In addition, there have been changes recently to government guidelines and restrictions have been placed on the economy, and it is unknown whether additional restrictions will be placed on the economy, if any.
  The coronavirus pandemic has a significant effect on volatility in capital markets. For details regarding the market value of the Company's main investments, see Note 3.B. to the financial statements.

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

Cellcom - following Note 1.B. to the annual financial statements, during the first half of 2021 Cellcom's revenue from roaming services of outbound tourism and inbound tourism continued to decline significantly, due to the only partial resumption of outbound and inbound tourism. Cellcom estimates that the significantly negative effect caused by roaming services on its operating results is expected to continue in the near future, insofar as the restrictions on inbound and outbound traffic to/from Israel continue (see also section 1.10.1 below).
Regarding the restrictions on commerce and the closure of shopping malls, in light of the gradual re-opening of the Israeli economy as early as the beginning of the first half of 2021, the effect on Cellcom's operating results in the first quarter of 2021 was insignificant.
Cellcom has evaluated its sources of financing and liquidity, and believes that it has the financial strength needed to deal with the effects of the crisis, due, inter alia, to the diversification of its operating segments, and the scope of its liquid balances.

Property & Building -

- HSBC Tower - as of the publication date the report, New York City is in New York State's reopening stage. The tower remains active and open for tenants who choose to work from the offices, subject to state directives. Restaurants are operating with no capacity restrictions. Instructions have been issued to maintain physical distances, wear masks, for registration and health statements at at-risk areas, with entering office buildings being contingent on wearing masks in public spaces. Near the publication date of the report, approximately 99.3% of billed rent has been collected, for the first half of 2021.
- Tivoli Project, Las Vegas - as a result of the coronavirus crisis and as the center in the Tivoli project was mostly closed starting March 24, 2020, in accordance with the authorities' directives from May 9 2020 and after adjustments and organization, the center was re-opened on May 15, 2020, subject to restrictions which were announced by the authorities. On June 1 2021 the authorities lifted all restrictions and on June 20 2021, following an additional Covid-19 outbreak, new mask wearing restrictions were imposed. The occupancy rate in the Tivoli project as of the end of June 2021 amounted to 76% (the occupancy rate before the coronavirus crisis was 73%).
  Near the publication date of the report, approximately 96% of billed rent has been collected to date, for the first half of 2021. To date IDBG management has not yet set a uniform policy in connection with the provision of relief to tenants, and specific negotiations are being held with each tenant. As of the publication of this report, IDBG management is continuing to negotiate to rent additional space in the Tivoli Project.

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

1.1 General (Cont.)

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

Gav-Yam - The fair value of Gav-Yam's revenue-generating real estate is affected by two critical estimates - appropriate rent and capitalization rate. As of the approval date of the Financial Statements of Gav-Yam for the second quarter of 2021, and based on the information available to it, in light of the distribution lessees and the fact that most of the properties are leased for hi-tech, offices, industry and logistics, Gav-Yam estimates that the adverse effects on rent, if any, will be relatively low, in the short term.

Mehadrin - During the first quarter of 2021, a shortage in packaging and harvesting workforce was recorded, however, Mehadrin was able to recruit alternative harvesting workers and external packaging plants. An increase in the prices of packaging, sorting and transportation to end customers was also recorded, although this increase is still not material, due to the lack of deliveries in the second quarter of 2021. Over the course of the first half of 2021 the impact of the coronavirus pandemic had an insignificant effect on Mehadrin's operations, including as of the approval date of the Financial Statements.

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

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

- The Group's operations are affected by many other external factors (see sections 7 and 21 in Part A of the Periodic Report).

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

1.1 General (Cont.)

Additional significant events during the first half of 2021 and subsequent to the balance sheet date:

- Realization of Ispro - following that stated in Note 3.G.2.E. to the Annual Financial Statements, regarding Property & Building's engagement in an agreement with Messrs. Kidan Dahari and Yaron Adiv, third parties that are unrelated to Property & Building (the "Buyers"), for the sale of Property & Building's entire stake in Ispro, which constitutes 100% of Ispro's issued capital, and rights by virtue of shareholder loans which it provided to Ispro (the "Sale Agreement"), on March 24, 2021 the foregoing transaction was completed, and Property & Building transferred all of its rights in Ispro to the buyers, and received the balance of consideration, in the amount of NIS 650 million, gross (in addition to a total of NIS 150 million which was received in 2020), and Property & Building also received a total of NIS 18 million, additional consideration which was calculated according to the cash flows from the Ispro operation, without non-recurring effects (FFO, as defined in the agreement) until the end of 2020, as a dividend which was distributed by Ispro, upon the completion of the transaction. For additional details, see Note 3.A.1.A. to the Financial Statements.
- Purchase of Gav-Yam shares - On April 18, 2021, Property & Building engaged with three institutional entities (the "Sellers") in agreements for the acquisition of Gav-Yam shares. Within the framework of the transaction, which was completed on April 27, 2021, Property & Building acquired, in total, from the three sellers, approximately 14.61% of Gav-Yam's issued share capital, in consideration of a cash payment of approximately NIS 937 million (subject to certain adjustments which were determined with respect to the share price, in connection with certain additional acquisitions of Gav-Yam shares, if any, during the 6 month period after the signing date of the agreements). Concurrently, Property & Building issued to the sellers Property & Building shares which constituted (after their allocation) approximately 14.7% of Property & Building's capital, in return for a cash payment in the amount of approximately NIS 353 million. In addition, Property & Building also sold to one of the sellers, in return for a cash payment in the amount of approximately NIS 80 million, all of the securities of Sela Capital Real Estate Ltd. which were owned by Property & Building.
  On April 29, 2021, Property & Building acquired approximately 0.12% of Gav-Yam's issued share capital, in consideration of a total of approximately NIS 7.5 million.
  After the completion of the transactions in question, as of June 30, 2021 and near the publication of the report Property & Building holds approximately 44.66% and 44.51% of Gav-Yam's issued capital, respectively, and DIC's stake in Property & Building decreased to approximately 63.2%. For additional details, see Note 3.A.1.B. to the Financial Statements.
- Issue of shares of Elron shares - in April 2021 Elron issued approximately 8.9 million ordinary shares for a total consideration, net of issuance costs, in the amount of NIS 110 million. In the issuance, DIC acquired 4.9 million shares at a cost of NIS 62 million. As a result of the above, DIC's stake in Elron's issued share capital decreased by approximately 1.0%, to approximately 60.1%. For further details see Note 3.a.4. to the Financial Statements.
- Issue of shares of Libra Insurance Ltd. ("Libra") - DIC holds the stock capital of Libra at a rate of 4.7%. On June 20, 2021, Libra shares entered trade on the Tel Aviv Securities Exchange and the Company listed a profit of 29 million NIS in the second quarter of 2021, as a result of the revaluation of the value of the investment in accordance with its value on the stock exchange on the Financial Statements date.
- Consolidation of functions at DIC and Properties & Building - following that stated in Section 1.4 below, on a decrease that occurred in the Company's management expenses in the first half of 2021, as a result (among other things) of streamlining taken by the Company, on July 1 2021 the DIC Board of Directors decided to act to consolidate functions at DIC and Properties & Building, which included, among other things, the appointment of joint executives for service in both companies and the division of costs between them (according to a rate agreed upon by the parties), subject to the approval of the certified organs in both companies. Concurrently, the DIC Board of Directors decided to act to appoint Mr. Doron Cohen, the CEO of DIC, as CEO of Property & Building, alongside his continued service as CEO of DIC (the appointment was approved on July 1, 2021 by the Property & Building Board of Directors).

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

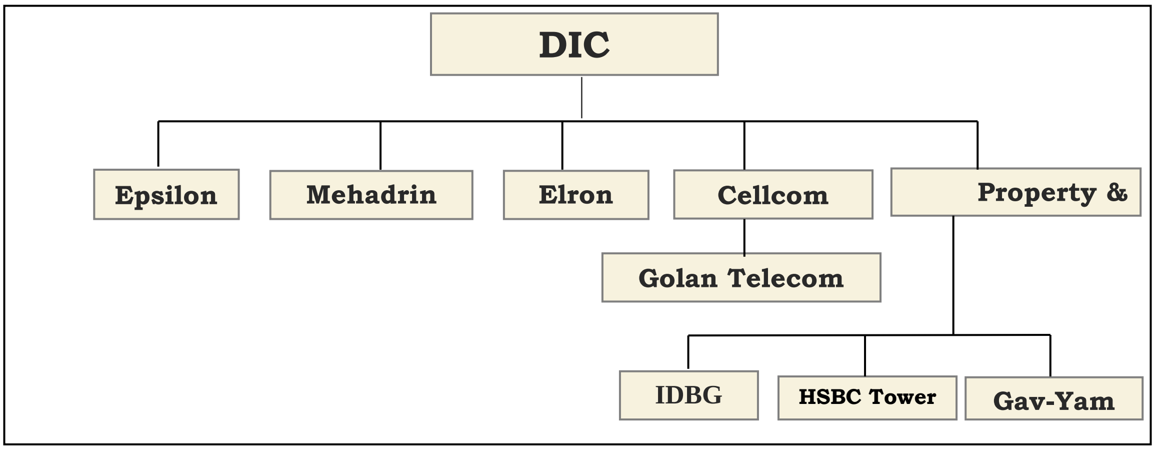
1.1 General (Cont.)

Additional events during the first half of 2021 and subsequent to the balance sheet date (cont.)

- Examination of debenture issue - in accordance with the decision of the DIC Board of Directors from July 21, 2021, DIC is considering the publication of shelf offering report (which also constitutes purchase order specifications), according to which DIC debentures from a new series will be issued, and will be listed for trade on the Tel Aviv Securities Exchange, by way of a swap proposal addressed to the holders of DIC debentures (Series F) and DIC debentures (Series J). For additional details, see Note 10.B. to the Financial Statements.

As of June 30, 2021, the main consolidated companies directly held by the Company include Property & Building (63.2%), Cellcom (46.0% in capital, 48.1% in voting rights), Elron (60.1%) and Mehadrin (44.5%).

Presented below is a diagram specifying the primary companies, for the purpose of this report, which are held by the Company as pf June 30, 2021[3]



1.2 Results in the First Half and Second Quarter of 2021

The Company concluded the first half of 2021 with net profit of NIS 90 million, compared to a loss of NIS 302 million in the corresponding period last year. The loss in the second quarter of 2021 amounted to a total of NIS 3 million, compared to a loss of NIS 104 million in the corresponding period last year, and a loss of NIS 555 million in 2020.
For details regarding the main non-recurring profits (losses), see section 1.9.1 below.

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

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

1.3 Results of the Company's Directly Held Investee Companies and Their Contribution to the Company's Results[4]

	Holding rate in capital As of June 30 2021	Data on the level of the Company: Profit (loss) For the six months ended June 30		Data on the level of the Company: Profit (loss) For the three months ended June 30		Profit (Loss) in 2020	Data on the level of the investee company [5]: Profit (loss) For the six months ended June 30		Data on the level of the investee company [5]: Profit (loss) For the three months ended June 30		Profit (loss) for 2020
		2021	2020	2021	2020		2021	2020	2021	2020	2020
		NIS millions									
Cellcom	46.0%	(3)	(41)	(6)	(21)	(78)	(7)	(89)	(14)	(46)	(170)
Property & Building	63.2%	[6]117	[6](149)	[6]28	(50)	[6](270)	162	(216)	42	(72)	(419)
Shufersal [7]	-	-	37	-	17	83	-[8]	170	-[8]	80	-[8]
Mehadrin	44.5%	12	13	(9)	(8)	6	28	8	(20)	(20)	3
Elron[9]	60.1%	18	(26)	2	(8)	(37)	29	(42)	2	(13)	(61)
Others[10]		47	(5)	44	(2)	(5)					
Total		191	(171)	59	(72)	(301)					
Administrative and financing, net (see section 1.4 below)		(101)	(131)	(62)	(32)	(254)					
Net profit (loss)		90	(302)	(3)	(104)	(555)					

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

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

6 Including a revision to the value of the HSBC Tower, net and a revision to the value of the Tivoli Project in las Vegas, see 1.9.1 below. For details regarding revenues from an increase in the fair value Gav-Yam's investment property, see Note 3.A.1.D. to the Financial Statements.

7 For details regarding DIC's sale of its entire stake in Shufersal, of approximately 26%, on July 26, 2020, see Note 3.G.5. to the annual financial statements. to the annual financial statements. Shufersal's results are presented in the statements of income under discontinued operations.

8 In light of DIC's sale of its entire stake in Shufersal, as stated in footnote 7 above, the data regarding Shufersal's results were not presented.

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

10 Including the revaluation of an investment in the shares of Libra Insurance, see Note 4.D. to the Financial Statements.

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

1.4 Administrative and financing expenses, net

	six months of		Second quarter of		
	2021	2020	2021	2020	
	NIS millions				Explanation of change
Management expenses, net	(13)	(15)	(6)	(7)	The decrease in management expenses, net, in the second quarter of 2021 and in the first quarter of 2021 compared to corresponding periods last year, was mainly due a decrease in salary expenses, as a result of streamlining carried out by the Company, and from a decrease in consulting and legal expenses.
Financing expenses, net	(88)	(116)	(56)	(25)	The increase in the second quarter of 2021, compared to the corresponding quarter last year, was mainly due to: 1. In the second quarter of 2021, the Company recorded net profit to the sum of NIS 3 million with respect to revaluation and interest from the Company's marketable securities and liquid investments, compared to a profit of NIS 21 million in the corresponding period last year; 2. An increase in net financing expenses, to the amount of NIS 21 million, with respect to linkage differentials on DIC's liabilities that are linked to the known CPI, mostly due to the CPI's 1.3% increase in the second quarter of 2021, compared to the 0.2% decrease in CPI in the corresponding period last year; 3. A decrease in net interest expenses to the sum of NIS 5 million, primarily due to the decrease in the Company's debt; 4. A decrease in financing expenses, net, in the sum of NIS 3 million, with respect to exchange rate difference on the balance of assets linked to the USD exchange rate, and this due to a 2.2% decrease in the exchange rate of the USD in the second quarter of 2021 at a rate of 2.2%, compared to a decrease of 2.8% in the corresponding period last year. The decrease in the first half of 2021, compared to the first half of last year, was mostly due to: 1. In the first half of 2021, the Company recorded a net profit to the sum of NIS 7 million with respect to revaluation and interest from tradable securities and liquid investments of the Company, this compared to a loss of NIS 34 million in the corresponding period last year, due to the effects of the Covid-19 crisis; 2. An increase in net financing expenses, to the amount of NIS 30 million, with respect to linkage differentials on DIC's liabilities that are linked to the known CPI, mostly due to the CPI's 1.4% increase in the first half of 2021, compared to the 0.7% decrease in CPI in the corresponding period last year; 3. A decrease in financing expenses, net, to the amount of NIS 7 million, with respect to exchange rate differences on the balance of assets linked to the USD exchange rate, due to a 1.4% increase in the USD exchange rate in the first half of 2021, compared to an increase of 0.3% in the corresponding period last year; 4. A decrease in net interest expenses to the sum of NIS 10 million, primarily due to the decrease in the Company's debt.
Total	**(101)**	**(131)**	**(62)**	**(32)**	

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

1.5 Primary Data Regarding the Company's Primary Holdings (Directly and Indirectly)

Weight of primary holdings and market segments

The following is a table specifying the relative weight of the Company's primary holdings, taking into account the rates of its holding therein, which are calculated according to "holdings value" as of August 17, 2021: [11]

Mix of holdings, by primary holdings:

Investee company		% of total holdings
1	Property & Building (real estate)	54%
2	Cellcom (telecommunication)	26%
3	Elron (technology)	10%
4	Mehadrin (agriculture)	6%
All other holdings		4%
Total		**100%**

1.6 Select Data from the Financial Statements and Financing Characteristics

1.6.1 Summary of Balance Sheet Data

	Company		Consolidated	
	As of June 30			
	2021	2020	2021	2020
	NIS millions			
Current assets	1,393	642	6,431	7,865
Total assets	4,726	5,263	18,754	20,129
Current liabilities	635	332	3,489	3,632
Total liabilities	3,341	3,711	14,798	16,343
Capital attributed to company shareholders [12]	1,385	1,552	1,385	1,552
Total capital (including non-controlling interests)			3,956	3,786

1.6.2 Liabilities and Financing

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

	As of August 17	As of June 30		As of December 31
	2021	2021	2020	2020
	NIS millions			
Financial liabilities[13]	(3,336)	(3,309)	(3,672)	(3,258)
Liquid asset balances[14]	1,399	1,397	638	1,510
Debt, net	(1,937)	(1,912)	(3,034)	(1,748)
Average lifetime of liabilities	2.5	2.7	3.0	3.1

11 The value of holdings (which does not include the liquid cash balance or the Company's liabilities) was calculated relative to public companies - based on the known market value as of the calculation date and relative to private companies - according to the book value presented in the Financial Statements (subject to the necessary adjustments with respect to realizations, investments and dividends). The figures presented in the table are rounded.

12 See also section 1.6.5 below.

13 Debentures, including accrued interest, without any premium/discount, which are presented as part of the balance of the debentures in the Company's Financial Statements.

14 Including cash and cash equivalents, and tradable securities.

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

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

1.6.3 The Company's financing sources

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

	For the Six Months Ended June 30					
	2021			2020		
	Liquid assets [(1)]	Financial debt	Financial debt, net	Liquid assets [(1)]	Financial debt	Financial debt, net
	NIS millions					
Balance at start of period	1,510	(3,258)	(1,748)	767	(3,643)	(2,876)
Dividends from investee companies and others (see also section 1.6.3.2 below)	5	-	5	106	-	106
Investment in cellcom	-	-	-	(33)	-	(33)
Investment in property & building	-	-	-	(51)	-	(51)
Investment in mehadrin	-	-	-	(51)	-	(51)
Investment in elron	(62)	-	(62)	-	-	-
Loan to bartan	(1)	-	(1)	-	-	-
Realization of long term investments	-	-	-	1	-	1
Long term investments	-	-	-	(1)	-	(1)
Repayment of financial debt - interest	(49)	49	-	(48)	48	-
Repayment of lease liabilities	(1)	-	(1)	(1)	-	(1)
Investment in fixed assets	-	-	-	(1)	-	(1)
General and administrative expenses less management fees and others, net, from change in balance of payables and receivables	(15)	-	(15)	(11)	-	(11)
Foreign currency differences	2	-	2	(5)	-	(5)
Financing - interest income, revaluation of current investments, accrual of interest on financial debt and linkage differentials	8	(100)	(92)	(34)	(77)	(111)
Balance at end of period	1,397	(3,309)	(1,912)	638	(3,672)	(3,034)

(1) Liquid assets including cash, cash equivalents, marketable securities and liquid investments.

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

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

1.6.3 The Company's Financing Sources (Cont.)

1.6.3.1 Presented below are the principal monetary movements in the Company's headquarters (Cont.)

	For the Three Months Ended June 30					
	2021			2020		
	Liquid assets [(1)]	Financial debt	Financial debt, net	Liquid assets [(1)]	Financial debt	Financial debt, net
	NIS millions					
Balance at start of period	1,509	(3,300)	(1,791)	675	(3,679)	(3,004)
Dividends from investee companies and others (see also section 1.6.3.2 below)	3	-	3	103	-	103
Investment in cellcom	-	-	-	(33)	-	(33)
Investment in property & building	-	-	-	(51)	-	(51)
Investment in mehadrin	-	-	-	(12)	-	(12)
Investment in elron	(62)	-	(62)	-	-	-
Loan to bartan	(1)	-	(1)	-	-	-
Realization of long term investments	-	-	-	1	-	1
Repayment of financial debt - interest	(49)	49	-	(48)	48	-
Repayment of lease liabilities	-	-	-	(1)	-	(1)
General and administrative expenses less management fees and others, net, from change in balance of payables and receivables	(5)	-	(5)	(12)	-	(12)
Foreign currency differences	(2)	-	(2)	(5)	-	(5)
Financing - interest income, revaluation of current investments, accrual of interest on financial debt and linkage differentials	4	(58)	(54)	21	(41)	(20)
Balance at end of period	1,397	(3,309)	(1,912)	638	(3,672)	(3,034)

(1) Liquid assets including cash, cash equivalents, marketable securities and liquid investments.

1.6.3.2 Dividends received:

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

	For the six months ended June 30		For the three months ended June 30		For the year ended December 31
	2021	2020	2021	2020	2020
	NIS millions				
Property & Building	-	69	-	69	69
Shufersal	-	21	-	21	21
Epsilon Investment House Ltd. ("Epsilon")	2	1	2	-	3
Pitango Venture Capital Fund III (Israeli Investors) LP ("Pitango")	-	13	-	13	13
Brink's	1	-	1	-	-
Others	2	2	-	-	2
Total	5	106	3	103	108

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

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

1.6.3 The Company's Financing Sources (Cont.)

1.6.3.3 in connection with the company's debentures (series J), the company undertook, in accordance with the deed of trust, to comply, during the entire period of the debentures, with the grounds for adjustment of the interest rate and the financial covenants, which will be evaluated as of the date of the financial statements, as of June 30, 2021 the company is in compliance with all of the financial covenants connected to the debentures (series J), as follows:

Grounds for adjusting interest rate[1]/financial covenant	Calculation results	
	As of June 30, 2021	As of August 17, 2021
(A) In case of a reduction in the rating of the debentures by one or more notches below a rating of ilBBB, the stated interest rate will increase at a rate of 0.25% per year, and at a rate of 0.25% per year with respect to each additional decrease in rating, up to a maximum cumulative interest addition of 1% per year.	ilBBB Rating (Stable)	ilBBB Rating (Stable)
(B) In case DIC's net asset value[2] falls below NIS 1.1 billion, and additionally, the ratio between the net financial debt and DIC's asset value exceeds 75%, the stated interest rate will increase by 0.25% per year.	Net asset value - NIS 1.7 billion. Ratio between net financial debt and asset value - 52%	Net asset value - NIS 1.5 billion. Ratio between net financial debt and asset value - 56%
(C) In case the ratio between DIC's net financial debt and its asset value exceeds 85%, the stated interest rate will increase by 0.5% per year.	Ratio between net financial debt and asset value - 52%	Ratio between net financial debt and asset value - 56%
(D) In case the ratio between DIC's capital and DIC's solo total balance sheet falls below 12.5%, the stated interest rate will increase at a rate of 0.25% per year.	Ratio between capital and total solo balance sheet - 29%	Ratio between capital and total solo balance sheet - 29%

[1] It is noted that if and insofar as an adjustment of the interest rate is required, in any case, the maximum cumulative rate of the additional interest will not exceed 1.75% per year beyond the original stated interest rate (4.8%).

[2] Asset value is calculated according to the value of the assets, as stated below: (A) With respect to non-marketable holdings - according to their value in the Company's financial statements. (B) With respect to marketable holdings - according to their average market value during the five trading days preceding the date of the calculation.

- On May 10, 2021 S&P Maalot raised the rating of the Company's debentures from il/BBB- (Negative) to il/BBB (Stable). Following the increase in rating, the interest rate applicable to the Company's debentures (Series J) was decreased, beginning on May 10, 2021, from 5.05% to 4.80%.
- For additional details regarding the financial covenants which were determined in connection with the Company's debentures (Series J), see Note 15.C.2. to the annual financial statements.

1.6.3.4 In accordance with the decision of the company board of directors from July 21 2021, the company is considering the publication of shelf offering report (which also constitutes purchase order specifications), according to which company debentures from a new series will be issued. For additional details, see note 10.B. To the financial statements.

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

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

1.6.3 The Company's Sources of Finance (Cont.)

1.6.3.5 For details regarding expected repayments of the company's liabilities, see the company's report regarding its liabilities by repayment dates (t-126), which was published by the company in an electronic public report on August 19, 2021 (reference number 2021-01-067996), near the publication of this report.

1.6.3.6 The cash flows of DIC are affected, inter alia, by dividends that are distributed by the company and by dividends that DIC received from its investees, by receipts deriving from the realization of its holdings in its investee companies, by investments, by repaying the company's current liabilities and by debt raised.

1.6.3.7 DIC's policy is to act to ensure that it will have sufficient liquid resources to fulfil its obligations on time. As part of the above, DIC strives to maintain an adequate cash balance. Note that as of June 30, 2021 DIC has a balance of liquid means to the sum of nis 1,397 million. The total redemptions of principal and interest of DIC in the second half of 2021, in 2022 and in the first half of 2023 amount to a total of nis 704 million, nis 722 million and nis 31 million, respectively.

1.6.4 Retained Earnings and Negative Balances of Distributable Profits[15]

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

As of June 30 2021

The Company[16]	Investee companies - NIS millions: Property & Building	Cellcom	ELRON[17]	Mehadrin
182	762	1,092	(66)	511

1.6.5 The following is movement in capital attributable to the owners of the Company: [18]

	For the six months ended June 30, 2021	For the six months ended June 30, 2020	For the three months ended June 30, 2021	For the three months ended June 30, 2020	For the year ended December 31 2020
	NIS millions				
Balance at start of period	1,231	1,824	1,365	1,664	1,824
Changes during the period					
Net profit (loss) attributable to the Company's owners	90	(302)	(3)	(104)	(555)
Reserves from translation differences	17	(6)	(24)	(47)	(104)
Reserves in respect of transactions with non-controlling interests	47	35	47	39	54
Hedging reserves	-	(3)	-	(1)	1
Revaluation reserves	-	4	-	4	5
Capital reserves and other movements, net	-	-	-	(3)	6
Balance at end of period	1,385	1,552	1,385	1,552	1,231

15 For details regarding restrictions on the distribution of dividends, see Sections 8.4, 9.3 and 10.4 of Part A of the periodic report and Note 3.H to the Annual Financial Statements. In addition, the aforementioned companies, as well as their investee companies, are subject by law to various agreements or permits and restrictions pertaining to the distribution of dividends.
16 The balance of distributable profits as of June 30 2021 is calculated based on the net profit (loss) attributable to the owners of the Company, which was accrued in the past eight quarters. The cumulative balance of retained earnings was negative.
17 Elron data was translated for convenience purposes according to the USD exchange rate as of June 30, 2021.
18 See also Section 1.7 below.

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

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

1.6.6 Linkage bases of the Company's assets and liabilities as of June 30, 2021 (including wholly owned headquarter subsidiaries):

	Linked to the CPI	Linked to foreign currency (primarily to the USD)	Unlinked	Items-Non-Monetary	Total
			NIS millions		
Right-of-use assets	-	-	-	15	15
Fixed assets	-	-	-	2	2
Investments in investee companies and other companies (see section 1.6.7)	-	-	-	3,304	3,304
Other receivables and debit balances	-	-	10	2	12
Investments in marketable securities	32	15	27	121	195
Cash and cash equivalents	-	3	1,199	-	1,202
Total assets	**32**	**18**	**1,236**	**3,444**	**4,730**
Debentures (including maturities)	1,311	-	1,972	-	3,283
Lease liabilities (including maturities)	16	-	-	-	16
Other payables and credit balances	37	-	6	-	43
Current provisions	-	-	3	-	3
Total liabilities	**1,364**	**-**	**1,981**	**-**	**3,345**
Net Balance as of June 30 2021	**(1,332)**	**18**	**(745)**	**3,444**	**1,385**
Net balance as of June 30 2020	**(1,713)**	**(141)**	**(1,627)**	**4,751**	**1,552**
Net balance as of December 31, 2020	**(1,313)**	**131**	**(651)**	**3,064**	**1,231**

For details regarding the linkage bases of the total assets and total liabilities in the consolidated Statement of Financial Position as of June 30, 2021, see 2.2 below.

1.6.7 Investment in Investees and Others

1.6.7.1 The following is the movement in investee companies and other companies:

	In the six months ended	In three months ended
	June 30, 2021	
	NIS millions	
Balance at start of period	2,997	3,170
Group's share in the profits of investees accounted by the equity method	153	21
Dividends from investees[1]	(2)	(2)
Change due to the purchase of investments	65	65
Change due to the sale of investments[2]	44	44
Change in investments carried to capital reserves	18	(23)
Other changes (mostly revaluation of companies measured at fair value)[1]	29	28
Balance at end of period	3,304	3,303

(1) Not including dividends from companies measured at fair value, which are charged to the statement of income.
(2) Including the impact of the issue of shares issued to non-controlling interests in a subsidiary.

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

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

1.6.7 Investment in Investees and Others (Cont.)

1.6.7.2 The following are the balances of the investments in investees and other, net asset value[19] and leverage level[20] as of June 30, 2021:

	Holding rate	Book value	Asset value[21]
		NIS millions	
Companies accounted by the equity method			
Cellcom	46.0%	1,200	1,098
Property & Building	63.2%	1,448	1,805
Elron	60.1%	199	374
Mehadrin	44.5%	292	210
Epsilon	68.8%	62	62
EMCO	12.2%	11	11
Microwave Networks, Inc.	99.8%	12	12
Others		4	4
Companies and funds measured at fair value			
Libra Insurance Company Ltd.	4.7%	32	32
Pitango	27.3%	6	6
Mustang Mezzanine Fund, LP	23.8%	9	9
Brink's	10.0%	27	27
Others		2	2
		3,304	3,652

	As of August 17 2021	As of June 30 2021	As of December 31 2020
		NIS millions	
Asset value [21]	3,435	3,652	3,254
Less financial debt, net (section 1.6.2)	(1,937)	(1,912)	(1,748)
Total net value - [NAV][19]	1,498	1,740	1,506
Leverage level - [LTV][20]	56%	52%	54%

19 NAV - Net Asset Value. Constitutes the Company's net asset value, i.e., the total value of the Company's assets, after deducting its net financial liabilities. NAV is a standard economic indicator for evaluating the economic equity of companies. The main gaps between the Company's NAV and capital attributable to Company's owners as presented in the statement of financial position were mostly due to the measurement of the Company's marketable investments at market value, which differed from the measurement thereof in accordance with generally accepted accounting principles. It is hereby clarified that the NAV is not based on generally accepted accounting principles, and does not constitute an alternative to the information included in the Financial Statements.
The net asset value proximate to the publication date of the report is based on the market and debt data as of proximate to the publication date of the report. In respect of non-marketable holdings, the value of the holdings is according to the value in the Company's books as of June 30, 2021, plus investments made and less dividends received after June 30, 2021 and until near the publication of the Report.

20 Leverage level – the LTV (loan to value) ratio is a standard economic indicator used to measure the leverage ratio of companies, and serves as the basis for measuring the ratio (in percentage points) of net financial debt relative to its asset value. It is hereby made clear that the LTV is not based on generally accepted accounting principles, and does not constitute an alternative to the information that is included in the Financial Statements.

21 Asset value is calculated according to the value of the assets, as stated below: (a) with respect to non-tradable holdings - according to their value in the Company's Financial Statements; (b) with respect to tradable holdings - according to their average value on the stock exchange during the five trading days preceding the calculation date (and not based on their value in the Company's Financial Statements).

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

1.7 Changes in capital and profit (loss) quality

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

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

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

The business results of the Company, and sometimes directly in capital attributed to the Company's shareholders, may fluctuate - in accordance with current accounting principles - a great deal between the various reporting periods, mostly due to the timing and extent of realizing and making investments by DIC and its investee companies, to the effects of changes in prices of securities on the capital market and in the value of assets, and to changes in the financing expenses of the Company and its investee companies, the amount of which is affected, inter alia, by the net amount of debt, the linkage bases of the debt and net financial assets, financial derivatives and the rates of change in the CPI and in the USD exchange rate during the reporting period.

The Company's total comprehensive loss in the second quarter of 2021 (including non-controlling interests) amounted to NIS 26 million, compared to comprehensive loss (including non-controlling interests) of NIS 232 million in the corresponding quarter last year. The aforementioned difference is primarily due to the following factors:

A. Net profit in the second quarter of 2021 (including non-controlling interests) amounted to NIS 11 million, compared to a loss to the sum of NIS 172 million in the corresponding quarter last year.

B. In the second quarter of 2021, other comprehensive loss (including non-controlling interests) was recorded for foreign currency translation differences for foreign activity to the sum of NIS 32 million, compared other comprehensive loss to the sum of NIS 47 million in the corresponding quarter last year. The change was mostly due to the decrease in the USD exchange rate in the second quarter of 2021 at a rate of 2.2%, compared to the decrease of 2.8% in the corresponding quarter last year.

C. In the second quarter of 2021, other comprehensive loss (including non-controlling interests) was recorded with respect to investee companies accunted by the equity method, to the sum of NIS 5 million, compared to other comprehensive loss to the sum of NIS 11 million in the corresponding quarter last year.

Comprehensive loss attributable to the owners of the Company in the second quarter of 2021 amounted to NIS 27 million, compared to a comprehensive loss to the sum of NIS 143 million in the corresponding quarter last year.

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

1.8 Summary of the Company's results (consolidated)

	For the six months ended June 30		For the three months ended June 30		For the year ended December 31
	2021	2020	2021	2020	2020
	NIS millions				
Net profit (loss) for the period attributable to owners of the Company	90	(302)	(3)	(104)	(555)
Net profit (loss) for the period attributable to non-controlling interests	86	(150)	14	(68)	(242)
Net profit (loss) attributable to the owners of the Company and to non-controlling interests	176	(452)	11	(172)	(797)
Income (loss) from the realization and increase in value of investments and assets, and dividends, less amortization of investments and assets and decrease in net value (including non-controlling interests)	100	(42)	59	(37)	(57)
Profit from discontinued operations, after tax	-	37	-	17	83
Comprehensive income (loss) attributable to Company shareholders	107	(299)	(27)	(143)	(639)
Basic and diluted earnings (loss) per share - in NIS	0.6	(2.1)	-	(0.7)	(3.9)

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

1.9 Details regarding main non-recurring events

1.9.1 Details regarding the Company's share in primary non-recurring profits (losses)

	For the six months ended June 30		For the three months ended June 30		For the year ended December 31
	2021	2020	2021	2020	2020
	NIS millions				
Involving cash flows -					
Profit from the realization of Elron investees	40	-	22	-	-
Loss from the sale of Gav-Yam shares	-	(23)	-	(23)	(23)
Profit from sale of Shufersal shares	-	-	-	-	39
Profit from self-purchase of debentures	-	-	-	-	7
Retrospective update of telecommunication tariffs in the wholesale market by the Ministry of Communication	-	13	-	-	13
Not involving cash flows [22] -					
Profit from revaluation of Libra	29	-	29	-	-
Profit from decrease in Cellcom's stake in IBC	6	-	-	-	-
Provision for lawsuit at Cellcom	11	-	11	-	-
Cancellation of provision for suit at DIC	7	-	7	-	-
Update to the value of the HSBC Tower, net	7	(56)	7	-	(130)
Loss due to rise to control of Mehadrin	-	(100)	-	-	(100)
Profit from the allocation of negative value to goodwill at Mehadrin	-	112	-	-	107
Update to the fair value of Ispro's assets, as part of presentation as held for sale	-	-	-	-	(28)
Update of the provision for Rock Real, net, due to the arbitration ruling	-	-	-	-	29
Update to the value of the Tivoli project in Las Vegas	-	(8)	-	-	(35)

1.9.2 Primary Non-Recurring Impacts Directly Affecting Capital Attributed to the Company's Shareholders

1.9.2.1 In April 2021 Property & Building issued shares that constituted (after allocation) 14.7% of its issued capital. As a result of the offering in question, DIC listed increase in equity attributed to Company shareholders in the second quarter of 2021, in the amount of NIS 45 million. For further details see Note 3.A.1.C. to the Financial Statements.

1.9.2.2 In April 2021, Elron issued approximately 8.9 million ordinary shares for a total consideration, net of issuance costs, in the amount of NIS 110 million. In the issuance, DIC acquired 4.9 million shares at a cost of NIS 62 million. As a result of the above, DIC's stake in Elron's issued share capital decreased by approximately 1.0%, to approximately 60.1%, and DIC listed an increase in capital attributed to the Company's shareholders in the second quarter of 2021 to the sum of NIS 2 million.

22 For details regarding revenues from an increase in the fair value Gav-Yam's investment property, see Note 3.A.1.D. to the Financial Statements.

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

1.10 Contribution to the Business Results of the Company and Its Investee Companies, by Operating Segments

1.10.1 Cellcom segment

DIC's share in the results of the Cellcom segment in the first half and second quarter of 2021 amounted to a loss of NIS 3 million and a loss of NIS 6 million, respectively, which includes a one-time expense, net, listed in the second quarter of 2021, to the sum of NIS 11 million for a lawsuit, for which a ruling was made against Cellcom, Cellcom intends to appeal before the Supreme Court for the suit in question, compared to a loss of NIS 41 million and a loss of NIS 21 million in the first half and second quarter of 2020, and a loss of NIS 78 million in 2020.

The actions taken by Cellcom in 2020, which included, inter alia, the acquisition of Golan Telecom Ltd. ("Golan") and the adjustment of Cellcom's expense structure, were expressed in the first half of 2021, in which Cellcom presented a significant increase in its revenues and profitability. At the same time, the first half of 2021 includes significant non-recurring profits deriving from the completion of the HOT- Israel Broadband Company (2013) Ltd. ("IBC") transaction, in light of the drop in Cellcom's stake in IBC, to the sum of NIS 14 million. DIC's share of the profit being NIS 6 million. In addition, revenues were generated in the first half of 2021 to the sum of NIS 28 million NIS for laying fiber for IBC. These revenues are expected to drop significantly starting from the second half of 2021 in light of the completion of the transaction in question.

The coronavirus crisis is continuing to affect Cellcom's activity, and is reflected in income from roaming services in very low amounts relative to 2019, as well as Cellcom's operating environment, which remains highly competitive. At the same time, the figures for the first half of 2021 reflect the steps which were taken and are being taken by Cellcom to improve the service experience and service quality, inter alia, by significantly upgrading the mobile and landline infrastructure.

Summary of the business results of the Cellcom segment

	First six months of			Second quarter of			
	2021	2020	Increase	2021	2020	Increase	
	NIS millions		%	NIS millions		%	Explanation
Income from services	1,449	1,365	6.2	728	683	6.6	The increase in the first half and second quarter of 2021 compared with the corresponding periods last year stemmed mainly from revenues from Golan, whose results were consolidated for the first time starting September 2020.
Revenues from end user equipment	587	382	53.7	275	172	59.9	The increase in the first half and second quarter of 2021, compared to the corresponding periods last year, was mostly due to the increase in the revenues from sales of end user equipment in the mobile segment, as a result of an increase in sales of telephones to business customers in the mobile segment, as well as from an increase in revenues from the landline segment.
Total revenues	**2,036**	**1,747**	**16.5**	**1,003**	**855**	**17.3**	
Cost of sales and services	(1,496)	(1,308)	14.4	(727)	(664)	9.5	The increase in the first half and second quarter of 2021, compared to the corresponding periods last year, was mostly due to the increase in sales of end equipment, as stated above, and the first-time consolidation of Golan, an increase offset by a decrease in expenses (payroll, content, depreciation, etc.), in light of the streamlining measures implemented by Cellcom.
Gross profit	540	439	23.0	276	191	44.5	
Rate of gross profit from total revenues	26.6%	25.1%		27.5%	22.3%		

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

1.10 Contribution to the Business Results of the Company and of Investee Companies, by Operating Segment (Cont.)

1.10.1 Cellcom Segment (Cont.)

Summary of the business results of the Cellcom segment:

	First six months of 2021	First six months of 2020	Increase (decrease)	Second quarter of 2021	Second quarter of 2020	Increase (decrease)	
	NIS millions	NIS millions	%	NIS millions	NIS millions	%	Explanation
Selling, marketing, general and administrative expenses and credit losses	(475)	455	4.4	(233)	220	5.9	The increase in the first half and second quarter of 2021 compared to the corresponding periods last year stemmed mainly from the first-time consolidation of Golan's results, an increase in salary expenses, following a decrease in salary expenses in the corresponding quarter last year, which included furloughing employees, as a result of the coronavirus crisis, and an increase in advertising expenses. The increase was partially offset against the decrease in credit loss expenses, as a result of improvements in sales processes.
Other income (expenses)	18	12	50.0	(10)	7	Transition to expense	The increase in the first half of 2021, compared to the corresponding period last year, was primarily due to revenues from contracting works for laying fiber optics for IBC (a Cellcom associate), which was partially offset as a result of an nis 32 million provision for a lawsuit. The decrease in the second quarter of 2021, compared to the corresponding quarter last year, derived from the above lawsuit provision.
Operating profit (loss)	83	(4)	Transition to profit	33	(22)	Transition to profit	
Adjusted EBITDA[23]	568	466	21.9	297	222	33.8	The increase in the second quarter of 2021 compared to the corresponding quarter last year, was due to the increase in operating profit, as a result of the above.
Rate of EBITDA from total revenues	27.9%	26.7%		29.6%	26.0%		
Financing expenses, net	(87)	(98)	(11.2)	(49)	(34)	44.1	The decrease in the first half of 2021, compared to the corresponding period last year, was primarily due to financing losses which were recorded in Cellcom's current investment portfolio in the first quarter of 2020, due to the effect of the coronavirus crisis. The increase in the second quarter of 2021 compared to the corresponding quarter last year largely derived from the impact of the increase in CPI (the known CPI increased by 1.3% in the second quarter of 2021 compared to a 0.2% drop in the corresponding quarter last year) on the debentures, as well from a decrease in revenues from the ongoing investments portfolio.
Tax income (expenses)	(1)	20	Transition to expense	2	12	(83.3)	The change in tax income (expenses) in the first half and in the second quarter of 2021 largely derived from the change in profit (loss) before tax.
Loss Attributed to Cellcom Shareholders	**(7)**	**(89)**	**(92.1)**	**(14)**	**(46)**	**(69.6)**	

For details regarding principal changes in the holdings of the Cellcom segment during the reported period, see Note 3.A.2 to the Financial Statements. to the Financial Statements.

For details on the Golan offer in August 2021, subsequent to the balance sheet date, to purchase the full stock capital of Xfone or its activity, see Note 10.I. to the Financial Statements.

23 Adjusted EBITDA - A standard metric in the telecommunication sector, defined as profit before financing income (expenses), taxes, depreciation and amortization, profit (loss) from associated companies and share-based payments, other revenues (expenses) that are not a part of Cellcom's operating activities, and including other revenues (expenses) that constitute a part of Cellcom's operating activities such as interest income with respect to sale transactions in installments, and expenses with respect to the voluntary retirement program.

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

1.10 Contribution to the Business Results of the Company and of Investee Companies, by Operating Segment (Cont.)

1.10.1 Cellcom Segment (Cont.)

Summary of the business results of the Cellcom segment:

Cellcom's main operational indicators:

	Second quarter of 2021	Second quarter of 2020	Change in % Increase (decrease)
In the mobile segment:			
Number of Cellcom subscribers at end of period (in thousands)	3,226*	2,734	18.0
Churn rate	8.6%	8.7%	(1.1)
Monthly average revenue per user (ARPU) (in NIS) [24]	47.7	46.9	1.7
In the landline segment:			
Number of subscribers (households) at end of period in the television segment (in thousands)	250	245	2.0
Number of subscribers (households) at end of period in the internet infrastructure segment (in thousands)	296	283	4.5

* The increase in the list of subscribers was mostly due to the acquisition of Golan, and was partly offset by the non-inclusion of 427,000 data subscribers (data communications) to the list of active subscribers, starting from the fourth quarter of 2020.

Examination of impairment - in the second quarter of 2021, DIC conducted an examination of the impairment of the goodwill and brand attributed to Cellcom, net of tax. In accordance with Regulation 49(A) of the Reports Regulations, an economic paper has been attached to these Financial Statements on this subject as of the date in question. For additional details, see Note 3.A.2.C to the Financial Statements.

1.10.2 Property & Building Segment

DIC's share in the results of the Property & Building segment in the first half and second quarter of 2021 amounted to a profit of NIS 117 million and a profit of NIS 28 million, respectively, compared to a loss of NIS 149 million and a loss of NIS 50 million in the first half and second quarter of 2020, respectively, and a 270 million NIS loss in 2020. DIC's share of the results in question includes profit from the increase in value of the HSBC Tower, net in the first half and second quarter of 2021 to the sum of NIS 7 million, and a loss from the impairment of the HSBC Tower, net to the sum of NIS 56 million and NIS 130 million in the first half of 2020 and in 2020, respectively.

The first half of 2021 was characterized by stability in the cash-generating property sector in Israel, as expressed both in the level of demand and in the level of rental prices and occupancy rates. Throughout the period, demand was seen for office, commercial, industry and logistics areas, in most of Property & Building's operating segments, which resulted in the stabilization of prices and maintenance of high occupancy rates.

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

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

1.10 Contribution to the Business Results of the Company and of Investee Companies, by Operating Segment (Cont.)

1.10.2 Property & Building Segment (Cont.)

Summary of the Business Results of Property & Building[25]

	First six months of		Increase (Decrease)	Second quarter of		Increase (Decrease)	
	2021	2020		2021	2020		
	NIS millions		%	NIS millions		%	Explanation
Revenues from property rentals	130	138	(5.8)	64	67	(4.5)	The decrease in the first half and second quarter of 2021, relative to the corresponding periods last year, was primarily due a decrease in the exchange rate of the USD and the sale of assets, against an increase in revenues from the HSBC Tower.
Revenues from the rental of identical properties after the deduction of holding expenses ("NOI")[26].	68	80	(15.0)	32	40	(20.0)	The decrease derives from the impact of the exchange rate of the USD and non-recurring maintenance expenses of the HSBC Tower project.
Revenues from the sale of apartments and real estate	24	63	(61.9)	7	28	(75.0)	Residential revenues are recognized based on the progress of sales and construction in the projects. The change between the reported periods derives from a drop in the scope of active projects, respectively.
EBITDA[27]	143	148	(3.4)	29	39	(25.6)	The change in the first half of 2021 compared to the corresponding period last year derives from a decrease in the NOI (see above) as well as from a decrease in the scope of residential activity against an increase in dividends to the sum of NIS 7 million. The change in the second quarter of 2021 compared to the corresponding period last year derives from a decrease in the NOI (see above) as well as from a decrease in the scope of residential activity.
Increase (decrease) in fair value of investment property, net	23	(120)	Transition to profit	14	2	600.0	The increase in the second quarter of 2021, compared to the corresponding period last year, was mostly due to the revaluation of the HSBC Tower in New York in the second quarter of 2021 to the sum of NIS 14 million. An amortization for the impairment of the HSBC Tower was included in the first half of 2020.
Loss from realization of investment in investee company	-	(34)	(100.0)	-	(34)	(100.0)	The loss in the first half and second quarter of 2020 was due to the realization of approximately 5% of Gav-yam's issued share capital.
Property & Building's share in the profits of investee companies, net	171	39	338.5	102	24	325.0	This section includes in the first half of 2021 and the second quarter of 2021 the share of Property & Building in the results of Gav-Yam to the sum of NIS 158 million and NIS 94 million, respectively, compared to NIS 55 million and NIS 24 million in the corresponding periods last year, respectively, as well as profits from the sale of Property & Building's holdings in India to the sum of NIS 11 million.

25 The data was presented according to the presentation in the Financial Statements of Property & Building.
26 To be clear, the NOI is not based on generally accepted accounting principles, and does not constitute an alternative to the information which is included in the Financial Statements.
27 Operating profit according to the statement of income, after neutralizing the revaluation of investment property, depreciation and others, provision for consulting services and Property & Building's share in the business results of investee companies, plus dividends received from associates.

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

1.10 Contribution to the Business Results of the Company and of Investee Companies, by Operating Segment (Cont.)

1.10.2 Property & Building Segment (Cont.)

Summary of the business results of Property & Building * (Cont.)

	First six months of 2021	First six months of 2020	Increase (Decrease)	Second quarter of 2021	Second quarter of 2020	Increase (Decrease)	Explanation
	NIS millions		%	NIS millions		%	
Financing expenses, net	(79)	(184)	(57.1)	(94)	(104)	(9.6)	The decrease in financing expenses in the first half of 2021, compared to the corresponding period last year, was primarily due to: 1. Interest expenses to the sum of NIS 117 million compared to a total of NIS 131 million in the corresponding quarter last year, which derived mainly from a drop in property & building's gross debt. 2. CPI linkage difference expenses to the sum of NIS 25 million compared to NIS 15 million in revenues in the corresponding period last year. In the first half of 2021, the known CPI increased by 1.4% compared to a 0.7% decrease in the corresponding period last year. 3. Profit from hedge agreements to the sum of NIS 40 million compared to a loss of NIS 19 million in the corresponding period last year. 4. Revenues from securities to the sum of NIS 10 million compared to securities expenses to the sum of NIS 45 million in the corresponding period last year. 5. Revenues from exchange rate differences to the sum of NIS 11 million compared to expenses to the sum of NIS 7 million, deriving from a 1.4% increase in the exchange rate of the USD compared to a 0.3% drop in the corresponding period last year. The decrease in financing expenses in the second quarter of 2021, compared to the corresponding quarter last year, was mainly due to: 1. Interest expenses to the sum of NIS 58 million compared to a total of NIS 64 million, derived mainly from a drop in property & building's gross debt; 2. CPI linkage difference expenses to the sum of NIS 23 million compared to NIS 4 million in revenues, as a result of an increase in the known CPI rate in the second quarter of 2021 by 1.3% compared to a 0.2% drop in the corresponding period last year. 3. Profit from hedge agreements to the sum of NIS 13 million compared to a loss of NIS 19 million, largely deriving from changes in CPI forecasts; 4. Loss from securities to the sum of NIS 10 million compared to a profit of NIS 7 million; 5. Exchange rate differential expenses to the sum of NIS 16 million compared to expenses to the sum of NIS 32 million, deriving from a 2.2% decrease in the USD exchange rate compared to a 2.8% decrease in the corresponding period last year.

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

1.10 Contribution to the Business Results of the Company and of Investee Companies, by Operating Segment (Cont.)

1.10.2 Property & Building Segment (Cont.)

Summary of the business results of Property & Building * (Cont.)

	First six months of 2021	First six months of 2020	Increase (Decrease)	Second quarter of 2021	Second quarter of 2020	Increase (Decrease)	Explanation
	NIS millions		%	NIS millions		%	
Income (expenses) Taxes	(12)	25	Transition to expense	(10)	(4)	150.0	Tax expenses on income in the first half of 2021 largely consist of changes in deferred taxes as a result of HSBC activity compared to tax income in the corresponding period last year as a result of the impairment of the HSBC Tower. Tax expenses on income in the second quarter of 2021 largely consist of deferred taxes, as a result of an increase in the value of the HSBC Tower.
Profit (loss) from discontinued operations, after tax, attributable to the owners of Property & Building.	-	(25)	(100.0)	-	3	(100.0)	The loss from discontinued activity in the first half of 2020 included the results of property & building's commercial segment (Ispro).
Net Profit (Loss) Attributed to Property and Building's Owners	**162**	**(216)**	**Transition to Profit**	**42**	**(72)**	**Transition to Profit**	

* The data was presented according to the presentation in the Financial Statements of Property & Building.

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

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

1.10 Contribution to the Business Results of the Company and of Investee Companies, by Operating Segment (Cont.)

1.10.3 Mehadrin Segment

DIC's share in the results of the Mehadrin segment in the first half and second quarter of 2021 amounted to a profit of NIS 12 million and a loss of NIS 9 million, respectively, compared to a profit of NIS 13 million and a loss of NIS 8 million in the first half and second quarter of 2020, respectively, and a profit of NIS 6 million in 2020.

Summary of the business results of Mehadrin:

	First six months of 2021	First six months of 2020	Increase (Decrease)	Second quarter of 2021	Second quarter of 2020	Increase (Decrease)	
	NIS millions		%	NIS millions		%	Explanation
Total revenues	649	780	(16.8)	238	317	(24.9)	The decrease in revenues in the first half and second quarter of 2021, compared to the corresponding periods last year, was primarily due to a drop in fruit amounts of some 46,000 and 30,000 tons, respectively, against an average price increase of 15% and 9%, respectively. The drop in fruit amounts derives from a heat wave in May last year and from the conclusion of an agreement with one of the avocado suppliers Mehadrin had worked with, against increased recruitment of fruit in Israel and abroad.
Gross profit (loss)	47	34	40.0	(11)	(14)	26.9	The improvement in gross profits and in profit rates in the first half and the second quarter of 2021 compared to the corresponding periods last year largely derived from an increase in sales prices as noted above, from a decrease in fixed expense and from an improvement in foreign currency exchange rates compared to the corresponding quarter last year, mainly in the exchange rates of the EUR and GBP.
Rate of gross profit from total revenues	7.3%	4.3%		(4.3%)	(4.5%)		
General and administrative expenses	12	12	-	6	6	-	
Operating profit (loss)	35	22	59.9	(17)	(20)	(17.5)	
EBITDA	61	50	23.6	(4)	(7)	(47.7)	The improvement in EBITDA and in the EBITDA rate in the first half and second quarter of 2021 compared to corresponding periods last year largely derives from the improvement in gross profits and in gross profit rates, as noted above.
Rate of EBITDA to total revenue	9.4%	6.4%		(1.5%)	(2.1%)		

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

1.10 Contribution to the Business Results of the Company and of Investee Companies, by Operating Segment (Cont.)

1.10.3 Mehadrin Segment (Continued)

Summary of the Business Results of Mehadrin (Continued)

	First six months of 2021	First six months of 2020	Increase (Decrease)	Second quarter of 2021	Second quarter of 2020	Increase (Decrease)	Explanation
	NIS millions		%	NIS millions		%	
Mehadrin's share of the net profits of investee companies accounted by the equity method	2	3	(37.1)	(2)	(2)	-	
Financing expenses, net	6	14	(60.3)	5	5	-	The decrease in financing expenses in the first half of 2021, compared to the corresponding period last year, was mostly due to the decrease in interest expenses to the bank to the sum of nis 5 million, mainly due to sums recorded in the first quarter last year due to the early repayment of a financial debt, a decrease in credit and due to financing income, as a result of the improvement in the EUR and GBP exchange rates.
Tax income (expenses)	(3)	(3)	-	4	7	(37.7)	
Net Profit (Loss) Attributed to Mehadrin's Owners	**28**	**8**	**252.2**	**(20)**	**(20)**	**-**	

2. Exposure to and Management of Market Risks

2.1 During the reported period, no material changes occurred in the Company's exposure to and management of market risks, relative to the Company's reports on this subject in the Company's Board of Directors' Report for 2020. The Company does not manage the risks of its investee companies.

In August, 2021 Mr. Baruch Yitzhak, the Company's CFO, was made responsible for managing financial risk at the Company.

2.2. Linkage bases of total assets and total liabilities in the consolidated statement of financial position as of June 30, 2021:

	Linked to the CPI	Linked to the USD	Linked to other currencies (mostly to the EUR)	Unlinked	Non-monetary items	Total
	NIS millions					
Total assets	207	1,177	130	4,500	12,740	18,754
Total liabilities	4,643	1,531	62	7,943	619	14,798
Net Balance as of June 30, 2021	**(4,436)**	**(354)**	**68**	**(3,443)**	**12,121**	**3,956**
Net balance as of June 30, 2020	**(5,159)**	**(111)**	**81**	**(3,658)**	**12,633**	**3,786**
Net balance as of December 31, 2020	**(4,550)**	**(166)**	**6**	**(3,652)**	**11,672**	**3,310**

2.3 Investee companies

During the reporting period, no material changes occurred in the exposure area of the Company's material investee companies to market risks and the management thereof, with respect to the Company's reports on the subject in the Company's Board of Directors' Report for 2020.

3. Disclosure Requirements Regarding the Corporation's Financial Report

3.1 Major Events After the Date of the Statement of Financial Position

For details regarding major events after the date of the statement of financial position, see Note 10 to the financial statements.

3.2 Specific disclosure for the debenture holders

See Annex A to the Board of Directors' Report.

Tzachi Nachmias
Chairman of the Board

Doron Cohen
General Manager

Tel Aviv, August 19, 2021

Discount Investment Corporation Ltd

Interim Financial Statements June 30, 2021

Annexes to the Directors' Report

Annex A - Financial Position and Sources of Financing

Information regarding the Company's debentures

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

Summary of data regarding debentures(1), NIS millions

				June 30, 2021							Data as of August 19, 2021			Principal payment dates (3)				
Series	Original issuance date	Par value on the issuance date	interest rate on the issuance date (fixed)	Outstanding par value balance	Outstanding linked par value balance	Interest rate (fixed)	Amount of interest accrued in the books	Balance of premium (discount), net, in the books	Book value of the balance of debentures (2)	Market value	Outstanding par value balance	Outstanding linked par value balance	Interest rate (fixed)	From	To	Interest payment dates	Linkage terms	Trust company - Name of supervisor, address and telephone number
F (4)	28.12.06 1.4.07* 28.6.07* 7.7.13 to 15.12.13* 14.1.14* 3.8.16* 2.4.17*	3,705	4.95%	1,079	1,322	4.95%	32	(11)	1,343	1,499	1,079	1,328	4.95%	31.12.17	31.12.25	December 31 (3)	CPI-linked	**Hermetic Trust (1975) Ltd.** Person in charge: Person in charge: Dan Avnon, Adv., 30 Sheshet HaYamim St., Bnei Brak 5120261, Tel: 03-5544553
J (5)	2.10.17 12.12.17*	2,582	4.80%	1,955	1,955	4.80%(7)	-	17	1,972	2,087	1,955	1,955	4.80%(7)	30.12.21	30.12.26	June 30, December 30 (6)	Unlinked	**Strauss Lazar Trust Company (1992) Ltd.** Person in charge: Uri Lazar, CPA, 17 Yitzchak Sadeh St., Tel Aviv 6777517, 03-6237777
Total		**6,287**		**3,034**	**3,277**		**32**	**6**	**3,315**	**3,586**	**3,034**	**3,283**						

Notes:

(1) The Company is fulfilling all of the conditions and undertakings in accordance with the deed of trust.

(2) Including interest accrued in the books and net premiums.

(3) Annual payments.

(4) The debentures (Series F) are a material series of debentures which constitutes 5% or more of the corporation's total liabilities, as presented in the separate financial report. With respect to this debenture series - no securities or collateral were provided to the lender; the credit is of the recourse type; no financial covenants have been established; no breach events have taken place or are currently taking place; the debentures do not confer the right of early repayment; and no material changes were made to the terms of the debentures in 2021.

(5) The debentures (Series J) are a material series of debentures which constitutes 5% or more of the corporation's total liabilities, as presented in the separate financial report. With respect to this debenture series - no securities or collateral were provided to the lender; the credit is of the recourse type; financial covenants were established; no breach events took place or are currently taking place; the debenture does not confer upon the Company the right of early repayment; and no material changes were made to the terms of the debentures in 2021; see 7 below.

(6) Semi-annual payments.

(7) Following the increase in the rating of the Company's debentures on May 10, 2021, from ilBBB- (Negative) to ilBBB (Stable), the interest rate of the debentures (Series J) dropped, starting May 10, 2021, from a rate of 5.05% to 4.80%. For further details, see 1.6.3.3 above.

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

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

Details regarding debenture ratings

Series	Rating Company Name	Rating as of June 30 2021	Rating as of August 19 2021[1]	Rating upon series issue	Date of rating issuance as of August 19 2021	Additional ratings in the period between the original issue date and the up-to-date rating as of August 19 2021	
						Date	Rating
F	S&P Maalot	BBB (Stable)	BBB (Stable)	AA	5/2021	11/2008	AA
						07/2009	A+
						01/2011	A+
						10/2011	A-
						11/2011	A-
						05/2012	A-
						09/2012	BBB
						08/2013	BBB
						03/2014	BBB+
						12/2014	BBB
						02/2015	BBB-
						12/2015	BBB-
						07/2016	BBB-
						02/2017	BBB
						08/2017	BBB
						03/2018	BBB+
						08/2018	BBB+
						04/2019	BBB+
						07/2019	BBB
						04/2020	BBB-
						08/2020	BBB-
J	S&P Maalot	BBB (Stable)	BBB (Stable)	BBB	5/2021	03/2018	BBB+
						08/2018	BBB+
						04/2019	BBB+
						07/2019	BBB
						04/2020	BBB-
						08/2020	BBB-

(1) For S&P Maalot's updated rating report with respect to the Company's debentures, see the Company's immediate report regarding the rating of liability certificates, which was published by the Company, through a public electronic report, on May 10, 2021 (reference number 2021-01-082179).

Appendix B

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

Details on an economic paper dated May 31, 2021 regarding the appraisal of the economic value of the HSBC Tower in New York City, USA, which is held by Property & Building [Regulation 49(A) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970]:

The above economic paper is included in the Company's Financial Statements by way of reference to the paper in question, which is attached to the financial statements of Property & Building Ltd. as of June 30, 2021, which was submitted by it to the Securities Authority and published on August 17, 2021 (reference number 2021-01-066724). See also Note 3.A.1.D to the Financial Statements.

Presented below are the main data specified in the valuation:

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

B. Assessment timing - May 31, 2021.

C. Value of the subject of the valuation in Property & Building's books before the performance of the valuation - $855 million.

D. Value of the subject of the valuation, as determined in the valuation - $865 million.

E. Identity and characteristics of appraiser - Newmark Knight Frank The individuals who prepared the paper on behalf of the valuer are licensed real estate appraisers from the state of New York, USA, who have a great deal of experience. There is no dependence between the appraiser and the companies that ordered the paper (for further details, see Appendix C to the valuation)

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

G. Assumptions used to perform the valuation:

1.	NOI in the realization year (13th year)	58.5 million $
2.	Annual capitalization rates -	
	• In respect of projected NOI for the first 12 years and the projected consideration from the sale of the property At the end of the 12th year (discount rate)	6.0%
	• In respect of the projected NOI in the 13th year, which was used to determine the expected realization proceeds for the property (Terminal Capitalization Rate)	4.75%
3.	Rate of terminal value from total value determined in the valuation	68%
4.	Market rent growth rate for office rentals:	
	First year	0%
	Second year and thereafter	3%
5.	Vacancy and collection losses from total revenues	2%
6.	Probability of renewal of new contracts –	
	• Years 1-3	65%
	• 4th year onward	70%
	• HSBC	50%

Details on an economic paper dated June 30, 2021 regarding the examination of the impairment of the goodwill and brand attributed to Cellcom [Regulation 49(A) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970]:

An economic paper regarding the examination of the impairment of the goodwill and brand attributed to Cellcom dated June 30, 2021 has been attached to the Company's Financial Statements. For details, see Note 3.A.2.C to the Financial Statements.

<u>The following are the main details specified in the foregoing economic paper:</u>

A. Identification of the subject of the assessment – Cellcom's value in use (for the examination of the impairment of the goodwill and brand attributed to Cellcom in the Company's Financial Statements).

B. Timing of paper - June 30, 2021.

C. The goodwill and brand net of tax attributed to Cellcom in the Company's Financial Statements from June 30, 2021 are 1,796 million NIS and 178 million NIS, respectively. The value of the assets attributed to Cellcom's activity less the liabilities attributed to Cellcom's activity in the DIC June 30 2021 Financial Statements, is lower than the value estimated in the economic work in question and therefore no impairment was recognized for the goodwill and brand in question.

D. Identity and details of the appraiser - BDO Ziv Haft Consulting and Management Ltd. (for further details, see the appendix to the economic paper). There is no dependence between the appraiser and the Company, which commissioned the paper. The appraiser received an undertaking to indemnify them for payments that the appraiser may incur as a result of legal proceedings which could be initiated against them, if any, in connection with this economic paper, beyond an amount equal to three times their fees, save in the event that the appraiser has performed any malicious action in connection with the opinion.

E. The valuation model used by the appraiser - the discounted cash flow (DCF) method.

F. Key assumptions at the basis of the paper:

1. Real capitalization rate of 7.25% after tax (8.8% before tax).
2. Long-term real growth rate for of 1.5%.
3. Long-term market share in cellular activity of 29%.
4. ARPU from cellular activity in the representative year - 52.5 NIS.
5. As noted in Note 3.A.2.B. to the Financial Statements, Cellcom is in advanced stages of a legal dispute with Xfone. In accordance with Cellcom's position, as expressed in the statement of claim filed before the court as well as its objection to the proposed settlement with Widely, the paper assumed that the sharing agreement will be enforced. Cellcom included revenues amounting to a total of NIS 30 million in its financial statements for the first half of 2021. Accordingly, the central scenario of the paper assumed that receipts would amount to NIS 60 million per year, identical to the accounting treatment of Cellcom regarding recognition of income at a rate of NIS 15 million per quarter, as described above. At the same time, in light of the current legal proceedings and in light of Xfone's financial status, the forecast has included cash flows at work in a number of additional scenarios that may occur within the framework of an Xfone event, in accordance with their probability. The final cash flow forecast assumed in the work is a forecast deriving from the central scenario and includes the impact of the additional scenarios in question.

Discount Investment Corporation Ltd

Interim Financial Statements June 30, 2021

Part 3 - Condensed Consolidated Interim Financial Statements

Discount Investment Corporation Limited.

Condensed Consolidated Interim Financial Statements As of June 30 2021

(Unaudited)

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

Introduction

We have reviewed the attached financial information of Discount Investment Corporation Ltd. and its consolidated companies (hereinafter – the Group), including the condensed consolidated interim statements of financial position as of June 30 2021, as well as the condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three and six month periods ending that date. The Board of Directors and management are responsible for the preparation and presentation of financial information for this interim period in accordance with International Accounting Standard 34 "Interim Financial Reporting", as well as for the preparation of financial information for this interim period in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express our conclusions with regard to the financial information for these interim periods, based on our review.

We have not reviewed the concise interim financial information of consolidated companies the assets of which included in the consolidation constitute 9% of all consolidated assets as of June 30 2021, and revenues of which included in the consolidation constitute 38% and 33%, respectively, of all consolidated revenues for the nine and three month periods ending that date. We have also not reviewed the condensed interim financial information of investee companies accounted using the equity method, investment in which totaled approximately NIS 307 million as of June 30, 2021, and where the Group's share in their losses amounted to approximately NIS 12 million and NIS 11 million, respectively, in the six and three month periods ending that date.
The condensed interim financial information of those companies was reviewed by other auditors, whose review reports were presented to us, and our conclusion, insofar as it refers to the financial information with respect to those companies, is based on the review reports provided by the other auditors.

Scope of the Review

We have conducted our review according to Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel, "Review of Financial Information for Interim Periods Prepared by the Entity's Auditor." Reviewing financial information for interim periods consists of clarifications, primarily with persons in charge of financial and accounting issues, and of application of analytical and other review procedures. A review is significantly limited in scope relative to an audit conducted according to generally accepted Israeli auditing standards, and therefore does not allow us to achieve assurance that we have been made aware of all material issues that might have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

In addition to that stated in the previous paragraph, based on our review and on the review reports prepared by other auditors, we have not become aware of any information which would cause us to believe that the aforementioned financial information is not compliant, in all material respects, with the disclosure provisions of Chapter IV of the Securities Law Regulations (Periodic and Immediate Statements), 5730-1970.
We also reviewed the Group's pro forma financial information in connection with the transaction involving the acquisition of Golan Telecom, which is included in Note 9 to the Concise Consolidated Financial Statements, which includes the pro forma data for the six and three month periods ended June 30 2020.
The Board of Directors and management are responsible for preparing and presenting the pro forma financial information for this interim period in accordance with the guidelines specified in Note 9.B., and are also responsible for compiling the pro forma financial information for this interim period in accordance with Regulation 38B of the Securities Regulations (Periodic and Immediate Reports), 5730-1970. Our responsibility is to express a conclusion regarding the pro forma financial information for this interim period, based on our review.

We have not reviewed the condensed interim pro forma financial information of consolidated companies, the income of which included in the consolidation constitutes approximately 39% and 16% of total consolidated income, respectively in the six and three month period ending June 30 2020. We have also not reviewed the condensed interim pro forma financial information of investee companies accounted using the equity method, with the Group's share in their losses as included in the pro forma financial information amounting to approximately NIS 30 million and approximately NIS 13 million, respectively, in the six and three month periods ending that date.
The condensed interim financial information of those companies was reviewed by other auditors, whose review reports were presented to us, and our conclusion, insofar as it refers to the financial information with respect to those companies, is based on the review reports provided by the other auditors.

We conducted our review in accordance with Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel, regarding the "review of interim financial information by the entity's auditor". A review of pro forma interim financial information consists of inquiries, mostly with the people responsible for financial and accounting matters, and of the application of analytical and other review procedures. A review is significantly limited in scope compared to an audit prepared according to generally accepted auditing standards in Israel, and therefore does not allow us to achieve certainty that we have become aware of all material issues that may have been identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, we have not become aware of any information which would have caused us to believe that the aforementioned pro forma financial information is not compliant, in all material respects, with the provisions of Regulation 38B of the Securities Law Regulations (Periodic and Immediate Statements), 5730-1970, based on the assumptions specified in Note 9.B.

Tel Aviv,
August 19 2021

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

Condensed Consolidated Interim Statements of Financial Position as of

	June 30 2021[1] (Unaudited)	June 30 2020 (Unaudited)	December 31 2020[1] (Audited)
		NIS millions	
Non-Current Assets			
Investments in investee companies accounted by the equity method	3,016	[2] 3,316	1,918
Financial assets measured at fair value through profit or loss	194	137	124
Loans, deposits, restricted deposits and debit balances	234	382	220
Right-of-use asset	850	[3] 889	882
Fixed assets	1,712	1,720	1,760
Investment property	3,013	3,295	2,926
Long term trade receivables	156	227	176
Inventory of real estate	66	66	69
Deferred expenses	418	419	414
Deferred tax assets	6	8	5
Intangible assets	2,658	1,805	2,693
	12,323	12,264	11,187
Current assets			
Financial assets measured at fair value through profit or loss	465	769	296
Deposits and pledged and restricted deposits	275	288	558
Other receivables and debit balances	396	316	366
Current tax assets	13	15	16
Trade receivables and other income receivable	1,078	1,217	1,103
Inventory	198	166	219
Inventory of buildings for sale	72	80	50
Assets classified as held for sale	7	1,251	1,268
Cash and cash equivalents	3,927	3,763	3,921
	6,431	7,865	7,797
Total assets	18,754	20,129	18,984

(1) Includes the assets of Golan, which was initially consolidated on August 26, 2020, see Note 9 below.
(2) Includes the investment in Shufersal, which was sold in July 2020, see Note 3.A.4 Below.
(3) Reclassified, see Note 1d below.

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

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

	June 30 2021[(1)] (Unaudited)	June 30 2020 (Unaudited)	December 31 2020[(1)] (Audited)
		NIS millions	
Capital			
Share capital	810	810	810
Capital reserves	4,071	4,148	4,075
Accumulated losses	(3,496)	(3,406)	(3,654)
Capital attributable to owners of the Company	1,385	1,552	1,231
Non-controlling interests	2,571	2,234	2,079
	3,956	3,786	3,310
Non-current liabilities			
Debentures	8,734	9,874	8,741
Loans from banks and other financial liabilities	1,401	1,499	1,448
Lease liabilities	551	[(2)]584	576
Derivatives	-	11	3
Provisions	93	183	92
Deferred tax liabilities	490	517	477
Employee benefits	22	30	23
Other non-financial liabilities	18	13	15
	11,309	12,711	11,375
Current liabilities			
Current maturities of debentures	1,502	990	1,489
Credit from banking corporations and current maturities of loans from banks and others	262	539	380
Current maturities of lease liabilities	235	235	240
Other payables and credit balances	484	[(2)]528	649
Trade payables	814	[(2)]746	875
Derivatives	1	11	10
Current tax liabilities	5	21	9
Provisions	186	109	191
Liabilities classified as held for sale	-	453	456
	3,489	3,632	4,299
Total capital and liabilities	18,754	20,129	18,984

(1) Includes the liabilities of Golan, which was initially consolidated on August 26, 2020, see Note 9 below.
(2) Reclassified, see Note 1d below.

Tzachi Nachmias	Doron Cohen	Baruch Yitzhak
Chairman of the Board	General Manager	Chief Financial Officer

Financial Statements Approval Date: August 19 2021

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

Condensed Consolidated Interim Statements of Income

	Note	For the six months Ended June 30 2021[1]	For the six months Ended June 30 2020	For the three months ended June 30 2021[1]	For the three months ended June 30 2020	For the year ended December 31 2020[1]
		(Unaudited)		(Unaudited)		(Audited)
		NIS millions				
Revenues						
Sales and services	7	2,929	2,479	1,354	1,312	5,091
The Group's share in the net profit of investee companies accounted by the equity method, net		156	[2]5	93	[2]9	-
Profit from realization and increase in the value of investments, assets and dividends		124	33	64	19	64
Increase in fair value of investment property, net		20	-	13	1	-
Other income		62	[3]25	33	[3]12	137
Financing income		87	17	21	43	31
		3,378	2,559	1,578	1,396	5,323
Expenses						
Cost of sales and services		2,208	1,884	1,028	1,060	3,903
Research and development expenses		2	7	1	2	13
Selling and marketing expenses		335	274	164	124	600
General and administrative expenses		224	[3]271	112	[3] 141	553
The Group's share in the loss of investee companies accounted by the equity method, net		-	-	-	-	15
Loss from realization, impairment, and write-down of investments and assets		24	75	5	56	113
Decrease in fair value of investment property, net		-	156	-	-	277
Other expenses		34	-	30	-	5
Financing expenses		347	433	222	214	786
		3,174	3,100	1,562	1,597	6,265
Profit (loss) before taxes on income		204	(541)	16	(201)	(942)
Income (expenses) from taxes on income		(28)	52	(5)	12	62
Profit (loss) from continuing operations		176	(489)	11	(189)	(880)
Profit from discontinued operations, after tax		-	[2]37	-	[2]17	83
Net profit (loss) for the period		176	(452)	11	(172)	(797)
Net profit (loss) attributable to:						
The Company's owners		90	(302)	(3)	(104)	(555)
Non-controlling interests		86	(150)	14	(68)	(242)
		176	(452)	11	(172)	(797)
		NIS	NIS	NIS	NIS	NIS
Basic and diluted earnings (loss) per share attributed to the Company's owners						
From continuing operations		0.6	[2] (2.4)	-	[2] (0.9)	(4.5)
From discontinued operations		-	[2]0.3	-	[2]0.2	0.6
		0.6	(2.1)	-	(0.7)	(3.9)

(1) Includes the results of Golan, which was initially consolidated on August 26, 2020, see Note 9 below.
(2) Restated due to the presentation of Shufersal activity under discontinued operations, see Note 3.a.4. Below.
(3) Reclassified, see Note 1d below.

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

Condensed Consolidated Interim Statements of Comprehensive Income

	For the six months ended June 30		For the three months ended June 30		For the year ended December 31
	2021	2020	2021	2020	2020
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
Net profit (loss) for the period	176	(452)	11	(172)	(797)
Other comprehensive income (loss) items which will not be transferred to profit and loss, net of tax					
Actuarial gains in defined benefit plan	-	-	-	-	2
The Group's share in other comprehensive loss in respect of investee companies accounted by the equity method	-	-	-	(3)	-
Total other comprehensive profit (loss) that will not be transferred to profit and loss	-	-	-	(3)	2
Other comprehensive income (loss) items after initial recognition under comprehensive income which have been transferred or will be transferred to profit and loss, net of tax					
Foreign currency translation differences for foreign operations	18	8	(32)	(47)	(104)
Effective part in changes to the fair value of cash flow hedging	-	-	-	(2)	-
Net change in the fair value of cash flow hedging that was applied to profit or loss	1	-	-	-	-
Net change in the fair value of cash flow hedging which was carried to the cost of the hedged item	-	-	-	-	(2)
The Group's share in other comprehensive income (loss) with respect to investee companies accounted by the equity method	3	(3)	(5)	(8)	(17)
Total other comprehensive income (loss) after initial recognition under comprehensive income which has been transferred or will be transferred to profit and loss	22	5	(37)	(57)	(123)
Total other comprehensive income (loss) for the period, net of tax	22	5	(37)	(60)	(121)
Total comprehensive net income (loss) for the period	198	(447)	(26)	(232)	(918)
Attributable to:					
The Company's owners	107	(299)	(27)	(143)	(639)
Non-controlling interests	91	(148)	1	(89)	(279)
Total comprehensive net income (loss) for the period	198	(447)	(26)	232	(918)
Total comprehensive net income (loss) for the period attributable to owners of the Company Due to:					
Continuing operations	107	[1] (333)	(27)	[1] (156)	(725)
Discontinued operations	-	[1] 34	-	[1] 13	86
	107	(299)	(27)	(143)	(639)

[1] Restated due to the presentation of Shufersal activity under discontinued operations, see Note 3.a.4. Below.

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

Condensed Consolidated Interim Statements of Changes in Equity

	Attributable to the Company's owners												
	Share capital	Premium on shares	Reserves in respect of transactions with non-controlling interests	Reserves from translation differences	Hedging reserves	Capital reserves with respect to available-for-sale financial assets through other comprehensive income	Revaluation reserves	Controlling shareholders reserve	Treasury shares	Accumulated loss	Total capital attributable to the Company's owners	Non-controlling interests	Total capital
	NIS millions												
For the Six Months Ending June 30 2021 (Unaudited)													
Balance as of January 1, 2021	810	4,449	69	(397)	(1)	(2)	68	4	(115)	(3,654)	1,231	2,079	3,310
Net income for the period	-	-	-	-	-	-	-	-	-	90	90	86	176
Other comprehensive income for the period	-	-	-	17	-	-	-	-	-	-	17	5	22
Transactions with owners carried directly to equity, investments of owners and distributions to owners													
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(6)	(6)
Deconsolidation of Ispro (see Note 3.A.1.A. below)	-	-	-	-	-	-	(68)	-	-	68	-	-	-
Changes in interests in consolidated companies[(1)]	-	-	47	-	-	-	-	-	-	-	47	396	443
Share-based payments given by consolidated companies	-	-	-	-	-	-	-	-	-	-	-	11	11
Balance as of June 30 2021	810	4,449	116	(380)	(1)	(2)	-	4	(115)	(3,496)	1,385	2,571	3,956

(1) This includes, among other things, the issue of shares to non-controlling interests in a subsidiary, and purchases within the framework of an offering in a subsidiary.

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

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

	Attributable to the Company's owners												
	Share capital	Premium on shares	Reserves in respect of transactions with non-controlling interests	Reserves from translation differences	Hedging reserves	Capital reserves with respect to available-for-sale financial assets through other comprehensive income	Revaluation reserves	Controlling shareholders reserve	Treasury shares	Accumulated loss	Total capital attributable to the Company's owners	Non-controlling interests	Total capital
	NIS millions												
For the six months ending June 30, 2020 (unaudited)													
Balance as of January 1, 2020	810	4,449	15	(293)	(2)	(2)	63	3	(115)	(3,104)	1,824	2,067	3,891
Loss for the period	-	-	-	-	-	-	-	-	-	(302)	(302)	(150)	(452)
Other comprehensive income (loss) for the period	-	-	-	6	(3)	-	-	-	-	-	3	2	5
Transactions with owners carried directly to equity, investments of owners and distributions to owners													
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(32)	(32)
Consolidation of Mehadrin due to rise to control	-	-	-	-	-	-	-	-	-	-	-	396	396
Changes in interests in consolidated companies[(1)]	-	-	35	(12)	-	-	4	-	-	-	27	(57)	30
Share-based payments given by consolidated companies	-	-	-	-	-	-	-	-	-	-	-	8	8
Balance as of June 30 2020	810	4,449	50	(299)	(5)	(2)	67	3	(115)	(3,406)	1,552	2,234	3,786

(1) Including, inter alia, effects due to the exercise of options by the Company and by non-controlling interests in a consolidated company, issuances of options to non-controlling interests in a consolidated company, and effects due to the expiration and exercise of share-based payment instruments in consolidated companies.

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

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

	Attributable to the Company's owners											
	Share capital	Premium on shares	Reserves in respect of transactions with non-controlling interests	Reserves from translation differences	Hedging reserves	Capital reserves with respect to available-for-sale financial assets through other comprehensive income	Controlling shareholders reserve	Treasury shares	Accumulated loss	Total capital attributable to the Company's owners	Non-controlling interests	Total capital
	NIS millions											
For the Three Months Ending June 30 2021 (Unaudited)												
Balance as of April 1 2021	810	4,449	69	(356)	(1)	(2)	4	(115)	(3,493)	1,365	2,169	3,534
Net profit (loss) for the period	-	-	-	-	-	-	-	-	(3)	(3)	14	11
Other comprehensive loss for the period	-	-	-	(24)	-	-	-	-	-	(24)	(13)	(37)
Transactions with owners carried directly to equity, investments of owners and distributions to owners												
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(3)	(3)
Changes in interests in consolidated companies[1]	-	-	47	-	-	-	-	-	-	47	399	446
Share-based payments given by consolidated companies	-	-	-	-	-	-	-	-	-	-	5	5
Balance as of June 30 2021	810	4,449	116	(380)	(1)	(2)	4	(115)	(3,496)	1,385	2,571	3,956

(1) This includes, among other things, the issue of shares to non-controlling interests in a subsidiary, and purchases within the framework of an offering in a subsidiary.

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

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

	Attributable to the Company's owners												
	Share capital	Premium on shares	Reserves in respect of transactions with non-controlling interests	Reserves from translation differences	Hedging reserves	Capital reserves with respect to available-for-sale financial assets through other comprehensive income	Revaluation reserves	Controlling shareholders reserve	Treasury shares	Accumulated loss	Total capital attributable to the Company's owners	Non-controlling interests	Total capital
	NIS millions												
For the Three Months Ending June 30 2020 (Unaudited)													
Balance as of April 1 2020	810	4,449	11	(252)	(4)	(2)	63	3	(115)	(3,299)	1,664	2,397	4,061
Loss for the period	-	-	-	-	-	-	-	-	-	(104)	(104)	(68)	(172)
Other comprehensive loss for the period	-	-	-	(35)	(1)	-	-	-	-	(3)	(39)	(21)	(60)
Transactions with shareholders charged directly to equity and shareholder investments													
Changes in interests in consolidated companies[1]	-	-	39	(12)	-	-	4	-	-	-	31	(78)	(47)
Share-based payments given by consolidated companies	-	-	-	-	-	-	-	-	-	-	-	4	4
Balance as of June 30 2020	810	4,449	50	(299)	(5)	(2)	67	3	(115)	(3,406)	1,552	2,234	3,786

(1) Including, inter alia, effects due to the exercise of options by the Company and by non-controlling interests in a consolidated company, issuances of options to non-controlling interests in a consolidated company, and effects due to the expiration and exercise of share-based payment instruments in consolidated companies.

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

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

	Share capital	Premium on shares	Reserves in respect of transactions with non-controlling interests	Reserves from translation differences	Hedging reserves	Capital reserves with respect to available-for-sale financial assets through other comprehensive income	Revaluation reserves	Controlling shareholders reserve	Treasury share	Accumulated loss	Total capital attributable to the Company's owners	Non-controlling interests	Total capital
	Attributable to the Company's owners												
	NIS millions												
For the Year Ending December 31 2020 (Audited)													
Balance as of January 1, 2020	810	4,449	15	(293)	(2)	(2)	63	3	(115)	(3,104)	1,824	2,067	3,891
Loss for the year	-	-	-	-	-	-	-	-	-	(555)	(555)	(242)	(797)
Other comprehensive income (loss) for the year	-	-	-	(86)	1	-	-	-	-	1	(84)	(37)	(121)
Transactions with owners carried directly to equity, investments of owners and distributions to owners													
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(52)	(52)
Deconsolidation of Pocared due to loss of control	-	-	-	-	-	-	-	-	-	-	-	(13)	(13)
Consolidation of Mehadrin due to rise to control	-	-	-	-	-	-	-	-	-	-	-	387	387
Changes in interests in consolidated companies[1]	-	-	54	(18)	-	-	5	-	-	-	41	(55)	(14)
Share-based payments given by the Company	-	-	-	-	-	-	-	-	-	4	4	-	4
Share-based payments given by consolidated companies	-	-	-	-	-	-	-	-	-	-	-	24	24
Reserve from transactions with controlling shareholders	-	-	-	-	-	-	-	1	-	-	1	-	1
Balance as of December 31, 2020	810	4,449	69	(397)	(1)	(2)	68	4	(115)	(3,654)	1,231	2,079	3,310

(1) Including, inter alia, effects due to the exercise of options by the Company and by non-controlling interests in a consolidated company, issuances of options to non-controlling interests in a consolidated company, and effects due to the expiration and exercise of share-based payment instruments in consolidated companies.

Condensed Consolidated Interim Statements of Cash Flows

	For the six months ended June 30		For the three months ended June 30		For the year ended December 31
	2021[1]	2020	2021[1]	2020	2020[1]
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
Cash flows from operating activities					
Net profit (loss) for the period	176	(452)	11	(172)	(797)
Profit from discontinued operations, after tax	-	[2] (37)	-	[2] (17)	(83)
Profit (loss) from continuing operations	176	(489)	11	(189)	(880)
Adjustments:					
The Group's share in the loss (profit) of investee companies accounted by the equity method, net	(156)	[2] (5)	(93)	[2] (9)	15
Received dividends (including from other investments)	82	[2]82	2	[2]12	85
Realization losses (profits), decrease (increase) and write-downs, net, of investments, assets and dividends	(100)	42	(59)	37	49
Decrease (increase) in fair value of investment property, net	(20)	156	(13)	(1)	277
Depreciation and amortization	484	483	243	257	981
Financing costs, net	260	416	201	171	755
Expenses (income) of tax on income, net	28	(52)	5	(12)	(62)
Income tax paid, net	(13)	(15)	(1)	(9)	(33)
Receipts (payments) with respect to the settlement of derivatives, net	(3)	(17)	2	(5)	(3)
Share-based payment expenses	11	8	5	4	28
	573	1,098	292	445	2,092
Changes in other balance sheet items					
Decrease (increase) in other receivables and debit balances (including long-term amounts)	(5)	21	(35)	(6)	(38)
Decrease in trade receivables (including long term amounts)	25	201	104	128	202
Decrease in inventory (including long term amounts)	11	42	69	49	13
Change in benefits to employees	1	-	-	-	(8)
Decrease in trade payables	(59)	(57)	(127)	(14)	(3)
Increase (decrease) in other payables and credit balances, provisions and other liabilities (including long term amounts)	(56)	(169)	(58)	(129)	(174)
	(83)	38	(47)	28	(8)
Net cash from continuing operating activities	666	647	256	284	1,204
Net cash from discontinued operating activities	-	[2]21	-	[2]21	21
Net cash from operating activities	666	668	256	305	1,225
Cash flows from investing activities					
Long term deposits loans which were given	(8)	(2)	(8)	-	(4)
Consideration from the realization of loans which were given and long term deposits	7	4	1	4	10
Decrease (increase) in pledged and restricted deposits, net	(42)	14	(13)	20	21
Current investments, loans and short term deposits, net	137	847	216	752	1,149
Investments and loans, net, in investee companies accounted by the equity method	[3] (963)	(24)	[2](960)	-	(42)
Non-current investments	(14)	(1)	(11)	(1)	(12)
Investments in investment property and in fixed assets	(166)	(154)	(108)	(77)	(325)
Investments in intangible and other assets	(109)	(99)	(56)	(47)	(215)
Receipts (payments) with respect to the settlement of derivatives, net	(1)	11	(3)	1	1
Change in cash due to the initial consolidation of subsidiaries	-	101	-	-	(507)
Consideration from the realization of consolidated companies, net of cash spent within the framework of their deconsolidation	658[4]	(4)	(8)	(4)	(3)
Receipts from realization of non-current investments, including dividend from the realization	53	246	18	244	371
Receipts from realization of investment property, fixed assets and other assets	-	171	-	58	173
Taxes paid, net, with respect to investment property, fixed assets and other assets	-	(14)	-	(8)	(26)
Interest received	11	17	6	7	26
Net cash deriving from (used for) ongoing investment activities	(437)	1,113	(926)	949	617
Net cash from discontinued investing activities	-	-	-	-	1,447
Net cash deriving from (used for) investment activities	(437)	1,113	(926)	949	2,064

(1) Includes data regarding Golan, which was initially consolidated on August 26, 2020, see Note 9 below.
(2) Restated due to the presentation of Shufersal activity under discontinued operations, see Note 3.a.4. Below.
(3) Including the purchase of approximately 14.7% of Gav-Yam's issued share capital, see Note 3.a.1.c below.
(4) Including consideration with respect to the realization of Ispro, see Note 3.A.1.A. below.

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

Condensed Consolidated Interim Statements of Cash Flows (Cont.)

	For the six months ended June 30		For the three months ended June 30		For the year ended December 31
	2021[1]	2020	2021[1]	2020	2020 [1]
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
Cash flows for financing activities					
Non-current financial liabilities received	8	248	8	248	661
Repayment of non-current financial liabilities	(293)	(576)	(232)	(245)	(1,674)
Interest paid	(247)	(260)	(166)	(183)	(592)
Repayment of lease liabilities	(132)	(142)	(54)	(60)	(277)
Early redemption of debentures	-	-	-	-	(110)
Issuance of rights in consolidated companies to non-controlling interests	398	5	398	5	5
Current financial liabilities, net	24	(2)	(41)	12	3
Receipts, including exercised share options, from non-controlling interests in consolidated companies	27	32	-	15	74
Acquisition of shares in consolidated companies from non-controlling interests	(3)	(63)	-	(63)	(90)
Dividend to non-controlling interests in consolidated companies	(9)	(32)	(4)	(31)	(50)
Payments with respect to the settlement of derivatives	-	(1)	-	-	(6)
Net cash used in continuing financing activities	(227)	(791)	(91)	(302)	(2,056)
Increase (decrease) in cash and cash equivalents from continuing operations	2	[2]969	(761)	[2]931	(235)
Increase in cash and cash equivalents from discontinued operations	-	[2]21	-	[2]21	1,468
Increase (decrease) in cash and cash equivalents from ongoing activity and discontinued activity	2	990	(761)	952	1,233
Balance of cash and cash equivalents at start of period	3,921	2,812	4,707	2,868	2,812
Effects of fluctuations in exchange rates on balances of cash and cash equivalents	12	(11)	(19)	(37)	(98)
Change in the balance of cash and cash equivalents presented under held for sale assets	(8)	(28)	-	(20)	(26)
Balance of cash and cash equivalents at end of period	3,927	3,763	3,927	3,763	3,921

(1) Includes data regarding Golan, which was initially consolidated on August 26, 2020, see Note 9 below.
(2) Restated due to the presentation of Shufersal activity under discontinued operations, see Note 3.a.4. Below.

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

Note 1 - General

A. Discount Investment Corporation Ltd. ("DIC") is a company registered in Israel and incorporated in Israel, whose address is the ToHa Building, 114 Yigal Alon St., 27th floor, Tel Aviv. The Company is a holding company which invests, independently and through investee companies, in companies which are engaged in various segments of the Israeli economy and abroad. The Company generally invests in investee companies at a scope which gives it influence over their direction and management. The Company's shares and debentures are listed for trading on the Tel Aviv Stock Exchange Ltd. (the "Stock Exchange").

Further to that stated in Note 1.A to the Company's annual financial statements, regarding the process of receivership with respect to the Company's shares, and regarding the approval which was given by the District Court of Tel Aviv-Yafo for the sale of the Company's shares to Mega Or Holdings Ltd. ("Mega Or") and a group of investors led by it, in accordance with its offers (the "Sale Transactions"), and regarding the Ministry of Communication's approval for the transfer of the means of control and of the control (as these terms are defined in the Communications Law (Telecommunications and Broadcasting) 5742-1982) in Cellcom, and regarding the Competition Commissioner's conditional approval of the merger between Mega Or and DIC, on March 25, 2021 the first stage of the sale transaction was completed, which involved the transfer of approximately 35.2 million shares of the Company, which constitute approximately 24.9% of its issued capital, to Mega Or, while approximately 31.9 million shares of the Company, which constitute approximately 22.5% of its issued capital, were transferred to other buyers. On April 20, 2021, another approximately 7.0 million shares of the Company, which constitute approximately 5.0% of its issued capital, were transferred to Mega Or, such that Mega Or's stake in the Company's issued capital after the transfer amounted to approximately 29.9%.

On April 13, 2021, the Company received notice from the Competition Commissioner, stating that the conditions for the merger between the Company and Mega Or had been canceled.

Accordingly, and in consideration of the fact that, following the completion of the transfer of the aforementioned shares, Mega Or is considered a "founding shareholder or replacement thereof", along with Koor Industries Ltd. (a company wholly owned by the Company - "Koor"), and as an "Israeli entity" (as specified in Note 1.A to the Company's annual financial statements), the Company gave notice (through Koor) of the termination of the engagement in a loan transaction in accordance with a memorandum of understanding which was signed with the "Israeli entities", as defined in the mobile license of Cellcom Israel Ltd.

Following the completion of the transfer of the Company's shares to Mega Or, as stated above, and from that date onwards, the Company is a company without a controlling shareholder (according to the definition of the term "control" in the Securities Law, 5728-1968), and no longer constitutes a "tier company" (as this term is defined in the Law to Promote Competition and Reduce Concentration, 5774-2013) ("the Centralization Law"), and accordingly, the companies under its control which are reporting corporations according to the Securities Law are no longer subject to restrictions by virtue of the Concentration Law, in connection with the ability of the aforementioned companies to directly hold control of other tier companies. Additionally, upon the completion of the transfer of shares, the condition of Mega Or's offer to the office holders, regarding an "event representing a significant change for the worse", expired; see Note 3.f.2 for details. to the annual financial statements.

On April 21, 2021, Elco Ltd. ("Elco") received the decision of the Competition Commissioner, which approved the merger between Elco and DIC. In June 2021 approval was received from the Ministry of Communications to purchase the Company's shares by Elco, and Elco completed the purchase of the Company's shares, which constitute 29.8% of its issued capital.

For details on the receipt of a statement of claim, subsequent to the balance sheet date, against the Company, Mr. Tzachi Nachmias, Property & Building and Gav-Yam, which claims, among other things, that the Centralization Law has been violated, see Note 10h below.

Note 1 - General (Cont.)

B. **Impact of the Covid-19 coronavirus pandemic** - following that stated in Note 1.B to the annual Financial Statements, regarding the coronavirus (COVID-19) pandemic ("Covid-19"), which has spread throughout the world and is causing concern and uncertainty - due to the decreased coronavirus infection rates and the vaccination program, and in accordance with the government's decision, some of the restrictions that had been imposed in accordance with issued directives were lifted, so that as of June 1 2021 they were lifted completely and the economy began in its process of recovering from the crisis.

At the same time, in July 2021 a new surge of illness occurred from the Delta variant of Covid-19, and there is a risk of an additional widespread outbreak. In addition, there have recently been changes to government guidelines and restrictions have been placed on the economy, and it is unknown whether additional restrictions will be placed on the economy, if any.

The coronavirus pandemic has a significant effect on volatility in capital markets. For details regarding the market value of the Company's main investments, see Note 3.B below.

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

Cellcom - following Note 1.B to the annual Financial Statements, during the first half of 2021 Cellcom's revenue from roaming services of outbound tourism and inbound tourism continued to decline significantly, due to the only partial resumption of outbound and inbound tourism. Cellcom estimates that the significantly negative effect caused by roaming services on its operating results is expected to continue in the near future, insofar as the restrictions on inbound and outbound traffic to/from Israel continue.

Regarding the restrictions on commerce and the closure of shopping malls, in light of the gradual re-opening of the Israeli economy as early as the beginning of the first half of 2021, the effect on Cellcom's operating results in the first quarter of 2021 was insignificant.

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

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

Property & Building -

- HSBC Tower - as of the publication date the report, New York City is in New York State's reopening stage. The tower remains active and open for tenants who choose to work from the offices, subject to state directives. Restaurants are operating with no capacity restrictions. Instructions have been issued to maintain physical distances, wear masks, for registration and health statements at at-risk areas, with entering office buildings being contingent on wearing masks in public spaces. Near the publication date of the report, approximately 99.3% of billed rent has been collected, for the first half of 2021.
- Tivoli Project, Las Vegas - as a result of the Covid-19 crisis and as the center in the Tivoli project was mostly closed starting March 24, 2020, in accordance with the authorities' directives from May 9 2020 and after adjustments and organization, the center was re-opened on May 15, 2020, subject to restrictions which were announced by the authorities. On June 1 2021 the authorities lifted all restrictions and on June 20 2021, following an additional Covid-19 outbreak, new mask wearing restrictions were imposed. The occupancy rate in the Tivoli project as of the end of June 2021 amounted to 76% (the occupancy rate before the coronavirus crisis was 73%).

  Near the publication date of the report, approximately 96% of billed rent has been collected to date, for the first half of 2021. To date IDBG management has not yet set a uniform policy in connection with the provision of relief to tenants, and specific negotiations are being held with each tenant. As of the publication of this report, IDBG management is continuing to negotiate to rent additional space in the Tivoli Project.

Note 1 - General (Cont.)

B. (cont.)

Gav-Yam - The fair value of Gav-Yam's revenue-generating real estate is affected by two critical estimates - appropriate rent and capitalization rate. As of the approval date of Gav-Yam's financial statements, and based on the information available to it, in light of the breakdown of the tenants and the fact that most of the properties are leased for hi-tech, offices, industry and logistics, Gav-Yam estimates that the adverse effects on rental fees, if any, will be relatively low, in the short term. Over the course of the first half of 2021 Gav-Yam, through outside appraisers, conducted valuations for all of its cash-generating properties. See Note 3.A.1.C. below.

Mehadrin - During the first quarter of 2021, a shortage in packaging and harvesting workforce was recorded; however, Mehadrin was able to recruit alternative harvesting workers and external packaging plants. An increase in the prices of packaging, sorting and transportation to end customers was also recorded, although this increase is still not material, due to the shortage of deliveries in the second quarter of 2021. Over the course of the first half of 2021 the impact of the Covid-19 pandemic had an insignificant effect on Mehadrin's operations, including as of the approval date of the report.

Note that due to the fact that the event is outside of the Group's control, and due to the nature of the crisis, which involves uncertainty, inter alia, regarding the date when the pandemic will be contained, as of the publication of this report there is no certainty regarding the extent of the future impact on the economy, including, *inter alia,* the state of the markets, economic conditions in Israel and abroad, the scopes of unemployment, the scopes of private consumption, concerns regarding the development of a local or global recession, or another outbreak of the virus. These broad effects, if and insofar as they materialize, in whole or in part, could adversely affect the Group's business affairs and results.

C. **Key definitions:**

In these reports (hereinbefore and hereinafter):

The Company and/or DIC	-	Discount Investment Corporation Ltd. and/or its wholly owned headquarter companies, as applicable;
The Group	-	DIC and its consolidated companies;
IDB Development	-	IDB Development Corporation Ltd.;
Elron	-	Elron Electronic Industries Ltd.;
Cellcom	-	Cellcom Israel Ltd.;
Golan	-	Golan Telecom Ltd.;
Shufersal	-	Shufersal Ltd.;
Property & Building	-	Property & Building Ltd.;
Gav-Yam	-	Gav-Yam Bayside Land Corporation Ltd.;
Mehadrin	-	Mehadrin Ltd.;
IDBG	-	IDB Group USA Investments Inc.;
The Reporting Regulations	-	The Securities Regulations (Periodic and Immediate Reports), 1970
IFRS	-	International Financial Reporting Standards.

Note 1 - General (Cont.)

D. **Change in classification**

The comparative figures in these reports were reclassified for the sake of consistency. These classifications had no effect on equity or on profit in the comparison periods.

Details of the main reclassifications which were performed:

- Following that stated in Note 1.F. to the annual Financial Statements, sums of 10 and 4 million NIS, which were recorded as a decrease in general and administrative expenses, in the consolidated statements of income for the six and three month periods ending June 30 2020, were reclassified from the administrative and general expenses item, to the other income item.
- Sums of NIS 43 million in the statement of financial position as of June 30, 2020 were reclassified from the other payables item to the trade payables item.
- Sums of NIS 16 million in the statement of financial position as of June 30, 2020 were reclassified as a decrease in the items for right-of-use asset and long term lease liabilities.

Note 2 - Principal Accounting Policies

A. **Framework for preparation of the interim financial statements**

The Concise Interim Financial Statements were prepared in accordance with generally accepted accounting principles for the preparation of financial statements for interim periods, as set in International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34), and in accordance with the disclosure provisions set in Chapter D of the Reporting Regulations and does not include all of the information required in full yearly financial statements. These reports should be read and reviewed together with the Annual Financial Statements as of December 31 2020, and for the year ending that date, and of the accompanying Notes, which were approved on March 22 2021 (the "Annual Financial Statements").

These Concise Interim Financial Statements were approved for publication by the Company's Board of Directors on August 19 2021.

The principal accounting policies that were applied in the preparation of the Interim Consolidated Financial Statements are consistent with those which were applied in the preparation of the Annual Financial Statements. The Notes to the Interim Financial Statements with respect to investments, debentures and loans, engagements and pending liabilities only include the primary updates on these matters, which have occurred since the approval date of the Annual Financial Statements.

B. **Use of estimates and judgment**

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

The judgment exercised by the managements of the Company and of its investee companies when implementing the Group's accounting policy regarding material issues, and the main assumptions which were used for estimates involving uncertainty, are consistent with those which were used in the Annual Financial Statements, as stated in Note 1.D.3.A. to the Annual Financial Statements, except as detailed below. Note that, due to the coronavirus pandemic, as stated in Note 1.B. above, the estimates and judgments, mostly with reference to the valuations which are used by the Group, involve significant measurement risk, and are made in an environment of significant uncertainty.

On June 27 2021 the Ministry of Communications decided to shut down the networks using 2nd Generation and 3rd generation technologies ("the Old Technologies") on December 31 2025 (with an option to move this date forward, subject to certain conditions to January 1 2025), with the aim of advancing the mobile communications infrastructure in Israel and direct radio frequency resources to establishing the 4th and 5th Generation technologies. Following this decision, the Ministry of Communications decided to extend the period of time for allocating frequencies used by Cellcom for the Old Technologies for possible use of more advanced technologies by the end of 2030.

Note 2 - Principal Accounting Policies (Continued)

B. Use of Estimates and Judgment (Continued)

As a result of this, Cellcom changed the estimated useful life span of the equipment used by Cellcom to operate the 2nd and 3rd Generations to the end of 2025 and Cellcom's 2nd and 3rd Generation frequencies to the end of 2030.

The impact of these changes on the Financial Statements in the current year and subsequent years is as follows:

	For the Six-Month Period Ending December 31 2021	For the One-Year Period Ending December 31 2022	2023	2024	2025	2026-2030
	NIS millions (Unaudited)					
Decrease (increase) in amortization expenses	12	12	3	(3)	(10)	(14)
Income tax revenues (expenses)	(3)	(3)	(1)	1	2	4
	9	9	2	(2)	(8)	(10)
DIC share	4	4	1	(1)	(4)	(4)

C. Functional currency and presentation currency

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

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

	CPI Known index[(1)]	CPI Index in lieu[(1)]	Exchange rate of the US Dollar
	Points	Points	NIS
As of			
June 30 2021	101.3	101.4	3.26
June 30 2020	99.8	99.7	3.466
December 31, 2020	99.9	99.8	3.215
Rates of change during the period (in percent):			
For the three months ended			
June 30 2021	1.3%	0.8%	(2.2%)
June 30 2020	(0.2%)	(0.7%)	(2.8%)
For the six months ended			
June 30 2021	1.4%	1.6%	1.4%
June 30 2020	(0.7%)	(0.8%)	0.3%
For the year ended			
December 31, 2020	(0.6%)	(0.7%)	(7.0%)

(1) According to the base average for 2020.

Note 3 - Investee Companies

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

1. **Property & Building, a consolidated company held by DIC at a rate of 63.2% as of June 30 2021**

A. Ispro - Following that stated in Note 3.G.2.F. to the Annual Financial Statements, in connection with Property & Building's engagement for the sale of its entire stake in Ispro shares, on March 24, 2021 the transaction was completed, and Property & Building transferred all of its rights in Ispro to the buyers, and received the balance of consideration, to the gross sum of NIS 650 million (in addition to a total of NIS 150 million that was received in 2020), and Property & Building also received a total of NIS 18 million, additional consideration that was calculated according to the cash flows from the Ispro operation, without non-recurring effects (FFO, as defined in the agreement) until the end of 2020, as a dividend which was distributed by Ispro, as part of the completion of the transaction. Taking into account the fact that, as of December 31 2020, the Company has provided the balance of Ispro's assets and liabilities that are presented as assets and liabilities of a disposal group that is held for sale, including the shareholder's loan, to the sum of NIS 818 million, the Company did not record profit or loss in the Financial Statements for the first half of 2021 with respect to the completion of the sales transaction.

Summary balances and effects of the deconsolidation of Ispro:

	As of the date of deconsolidation
	NIS millions
Consideration	
Cash consideration that was received from the sale, net of transaction costs	(1) 808
Assets and liabilities which were written off (2)	
Assets classified as held for sale	1,254
Liabilities classified as held for sale	443
Assets and liabilities, net	811

(1) A total of NIS 150 million was received in 2020.
(2) The assets and liabilities were written off according to their values as of March 24, 2021.

B. Following that stated in Note 3.G.2.C. to the Annual Financial Statements, regarding the stake of a significant shareholder (the "Shareholder") in Gav-Yam, as of June 30 2021 its stake in Gav-Yam's capital amounted to 28.40% (28.02% fully diluted), and near the publication date of this report, according to Gav-Yam's reports, that Shareholder's stake amounts to approximately 29.36% (28.97% fully diluted). According to Gav-Yam's reports, as it was informed by the shareholder, in accordance with binding agreements the shareholder is entitled to instruct non-interested party shareholders on voting regarding additional shares, which constitute approximately 2.25% of the voting rights in Gav-Yam, on various issues, including regarding the appointment of directors. On these issues, the Shareholder has voting rights at a rate of approximately 31.61% of all voting rights in Gav-Yam. Additionally, in accordance with Gav-Yam's reports, as part of the purchase transactions, the Shareholder also acquired options for the acquisition of regular Gav-Yam shares.

Note 3 - Investee Companies (Cont.)

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

1. **Property & Building, a consolidated company held by DIC at a rate of 63.2% as of June 30, 2021 (Cont.)**

C. On April 18, 2021, Property & Building engaged with three institutional entities (the "Sellers") in agreements for the acquisition of Gav-Yam shares. Within the framework of the transaction, which was completed on April 27, 2021, Property & Building acquired, in total, from the three sellers, approximately 14.61% of Gav-Yam's issued share capital, in return for a cash payment of approximately NIS 937 million (subject to certain adjustments which were determined with respect to the share price, in connection with certain additional acquisitions of Gav-Yam shares, if any, during the six-month period after the signing date of the agreements). Concurrently, Property & Building issued to the sellers Property & Building shares which constituted (after their allocation) approximately 14.7% of Property & Building's capital, in return for a cash payment in the amount of approximately NIS 353 million. In addition, Property & Building also sold to one of the sellers, in return for a cash payment in the amount of NIS 80 million, all of the securities of Sela Capital Real Estate Ltd. which were owned by Property & Building.

The addition to the capital of Property & Building for the shares issued as noted above was included in the financial statements of Property & Building, in accordance with its fair value on the date of issue, and the subtraction of the securities of Sela Capital was calculated in accordance with the fair value of securities on the date of their delivery to the sellers. The difference between these values and the cash sum received for them was charged as an addition to the proceeds for the shares of Gav-Yam purchased in the transaction

On April 29, 2021, Property & Building acquired approximately 0.12% of Gav-Yam's issued share capital, in return for a total of approximately NIS 7.5 million.

After the completion of the foregoing transactions, Property & Building's stake in Gav-Yam is approximately 44.66% of Gav-Yam's issued capital, DIC's stake in Property & Building decreased to approximately 63.2%, and DIC listed a 45 million NIS increase in the capital attributed to the Company's shareholders in the second quarter of 2021.

In April 2021, Dr. Yoram Turbowicz, Property & Building's former Chairman of the Board, resigned from his position as a director in Gav-Yam. As of the publication date of this report, there are no directors serving in Gav-Yam who are officers of Property & Building.

The investment in Gav-Yam is presented in the Financial Statements on the basis of the book value method. Property & Building will examine, in each reported period, the facts and circumstances connected to the control of Property & Building of Gav-Yam, and inasmuch as these circumstances change and Property & Building reaches the conclusion that Pro controls Gav-Yam, the Company will consolidate from that date, the Financial Statements of Gav-Yam in the Company's Consolidated Financial Statements.

Note 3 - Investee Companies (Cont.)

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

1. **Property & Building, a consolidated company held by DIC at a rate of 63.2% as of June 30, 2021 (Cont.)**

C. (Continued)

Property & Building carried out temporary work for allocating the proceeds in such transactions for the purchase of these Gav-Yam shares (14.73%), pursuant to which Property & Building recognized the fair value adjustments to tangible and intangible Gav-Yam assets and liabilities, as follows:

	NIS millions
Proceeds from the Acquisition	1,005
Share of Property & Building (14.73%) of Gav-Yam's net assets as of the completion of the transaction	428
Excess cost, net	577
Surplus cost attributed to:	
Goodwill	613
Debentures	(57)
Inventory of land[1]	8
Deferred taxes	13
	577

The fair value of the assets and liabilities is subject to the final assessment of the allocation of the investment, which has yet to be completed as of the publication of the report. The fair value of the assets and liabilities can receive final adjustment up to 12 months from the purchase date.

(1) Does not include revaluation of additional inventory of land, which is in assessment stages. Establishing the fair value of the land inventory in question will decrease the value of goodwill accordingly.

Note 3 - Investee Companies (Cont.)

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

1. **Property & Building, a consolidated company held by DIC at a rate of 63.2% as of June 30, 2021 (Cont.)**

d. Over the course of the first half of 2021, Gav-Yam conducted valuations for all of its cash-generating properties. The increase in fair value largely derived from the drop in capitalization rates, which were used by the outside appraiser in the valuation in most of its assets as well as due to a real increase in rental fees charged in its various assets and from the increase in CPI since the prior valuation. In properties intended for offices and high-tech, the discount rate was decreased by an average rate of 0.35% and in properties intended for logistic and industry it was decreased by 0.75%-1%. The valuations were carried out as of May 31 2021 and were prepared by capitalizing the future cash flows expected to be derived from the properties. The discount rates used by the appraisers are largely in the 6%-9% range. As a result of the revision to the valuation, Gav-Yam listed revenues for the increase in the fair value of investment property in the three and six month periods ending June 30 21021 to the sum of NIS 375 million and NIS 573 million, respectively. Property & Building attributed part of the increase in fair value of investment property in the three-month period ending June 30 2021 to Property & Building's share of the net properties as of the purchase of Gav-Yam shares, in the allocation of the proceeds the Company paid for Gav-Yam shares, as per C above. Property & Building' share of the net revaluation in question is NIS 68 million and NIS 113 million, respectively, with DIC's share being NIS 43 million and NIS 71 million, respectively, and was included in the Company's statements of income under the Group's share in the net profit of investee companies accounted by the equity method, net

e. In the second quarter of 2021, the fair value of the HSBC Tower in Manhattan, New York ("the HSBC Tower") was updated to a total of $865 million, in accordance with the valuation of an independent valuer in the United States. In accordance with Regulation 49(A) of the Reports Regulations, an economic paper on this subject as of May 31 2021 has been attached to these Financial Statements, by way of reference to the aforementioned paper which is attached to the Financial Statements of Property & Building as of June 30, 2021, which were submitted to the Israel Securities Authority and published on August 17, 2021 (reference number 2021-01-066724). As a result of the update to the valuation of the HSBC Tower, a net profit of NIS 10 million arose for Property & Building, with DIC's share of the profit being NIS 7 million, largely deriving from the amortization of the capitalization rate at a rate of 0.25%, from an increase in growth forecasts and in rental prices in coming years against a drop in the probability of the renewal of new contracts and a decrease in the effective occupancy rate over the years. The valuation was carried out by capitalizing the future cash flows expected to be derived from the property. The capitalization rate used by the appraiser is 6% and the NOI assumed in the realization year is $58.5 million.

Note 3 - Investee Companies (Cont.)

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

2. **Cellcom, a consolidated company held by DIC at a rate of 46.0% as of June 30 2021**

A. Following Note 22.B.1.D. to the Annual Financial Statements, regarding the investment transaction with Hot Telecommunication Systems Ltd. (together with its related entities) ("Hot") in IBC (Unlimited) Holdings Limited Partnership ("IBC Partnership"). In February 2021, after the required regulatory approvals were received, the transaction was completed. Due to the decrease in Cellcom's stake in the IBC Partnership, Cellcom recorded non-recurring income in the first quarter of 2021 to the sum of NIS 14 million, which was recorded under the item for other income, and with DIC's share of the profit being NIS 6 million.

B. Following Note 22.B.1. to the Annual Financial Statements, regarding the discontinuation, by Marathon (018) Xfone Ltd. ("Xfone"), of the execution of some of the payments to Cellcom in accordance with the network sharing and hosting agreement between the parties ("the Sharing Agreement") and in the matter of legal action taken by Cellcom against Xfone and its controlling shareholders in connection with the enforcement of the sharing agreement and the payment of Xfone's debts to Cellcom, in April 2021, the attempt at mediation between Cellcom and Xfone was unsuccessful, and a temporary injunction was issued prohibiting Xfone from executing the termination of the Sharing Agreement or engaging in any agreement which contravenes the sharing agreement with Cellcom, which will remain in effect until a decision has been reached regarding the main claim. On June 15 2021 Xfone filed, on an ex parte basis, a motion to delay the proceedings against it pursuant to which it had requested, among other things, to approve the sale of its activity to Widely Mobile Ltd. ("Widely"). Sale of the activity will not include the Sharing Agree with Cellcom, which will conclude with the court's approval of the transaction in question ("the Widely Proposal").

On June 17 2021 an ex parte procedural freeze was issued against Xfone until decided otherwise, including the legal actions Cellcom had taken against Xfone and cancellation of the temporary forfeitures imposed by Cellcom regarding Xfone's assets, including Xfone's assets held by Xfone 018 Ltd. (Xfone's parent company). An arrangement manager was also appointed in accordance with the recommendation of the insolvency supervisor. Cellcom filed an objection to the Widely Proposal.

In July 2021 the Court ruled, among other things, to keep the procedural freeze in place until it decides otherwise and that all relevant parties would talk and attempt to resolve the dispute outside the court with the assistance of their representative, the insolvency supervisor and on July 25 2021 the Court accepted the request of the arrangement manager to instruct that a creditors' meeting be convened in order to vote on the Widely Proposal or some other alternative if such exists and to set a date to file debt claims.

Until June 17 2021 (the appointment date of the arrangement manager), Xfone continued not paying the monthly installments it was required to pay in accordance with the sharing agreement and transferred a partial sum only.

Starting from that date (June 17 2021), in accordance with the directives of the arrangement manager, Xfone will pay Cellcom a total of NIS 8.2 million, including VAT, per month including paying the relative portion attributed to June 2021, which was paid to Cellcom in practice in early July 2021.

The total balance of debt vis-à-vis Xfone with respect to the sharing agreement, as presented in the Company's Financial Statements as of June 30, 2021, after neutralizing VAT and provisions, and including sums Xfone was liable for with respect to its share in the equipment of the shared network, amounts to a total of NIS 76 million. The income from Xfone included in the Financial Statements for the six-month period ending June 30 2021 amounted to NIS 30 million.

On August 13 2021, subsequent to the balance sheet date, Golan, a fully-owned Cellcom subsidiary, filed a proposal to purchase all of the stock capital or activity of Xfone, and asked that the Xfone arrangement manager put it to vote in the creditors' meeting summoned by the arrangement manager for August 19 2021. For further details, see Note 10i below.

Note 3 - Investee Companies (Cont.)

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

2. Cellcom, a consolidated company held by DIC at a rate of 46.0% as of June 30 2021 (Continued):

C. In light of that stated in b. above, in the second quarter of 2021, the Company conducted an examination of the impairment of the goodwill and brand attributed to Cellcom, net of tax. In accordance with Regulation 49(A) of the Reports Regulations, an economic paper has been attached to these Financial Statements on this subject as of the date in question.

The value of the assets attributed to Cellcom's activity less the liabilities attributed to Cellcom's activity in the Company's Financial Statements as of June 30 2021 is 5,665 million NIS, lower than the recoverable sum of Cellcom's activity estimated in the economic paper in question as of June 30 2021 to the sum of 6,536 million NIS as of that date, and therefore, no impairment was recognized for the goodwill and brand in question.

When calculating the recoverable sum of the paper in question, which was estimated using the value in use method, projected cash flows before tax were used based on forecast across a period of four and a half years. The projected cash flows after four and a half years were estimated according to an assumed long-term growth rate as noted below.

Additional data and key assumptions according to which the economic work in question was carried out in order to determine the recoverable sum:

	June 30 2021
Goodwill value, in millions of NIS	1,796
Brand value net of tax, in millions of NIS	178
Real yearly discount rate after tax[(1)]	7.25%
Real yearly discount rate before tax[(1)]	8.8%
Long-term growth rate	1.5%
Long-term market share	29%
ARPU (average monthly revenue per subscriber from cellular activity) in the representative year (not taking into account Cellcom's revenues from hosting services and from domestic roaming services), in NIS.	52.5

(1) In an economic paper prepared as of December 31 2020, the real yearly discount rate after tax and before tax were 7.5% and 9.1%, respectively. For further details see Note 9d to the Annual Financial Statements.

As noted in b. above, Cellcom is in advanced stages of a legal dispute with Xfone. In accordance with Cellcom's position, as expressed in the statement of claim filed before the court as well as its objection to the proposed settlement with Widely, the paper assumed that the sharing agreement will be enforced. Cellcom included revenues amounting to a total of approx. NIS 30 million in its financial statements for the first half of 2021. Accordingly, the central scenario of the paper assumed that receipts would amount to approx. NIS 60 million per year, identical to the accounting treatment of Cellcom regarding recognition of income at a rate of approx. NIS 15 million per quarter, as described above. At the same time, in light of the current legal proceedings and in light of Xfone's financial status, the forecast has included cash flows at work in a number of additional scenarios that may occur within the framework of an Xfone event, in accordance with their probability. The final cash flow forecast assumed in the work is a forecast deriving from the central scenario and includes the impact of the additional scenarios in question.

For details on the balance sheet value and market value of the Company's investment in Cellcom as of June 30 2021 and near the Report Publication Date, see Note 3b below.

Note 3 - Investee Companies (Cont.)

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

3. **Elron, a consolidated company held by DIC at a rate of 60.1% until June 30 2021**
In April 2021 Elron issued 8.9 million regular shares for a total return, net of issuing costs, of NIS 110 million Pursuant to the issuance DIC acquired 4.9 million shares at a cost of NIS 62 million. As a result of the above, DIC's stake in Elron's issued share capital decreased by approximately 1.0%, to approximately 60.1%, and DIC recorded, in the second quarter of 2021, an increase in capital attributed to the Company's owners to the sum of NIS 2 million.

4. **Shufersal, a company which was held by DIC until July 26, 2020 at a rate of 26.0%**
A. On July 26, 2020, the Company sold its entire stake in Shufersal, of approximately 26%. Following the sale of the entire stake in Shufersal, the comparative figures with respect to the results of Shufersal for the three and six month periods ending June 30 2020, were restated in order to present the discontinued operation of Shufersal separately from continuing operations. For additional details, see Note 3.G.5. to the annual financial statements. to the annual financial statements.
B. The following is data regarding comprehensive income attributed to discontinued operations:

	For the six months ended June 30, 2020	For the three months ended June 30, 2020
	(Unaudited)	
	NIS millions	
The Company's share in Shufersal's profit is accounted by the equity method	37	17
Total carried to the statement of income	37	17
Amounts carried to other comprehensive income with respect to the investment in Shufersal	(3)	(4)
Total amounts carried to comprehensive income	34	13

C. The following is data regarding the net cash flows attributed to the discontinued operations:

	For the six months ended June 30, 2020	For the three months ended June 30, 2020
	(Unaudited)	
	NIS millions	
Net cash from operating activities	21	21

Note 3 - Investee Companies (Cont.)

B. Details regarding investments in companies directly held by DIC as of June 30 2021

	Stake in share capital and in voting rights June 30 2021	Scope of investment in the investee company	Reserve (1)	Total Total	Market value of shares listed on the Tel Aviv Stock Exchange as of June 30 2021	August 17 2021	Country of incorporation
	%	NIS millions					
Primary consolidated companies*							
Property & Building	63.2	1,448	287	1,735	1,852	1,845	Israel
Cellcom (vote – 48.1%)	46.0	1,200	2	1,202	1,064	878	Israel
Mehadrin	44.5	292	-	292	210	202	Israel
Elron	60.1	199	99	298	381	357	Israel
Epsilon Investment House Ltd.	68.8	62	-	62			Israel
Other investee companies*		27	(5)	22			
Total		3,228					

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

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

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

(3) The Company's investments in investee companies include, inter alia, companies regarding which the sale of their shares is subject to certain restrictions. Regarding Cellcom - DIC is particularly subject to a restriction on its ability to sell some of its shares in Cellcom to non-Israeli entities. For details, see Note 1.A above.

Note 3 - Investee Companies (Cont.)

C. Data regarding associate companies and joint ventures

1. **Attachment of reports of a material investee company**
   The Company is attaching to these Financial Statements the concise interim financial statements as of June 30 2021 of IDBG, which is a material investee under the joint control of Property & Building and IDB Development (at rates of 74.2% and 25.8%, respectively), which is accounted for using the equity method.
2. **Summary information regarding material associate companies and joint ventures**
   This section includes details regarding associate companies and joint ventures which fulfill one or more of the following tests:
   - The Company's share in the investment amount in the associate company or joint venture (through concatenation) exceeds 10% of the capital attributed to the owners of the Company in the relevant consolidated statement of financial position;
   - The Company's share in the results of the associate company or joint venture (through concatenation) exceeds 10% (in absolute values) of the representative annual profit during the relevant period, as specified in Note 1.E.4. to the annual financial statements, and weighted according to the relative share of the evaluated period. Qualitative considerations.
   - Qualitative considerations.
     A. Summary information regarding material associate companies

	Gav-Yam [1]		
Holding company	Property & Building		
Operating segment	Real estate		
Country of Incorporation	Israel		
Primary location of business activities	Israel		
Rate of ownership in capital and in voting rights	44.66%	34.90%	29.93%
	As of June 30 2021	As of June 30 2020	As of December 31 2020
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions		
Current assets	1,743	1,673	2,649
Non-current assets	9,217	8,362	8,651
Total assets	10,960	10,035	11,300
Current liabilities	874	854	1,043
Non-current liabilities	6,209	5,655	6,641
Total liabilities	7,083	6,509	7,684
Total assets, net	3,877	3,526	3,616
The Group's share in assets, net	1,325	788	828
Excess cost, net	1,179	578	590
Value of the associate company in the Group's books	2,504	1,366	1,418
Market value of Property & Building's stake in Gav-Yam on the stock exchange [2]	2,979	1,150	1,675

(1) In April 2021 Property & Building acquired an additional approximately 14.7% of Gav-Yam's issued share capital; for details see Note 3.a.1.c above.
(2) The market value of Property & Building's stake in Gav-Yam as of August 17 2021 is NIS 2,998 million.

Note 3 - Investee Companies (Cont.)

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

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

A. Summary information regarding material associate companies (Cont.)

	For the six months ended June 30		For the three months ended June 30		For the year ended December 31
	2021	2020	2021	2020	2020
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
Gav-Yam					
Revenues from building rentals	289	300	147	156	578
Increase in fair value of investment property	(1)573	23	(1)375	(2)	109
Total revenues	862	323	522	154	687
Income for the period	558	141	347	68	331
Other comprehensive income	-	-	-	-	-
Total comprehensive income	558	141	347	68	331
Property & Building's share in the comprehensive income of the associate company	146	42	87	20	82
Adjustments with respect to excess cost	12	14	7	6	25
Property & Building's share in the comprehensive income of the associate company, as presented in the books	158	56	94	26	107

(1) See Note 3.A.1.C. above.

Note 3 - Investee Companies (Cont.)

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

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

B. Summary information regarding material joint ventures

	IDBG		
Holding company	Property & Building		
Operating segment	Real estate and residential		
Country of Incorporation	United States		
Primary location of business activities	United States		
Rate of ownership of capital	74.2%	74.2%	74.2%
Rate of ownership in voting rights	50%	50%	50%
	As of June 30 2021 (Unaudited)	As of June 30 2020 (Unaudited)	As of December 31 2020 (Audited)
		NIS millions	
Cash and cash equivalents	24	14	23
Total current assets	38	76	29
Total non-current assets	770	827	770
Current financial liabilities (excluding trade payables, other payables and provisions)	(387)	(153)	(153)
Total current liabilities	(424)	(180)	(196)
Non-current financial liabilities (excluding trade payables, other payables and provisions)	(384)	(723)	(603)
Total non-current liabilities	(384)	(723)	(603)
Total assets, net	-	-	-
The Group's share in assets, net	-	-	-
Shareholder's loans which were given by Property & Building	285	357	281
Adjustment for the Group's share in net assets	(119)	(127)	(118)
Value of the joint venture in the books	166	230	163

Note 3 - Investee Companies (Cont.)

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

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

	For the six months ended June 30		For the three months ended June 30		For the year ended December 31
	2021	2020	2021	2020	2020
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
IDBG					
Income	20	22	9	11	38
Expenses (revenues), net[(1)]	10	(7)	4	6	(67)
Loss from continuing activity and total comprehensive loss for the period[(1)]	-	-	-	-	(3)
Property & Building's share of the comprehensive profit (loss)	-	-	-	-	(2)
Share of Property & Building in net profit (loss), including financing income with respect to shareholder's loan	1	(16)	(3)	(3)	(69)
[(1)] Includes financing expenses (revenues) with respect to shareholder's loans to the sum of	2	(20)	(4)	(3)	(88)

Note 4 - Events During the Reporting Period

A. Following that stated in Note 31.b.3 to the Annual Financial Statements regarding the Company's engagement in an agreement for the provision of chairman services by Dr. Yoram Turbowicz, on April 1, 2021, Dr. Turbowicz ceased serving as a director in the Company.

B. On May 10, 2021 S&P Maalot raised the rating of the Company's debentures from il/BBB- (Negative) to il/BBB (Stable). Following the increase in rating, the interest rate applicable to the Company's debentures (Series J) was decreased, beginning on May 10, 2021, from 5.05% to 4.80%. For details regarding the adjustment of the interest rate in case of a reduction of rating and non-fulfillment of financial covenants, see Note 15.C.2. to the annual financial statements. to the annual financial statements.

C. In May 2021, the Israel Securities Authority approved an extension of the Company's shelf prospectus, dated May 22, 2019, for one additional year. Accordingly, the Company will be able to offer securities in accordance with the shelf prospectus until May 21, 2022.

D. On June 20 2021, the shares of Libra Insurance Co. Ltd. entered trade on the Tel Aviv Securities Exchange. DIC holds the stock capital of Libra at a rate of 4.7%, and the investment is treated as a financial asset via fair value. In the second quarter of 2021 DIC listed a profit of 29 million NIS, in the profit from realization and increase in value of investments and assets, and dividends item, as a result of the revaluation of the value of the investment in accordance with its value on the stock exchange on the Financial Statements date.

Note 5 - Claims and Contingent Liabilities

A. For details regarding claims and contingent liabilities against the Company and its investee companies which were pending as of December 31, 2020, see Note 22 to the annual financial statements.

B. Claims and contingent liabilities that are pending against the Company and its investee companies as of June 30 2021, and material changes therein during the first half of 2021 and after the date of the statement of financial position:

The following claims are presented at amounts that are correct as of the date of their filing, unless noted otherwise.

1. **Claims against DIC**

A. The following is a description of the pending claims against DIC:

Balance of the provision	Claim amount
NIS millions	
-	18

B. **Details on a Claim Subsequent to the Balance Sheet Date**

For details on the receipt of a statement of claim, subsequent to the balance sheet date, against the Company, Mr. Tzachi Nachmias, Property & Building and Gav-Yam, which claims, among other things, that the Centralization Law has been violated, see Note 10h below.

2. **Claims against Cellcom**

A. The following is a description of the pending claims against Cellcom:

Balance of the provision	Claim amount
NIS millions	
85	(1),(2)2,089

(1) Including claims against Cellcom and additional defendants together in the total amount of NIS 700 million, in which an amount claimed separately from Cellcom was not specified, as well as two additional suits against Cellcom and additional respondents together, with the sum claimed for them from Cellcom estimated by the plaintiffs at a total of NIS 6 million.

(2) There are additional claims against Cellcom, with respect to which the claim amount was not specified, to which Cellcom may have additional exposure.

Note 5 - Claims and Contingent Liabilities (Continued)

B. Claims and contingent liabilities which are pending against the Company and its investee companies as of June 30 2021, and material changes therein during the first half of 2021 and after the date of the statement of financial position: (Continued)

2. **Claims Against Cellcom (Continued)**

B. The following are details regarding the amount and quantity of contingent liabilities against Cellcom in effect as of June 30 2021, distributed by claim amount:

Claim amount	Number of claims	Claim amount NIS millions
Up to NIS 100 million[1]	38	678
NIS 100 million to NIS 500 million	3	705
Claims in which the claim amount was not specified	15	-
against Cellcom and additional defendants together, in which the claim amount separately from Cellcom was not specified	2	700
Against Cellcom and additional defendants together, in which the amount claimed separately from Cellcom was specified	2	6
Claims in which the amount claimed from Cellcom and additional defendants was not specified	4	-
Total	64	2,089

[1] Including 22 claims that were filed against Cellcom by employees, subcontractors, suppliers, authorities and others, at a scope of NIS 8 million.

In June 2021 a ruling was made by the Central District Court in a class action filed against Cellcom in December 2014, claiming that Cellcom had charged its customers payment for recycling full monthly charges even if they had disconnected during the month and not at its end, making Cellcom liable for a payment of NIS 32 million (including remuneration for the plaintiff and legal fees). Cellcom requested and received a continuance for payment of the sum and intends to appeal the verdict before the Supreme Court. In light of the ruling , the Company included the full sum noted above under other expenses in its Financial Statements for the second quarter of 2021.

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

Subsequent to the balance sheet date, a claim and a motion to approve it as a class action was filed against Cellcom and additional defendants, at a sum estimated by the plaintiffs at NIS 3 million. At this preliminary stage, the chances of its success cannot yet be estimated.

In addition, a suit and a motion to approve it as a class action against Cellcom at a sum estimated by the plaintiffs at NIS 100 million was concluded.

3. **Claims against Property & Building**

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

Balance of the provision	Total additional exposure	Total
NIS millions		
-	31	31

B. The following are details regarding the number and sum of Property & Building's contingent liabilities in effect as of June 30 2021, divided by claim amount:

Claim amount	Number of claims	Claim amount NIS millions
Up to NIS 100 million	30	31

C. **Details on a Claim Subsequent to the Balance Sheet Date**

For details on the receipt of a statement of claim, subsequent to the balance sheet date, against the Company, Mr. Tzachi Nachmias, Property & Building and Gav-Yam, which claims, among other things, that the Centralization Law has been violated, see Note 10h below.

Note 6 - Financial Instruments

A. Fair value of financial instruments for disclosure purposes only

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

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

	As of June 30 2021		As of June 30 2020		As of December 31, 2020	
	(Unaudited)				(Audited)	
	Book value	Value Fair	Book value	Value Fair	Book value	Value Fair
	NIS millions					
Financial liabilities						
Debentures [a],[b]	10,314	11,135	10,949	10,015	10,291	10,979
Long term loans from banks, financial institutions and others [a],[b]	1,453	1,456	1,898	1,904	1,641	1,648
	11,767	12,591	12,847	11,919	11,932	12,627

[a] Book value including current maturities and accrued interest. Fair value as of the cutoff date includes principal and interest which were paid after the cutoff date, and whose ex-date occurred before.

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

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

The various levels were defined in the following manner:

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

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

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

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

Financial instruments measured at fair value level 2

	As of June 30 2021	As of June 30 2020	As of December 31, 2020
	(Unaudited)		(Audited)
	NIS millions		
Financial assets	62	45	15
Financial liabilities	(1)	(21)	(13)

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

- Investment in USD debentures bearing variable interest linked to the LIBOR. The debentures' fair value is measured using fair value quotes which are received from several different information sources.
- Forward contracts whose fair value is estimated based on quotes by banks / brokers or by discounting the difference between the forward price specified in the contract and the current forward price in respect of the remainder to maturity of the contract period, while using appropriate market interest rates for similar instruments, includes the required adjustments in respect of the parties' credit risks, when appropriate.
- Options on foreign currency whose fair was determined according to the Black-Scholes model.

Note 6 - Financial Instruments (Cont.)

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

	For the three months ended June 30 2021 (Unaudited)		
	Financial assets measured at fair value through profit or loss		
	Investments and derivatives	Loans to associate companies	Total
	NIS millions		
Balance as of January 1, 2021	121	367	488
Total income (loss) recognized:			
Under profit and loss [a]	[b]4	1	5
Under other comprehensive income (in the item for the reserves from translation differences)	1	4	5
Investments	14	-	14
Redemptions	-	(11)	(11)
Conversion to capital	-	(15)	(15)
Classified under assets held for sale	(8)	-	(8)
Transfer from level 3	[c] (4)	-	(4)
Balance as of June 30 2021	128	346	474
[a] Total profit for the period included under profit and loss with respect to held assets as of June 30 2021:			
Net profit from realization and increase (decrease) in the value of investments and assets	4	-	4
The Group's share in the net profit of investee companies accounted by the equity method, net	-	1	1

[b] Not including income from dividends in the amount of NIS 1 million.

[c] On June 20 2021, the Libra shares entered trade on the Tel Aviv Securities Exchange. As a result, the hierarchy of measuring the investment to fair value was classified at Level 1. See Note 4d above.

	For the six months ended June 30, 2020 (Unaudited)			
	Financial assets measured at fair value through profit or loss			
	Investments and derivatives	Loans to associate companies	Total	Financial liabilities measured at fair value through profit and loss
	NIS millions			
Balance as of January 1, 2020	156	210	366	-
Total income (loss) recognized:				
Under profit and loss [a]	[b](22)	(18)	(40)	(1)
Under other comprehensive income (in the item for the reserves from translation differences)	-	1	1	-
Investments	1	-	1	-
Realizations	(1)	-	(1)	-
Transition to initial measurement at fair value level 3	-	244	244	-
Balance as of June 30 2020	134	437	571	(1)
[a] Total profit for the period included under profit and loss with respect to held assets as of June 30, 2020:				
Net loss from realization and increase (decrease) in the value of investments and assets	(22)	-	(22)	(1)
The Group's share in the net profit (loss) of investee companies accounted by the equity method, net	-	(18)	(18)	-

[b] Not including income from dividends in the amount of NIS 16 million.

Note 6 - Financial Instruments (Cont.)

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

	For the three months ended June 30 2021		
	(Unaudited)		
	Financial assets measured at fair value through profit or loss		
	Investments and derivatives	Loans to associate companies	Total
	NIS millions		
Balance as of April 1 2021	125	368	493
Total income (loss) recognized:			
Under profit and loss (a)	(ב) (4)	(3)	(7)
Under other comprehensive income (in the item for the reserves from translation differences)	(1)	(8)	(9)
Investments	11	-	11
Redemptions	-	(11)	(11)
Transfer from level 3	(ג) (3)	-	(3)
Balance as of June 30 2021	128	346	474
(א) Total profit for the period included under profit and loss with respect to held assets as of June 30 2021:			
Net loss from realization and increase (decrease) in the value of investments and assets	(4)	-	(4)
The Group's share in the loss of investee companies accounted by the equity method, net	-	(3)	(3)

(ב) Not including income from dividends in the amount of NIS 1 million.
(ג) On June 20 2021, the Libra shares entered trade on the Tel Aviv Securities Exchange. As a result, the hierarchy of measuring the investment to fair value was classified at Level 1. See Note 4d above.

	For the three months ended June 30, 2020			
	(Unaudited)			
	Financial assets measured at fair value through profit or loss			
	Investments and derivatives	Loans to associate companies	Total	Financial liabilities measured at fair value through profit and loss
	NIS millions			
Balance as of April 1 2020	154	453	607	(1)
Total income (loss) recognized:				
Under profit and loss (a)	(ב)(16)	(3)	(19)	-
Under other comprehensive income (in the item for the reserves from translation differences)	(3)	(13)	(16)	-
Realizations	(1)	-	(1)	-
Balance as of June 30 2020	134	437	571	(1)
(א) Total profit for the period included under profit and loss with respect to held assets as of June 30, 2020:				
Net loss from realization and increase (decrease) in the value of investments and assets	(16)	-	(16)	
The Group's share in the net profit (loss) of investee companies accounted by the equity method, net	-	(3)	(3)	

(ב) Not including income from dividends in the amount of NIS 14 million.

Note 6 - Financial Instruments (Cont.)

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

	For the year ended December 31, 2020		
	(Audited)		
	Financial assets measured at fair value through profit or loss		
	Investments and derivatives	Loans to associate companies	Total
	NIS millions		
Balance as of January 1, 2020	156	210	366
Total income (loss) recognized:			
Under profit and loss (a)	(b) (37)	(69)	(106)
Under other comprehensive income (in the item for the reserves from translation differences)	(6)	(29)	(35)
Investments	12	-	12
Redemptions	(6)	(4)	(10)
Deconsolidation	-	15	15
Transition to initial measurement at fair value level 3	2	244	246
Balance as of December 31, 2020	(1)121	367	488
(a) Total profit for the period included under the income statement with respect to held assets as of December 31, 2020:			
Net loss from realization and increase (decrease) in the value of investments and assets	(37)	-	(37)
The Group's share in the loss of investee companies accounted by the equity method, net	-	(69)	(69)

(b) Not including income from dividends in the amount of NIS 16 million.

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

Note 7 - Sales and Services

	For the six months ended June 30		For the three months ended June 30		For the year ended December 31
	2021	2020	2021	2020	2020
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
Telecommunication services	1,457	1,374	732	687	2,819
Sale of communication equipment	597	397	283	180	910
Income from the agriculture segment(1)	649	403	238	294	823
Building rentals	150	204	65	103	352
Sale of apartments and real estate	24	63	7	28	109
Income from management and consulting fees of an investment house	39	22	20	11	55
Others	13	16	9	9	23
	2,929	2,479	1,354	1,312	5,091

(1) Income from the agriculture segment includes data for Mehadrin, which was consolidated for the first time starting March 2020.

Note 8 - Operating Segments

The segment division basis and the measurement basis used for segment profit and loss is identical to that presented in Note 32 to the Annual Financial Statements, regarding operating segments, except for that noted below.

Starting from the second quarter of 2021, the Company for the first time included Epsilon as an operating segment, which does not comply with the quantitative tests set in IFRS8 as a reportable segment presented along with Elron under other segments. The comparison numbers were restated and include the Epsilon sector along with the Elron sector under other sectors.

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

A. Segmental results

	Cellcom	Property & Building	Mehadrin	Shufersal [1]	Others	Adjustments for the consolidation	Consolidated
	NIS millions						
For the Six-Month Period Ending June 30 2021 (Unaudited)							
Sales and services	2,036	154	649	-	39	51	2,929
Segmental results - attributable to the owners of the Company	(3)	117	12	-	24	(60)	90
For the Six-Month Period Ending June 30 2020 (Unaudited)							
Sales and services	1,747	201	[3]780	7,420	[4]22	[3],[4] (7,691)	2,479
Segmental results - attributable to the owners of the Company	(41)	(149)	[3]13	37	(26)	[3] (136)	(302)
For the Three-Month Period Ending June 30 2021 (Unaudited)							
Sales and services	1,003	71	238	-	20	22	1,354
Segmental results - attributable to the owners of the Company	(6)	28	(9)	-	5	(21)	(3)
For the three month period ended June 30, 2020 (unaudited)							
Sales and services	855	95	[3]317	3,689	[4]11	[3],[4] (3,655)	1,312
Segmental results - attributable to the owners of the Company	(21)	(50)	[3](8)	17	[4] (6)	[3],[4] (36)	(104)
For the year ended December 31, 2020 (audited)							
Sales and services	3,676	377	1,175	[2]7,420	[4]55	[4] (7,612)	5,091
Segmental results - attributable to the owners of the Company	(78)	(270)	6	83	[4] (32)	[4] (264)	(555)

(1) Discontinued segment - Shufersal's operating results are presented in the statements of income under discontinued operations, see Note 3.A.4. above. above.
(2) The data for Shufersal is in accordance with Shufersal's financial statements as of June 30, 2020.
(3) Reclassified due to the presentation of Mehadrin as a reportable segment.
(4) Reclassified due to the presentation of Epsilon within the framework of the other segments.

Note 8 - Operating Segments (Cont.)

A. Segmental results (Cont.)

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

	For the six months ended June 30		For the three months ended June 30		For the year ended December 31
	2021	2020	2021	2020	2020
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
Reversal of amounts with respect to the Shufersal operation	-	(7,420)	-	(3,689)	(7,420)
Reversal of amounts with respect to the Mehadrin operation before the rise to control	-	(1) (352)	-	(1) -	(352)
Adjustments with respect to activities which are presented in Property & Building's reports as discontinued operations.	19	43	-	16	82
Other adjustments	32	(2) 38	22	(2) 18	(2) 78
	51	(1)(2) (7,691)	22	(1)(2) (3,655)	(2) (7,612)

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

	For the six months ended June 30		For the three months ended June 30		For the year ended December 31
	2021	2020	2021	2020	2020
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
Inclusion of the results of DIC headquarters (mostly general and administrative, financing and taxes)	(101)	(131)	(62)	(32)	(254)
Other adjustments	41	(5)	41	(2) (4)	(2) (10)
	(60)	(1) (136)	(21)	(1)(2) (36)	(2) (264)

(1) Reclassified due to the presentation of Mehadrin as a reportable segment.
(2) Reclassified due to the presentation of Epsilon within the framework of the other segments.

Note 8 - Operating Segments (Cont.)

B. Segmental assets

	Cellcom	Property & Building	Mehadrin	Shufersal	Others	Adjustments for the consolidation	Consolidated
				NIS millions			
As of June 30 2021 (Unaudited)	6,918	7,928	1,181	-	543	2,184	18,754
As of June 30 2020 (unaudited)	6,782	8,876	(1),(2)1,219	12,568	(3) 415	(1)(3) (9,731)	(2)20,129
As of December 31, 2020 (Audited)	7,157	7,967	1,222	-	(3) 364	(3)2,274	18,984

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

	As of June 30		For the year ended December 31
	2021	2020	2020
	(Unaudited)		(Audited)
	NIS millions		
Reversal of amounts with respect to the Shufersal segment, which is classified in the financial statements as an associate company	-	(12,568)	-
Inclusion of the investment amount in associate companies based on their book value, as included in the financial statements	11	1,403	8
Inclusion of adjustments to fair value of assets of subsidiaries and goodwill with respect to them in DIC	594	613	595
Inclusion of other assets of DIC headquarters	1,501	734	1,586
Other adjustments	78	(3)87	(3)85
	2,184	(1),(3) (9,731)	(3) 2,274

(1) Reclassified due to the presentation of Mehadrin as a reportable segment.
(2) Reclassified. For details, see Note 1d above.
(3) Reclassified due to the presentation of Epsilon within the framework of the other segments.

Note 8 - Operating Segments (Cont.)

C. Segmental liabilities

	Cellcom	Property & Building	Mehadrin	Shufersal	Others	Adjustments for the consolidation	Consolidated
	NIS millions						
As of June 30 2021 (Unaudited)	5,033	5,607	597	-	74	3,487	14,798
As of June 30 2020 (Unaudited)	4,908	6,844	(1),(2)658	10,569	(3)58	(1),(3)(6,694)	(2)16,343
As of December 31, 2020 (Audited)	5,277	6,223	665	-	(3) 51	(3)3,458	15,674

Composition of adjustments to segmental liabilities in the consolidated report:

	As of June 30		As of December 31
	2021	2020	2020
	(Unaudited)		(Audited)
	NIS millions		
Reversal of amounts with respect to the Shufersal segment, which is classified in the financial statements as an associate company	-	(10,569)	-
Inclusion of the liabilities of DIC headquarters	3,352	3,722	3,308
Inclusion of adjustments to the fair value of liabilities of subsidiaries in DIC	86	91	85
Other adjustments	49	(3)62	(3)65
	3,487	(1),(3) (6,694)	(3) 3,458

(1) Reclassified due to the presentation of Mehadrin as a reportable segment.
(2) Restated, see Note 1d below.
(3) Reclassified due to the presentation of Epsilon within the framework of the other segments.

Notes to the Concise Interim Consolidated Financial Statements

Note 9 - Pro Forma Data Regarding Golan Telecom

A. These pro forma reports were prepared in accordance with Regulation 9A of the Reports Regulations, and pertain to the acquisition of Golan by Cellcom, as stated in Note 3.G.1.D. to the annual financial statements. The purchase transaction constitutes a material business combination requiring the presentation of pro forma reports, as defined in regulation 38(B) of the Reports Regulations. The pro forma reports are intended to retrospectively reflect the Company's operating results, based on the assumption that the Golan transaction, as stated above, had already been executed on January 1, 2018 (the "Pro Forma Commencement Date"). Pro forma figures are, by nature, based on assumptions, estimates and approximations, as specified below, and the pro forma data should therefore not be considered as necessarily reflecting the Company's representative and/or future operating results in subsequent periods.

B. Assumptions used in the preparation of the pro forma statements of income:
The pro forma reports were prepared based on the Financial Statements of the Company and of Golan for the six and three month periods ending June 30 2020, and for 2020. The accounting policy which was applied in the preparation of the pro forma reports was as described in Note 2 to the annual financial statements. For details regarding assumptions which were used in the preparation of the pro forma statements of income, see Note 33.B to the annual financial statements.

C. Consolidated Statements of Income
Condensed Consolidated Interim Statements of Income for the Six Month Period Ending June 30 2020:

	Before the pro forma event	Data regarding Golan Telecom	Adjustments with respect to pro forma data	Pro Forma Data
	(Unaudited) NIS millions			
Income				
Sales and services	2,479	267	(99)	2,647
The Group's share in the profit of investee companies accounted by the equity method, net	5	-	-	5
Profit from realization and increase in the value of investments, assets and dividends	33	-	-	33
Other income	25	-	-	25
Financing income	17	-	(2)	15
	2,559	267	(101)	2,725
Expenses				
Cost of sales and services	1,884	167	(68)	1,983
Research and development expenses	7	-	-	7
Sales and marketing expenses	274	32	10	316
General and administrative expenses	271	7	(1)	277
The Company's share in the loss of investee companies accounted for using the equity method, net	-	1	-	1
Loss from realization, impairment, and write-down of investments and assets	75	-	-	75
Decrease in fair value of investment property, net	156	-	-	156
Other expenses	-	1	-	1
Financing expenses	433	22	(21)	434
	3,100	230	(80)	3,250
Profit (loss) before taxes on income	(541)	37	(21)	(525)
Income (expenses) from taxes on income	52	36	(40)	48
Profit (loss) from continuing operations	(489)	73	(61)	(477)
Profit from discontinued operations, after tax	37	-	-	37
Net profit (loss) for the period	(452)	73	(61)	440
Net profit (loss) attributable to:				
The Company's owners	(302)	33	(28)	(297)
Non-controlling interests	(150)	40	(33)	(143)
	(452)	73	(61)	(440)

Note 9 - Pro Forma Data Regarding Golan Telecom (Cont.)

C. Condensed Statements of Income (Cont.)

Condensed Consolidated Interim Statements of Income for the three Month Period Ending June 30 2020:

	Before the pro forma event	Data regarding Golan Telecom	Adjustments with respect to pro forma data	Pro Forma Data
	(Unaudited)			
	NIS millions			
Income				
Sales and services	1,312	135	(50)	1,397
The Group's share in the profit of investee companies accounted by the equity method, net	9	-	-	9
Profit from realization and increase in the value of investments, assets and dividends	19	-	-	19
Increase in fair value of investment property, net	1	-	-	1
Other income	12	-	-	12
Financing income	43	-	(1)	42
	1,396	135	(51)	1,480
Expenses				
Cost of sales and services	1,060	85	(34)	1,111
Research and development expenses	2	-	-	2
Sales and marketing expenses	124	15	5	144
General and administrative expenses	(141)	3	-	144
The Company's share in the loss of investee companies accounted for using the equity method, net	-	1	-	1
Loss from realization, impairment, and write-down of investments and assets	56	-	-	56
Other expenses	-	1	-	1
Financing expenses	214	11	(11)	214
	1,597	116	(40)	1,673
Profit (loss) before taxes on income	(201)	19	(11)	(193)
Income (expenses) from taxes on income	12	36	(38)	10
Profit (loss) from continuing operations	(189)	55	(49)	(183)
Profit from discontinued operations, after tax	17	-	-	17
Net profit (loss) for the period	(172)	55	(49)	(166)
Net profit (loss) attributable to:				
The Company's owners	(104)	25	(23)	(102)
Non-controlling interests	(68)	30	(26)	(64)
	(172)	55	(49)	(166)

Note 9 - Pro Forma Data Regarding Golan Telecom (Cont.)

C. Condensed Statements of Income (Cont.)

Condensed Statements of Income for the Year Ended December 31, 2020 [(1)]

	Before the pro forma event	Data regarding Golan Telecom	Adjustments with respect to pro forma data	Pro Forma Data
	(Audited)			
	NIS millions			
Income				
Sales and services	5,091	532	(308)	5,315
Profit from realization and increase in the value of investments, assets and dividends	64	-	-	64
Other income	137	-	-	137
Financing income	31	1	(3)	29
	5,323	533	(311)	5,545
Expenses				
Cost of sales and services	3,903	395	(262)	4,036
Research and development expenses	13	-	-	13
Sales and marketing expenses	600	64	(7)	657
General and administrative expenses	553	13	(5)	561
The Group's share in the loss of investee companies accounted by the equity method, net	15	1	-	16
Loss from realization, impairment, and write-down of investments and assets	113	-	-	113
Decrease in fair value of investment property, net	277	-	-	277
Other expenses	5	71	(68)	8
Financing expenses	786	43	(41)	788
	6,265	587	(383)	6,469
Profit (loss) before taxes on income	(942)	(54)	72	(924)
Taxes on income	62	38	(43)	57
Profit (loss) from continuing operations	(880)	(16)	29	(867)
Profit from discontinued operations, after tax	83	-	-	83
Net profit (loss) for the year	(797)	(16)	29	(784)
Net profit (loss) attributable to:				
The Company's owners	(555)	(7)	13	(549)
Non-controlling interests	(242)	(9)	16	(235)
	(797)	(16)	29	(784)

(1) Golan's results, beginning from the date of its initial consolidation on August 26, 2020, are included under the column "before the pro forma event", and under the column "Golan figures", and were neutralized in the column "adjustments with respect to pro forma figures", in order to avoid redundancy.

Note 10 - Events Subsequent to the Date of the Statement of Financial Position

A. In July 2021 the DIC Board of Directors decided to act to consolidate functions at DIC and Properties & Building, which included, among other things, the appointment of joint executives for service in both companies and the division of costs between them (according to a rate agreed upon by the parties), subject to the approval of the certified organs in both companies. Concurrently, the DIC Board of Directors decide to act to appoint Mr. Doron Cohen, the CEO of DIC, as CEO of Property & Building, alongside his continued service as CEO of DIC (the appointment was approved in July 2021 by the Property & Building Board of Directors).

B. In accordance with the decision of the DIC Board of Directors from July 21 2021, DIC is considering the publication of shelf offering report (which also constitutes purchase order specifications), according to which DIC debentures from a new series will be issued, and will be listed for trade on the Tel Aviv Securities Exchange, by way of a swap proposal addressed to the holders of DIC debentures (Series F) and DIC debentures (Series J) ("the Swap Purchase Proposal")

To be clear, as of the publication of this report no certainty exists regarding the implementation, timing and scope of the Swap Purchase Proposal in question, and the terms of the Swap Purchase Proposal have not yet been established. Carrying out the Swap Purchase proposal is subject, among other things to the existence of appropriate market conditions and the receipt of all approvals required by law, including the approval of the certified organs at DIC and the approval of the Stock Exchange.

C. On July 1 2021, the Board of Directors of Property & Building instructed Property & Building Management to start a process of examining the sale of Property & Building's holdings in the HSBC Tower, and for this purpose, Property & Building may engage with agents and/or investment bankers, which will accompany Property & Building in the process of examining and selling the HSBC Tower. As of the publication of this report, no certainty exists that Property & Building will receive offers to purchase the tower, or that the process in question will mature to negotiations or to signing a binding agreement for its sale, or regarding the timing and terms of such an agreement, inasmuch as it is signed. The sale in question is subject to approval by the Board of Directors of Property & Building, taking into account, among other things market conditions and the transaction at hand, if one exists.

D. Following that stated in Note 3.g.2.d.2.c to the Annual Financial Statements on an indemnification agreement for an institutional loan of IDBG, in August 2021 the parties signed an update to the new indemnification agreement, which established, among other things, that if, as a condition for refinancing or extending the current bank loan, the lender demands the repayment of the institutional loan, Property & Building will redeem the loan (not including the interest payments and any early fine repayment). Such a redemption by Property & Building will be considered as if the collateral Property & Building gave IDBG's obligations from any institutional loan agreement, had been realized regarding the sums in question it paid relative to the collateral. Furthermore, among other things, it was agreed by the parties that the following terms would be added: (a) the interest in the first 12 months shall be similar to the interest existing in the institutional loan; (b) after the end of the first 12-month period, in the event that the loan has not been repaid in full by IDBG, the interest will be revised in accordance with commonly-used interest rates in the market for similar loans. In addition, the agreement includes a mechanism for setting the interest rate, in the event of disagreement between the parties.

E. Following that stated in Note 3.g.2.d.1 to the Annual Financial Statement on an IDBG bank loan, in August 2021 IDBG signed a third revision to the bank loan agreement that includes, among other things, the following key changes:
1. The loan repayment date was extended from January 1 2022 to January 1 2023;
2. The interest rate was changed to 4.7%. The balance of the loan to the sum of $69.3 million will be increased by a sum of $4 million which will be used for leasehold improvements, rental commissions to realtors and closing costs. The net balance to the sum of $3.8 million, which was deposited in an account under the bank's control and which will be freed upon the full redemption of the institutional loan.
3. In the event that the loan is redeemed prior to May 1 2022, a 0.5% early redemption fine shall be paid.
4. An option shall be given for an additional 12-month extension to January 1 2024, in accordance with the terms of the loan agreement.

Note 10 - Events After the Date of the Statement of Financial Position (Continued)

F. Following that stated in Note 3.g.1.d to the Annual Financial Statement in the Ministry of Communications' ("the Ministry") demand from Golan, a fully-owned Cellcom subsidiary, to refund monetary benefits it received in the past from the Ministry (some of which have already been repaid, as stated in the Note), as a condition for approving the purchase of Golan by Cellcom, on July 28 2021 the Ministry of Communications issued a resolution stating that Golan must repay the State the balance of the sum of the benefit, amounting as of the request date to a sum of NIS 59 million. As stated in the Note, Golan recognized a full provision for the demand in question in its financial statements in the past (prior to its consolidation by Cellcom). Cellcom is considering its steps.

G. Following that stated in Note 3.g.4.a to the Annual Financial Statements on the signing of CartiHeal (2009) Ltd. ("CartiHeal") (held by Elron at a rate of 27% of its issued stock capital and the investment in it is treated in accordance with the book value method) and its shareholders, including Elron, on binding agreements with Bioventus ("Bioventus"), an existing shareholder in CartiHeal, among other things on an option to sell CartiHeal, in August 2021 CartiHeal received the statistical report prepared by an outside accompanying body, summarizing the final results of the pivotal clinical trials ("the Statistical Report"). The Statistical report shows that the trials were a success as defined in the investment agreements and an option to sell CartiHeal to Bioventus.

H. On August 12 2021 the Company received a statement of claim filed before the Tel Aviv-Yafo District Court ("the Statement of Claim") against the Company, and against Mega Or, Mr. Tzachi Nachmias (Chairman of the Company Board of Directors), Property & Building and Gav-Yam. The Statement of Claim argued, *inter alia,* that Mega Or needs to be seen as the Company's controlling shareholder, the Company as Property & Building's controlling shareholder, and Property & Building as Gav-Yam's controlling shareholder; and this, allegedly, constitutes a violation of the Centralization Law. The Statement of Claim requested, *inter alia*, declaratory remedies and an injunction addressed at all of the defendants instructing them to sell their holdings in each of the companies, or arrange them in such a manner that their holdings in the companies' shares will be compatible with the provisions of the Centralization Law.

I. On August 13 2021 Golan submitted a proposal to purchase all of the stock capital or activity of Xfone ("the Proposal"), and asked that the Xfone arrangement manager put it to vote in the creditors' meeting summoned by the arrangement manager for August 19 2021.

The following are the key points of the proposal:

1. Golan will purchase 100% of the issued and paid-up stock capital of Xfone or its activity (as decided in the future) ("the Merchandise"), subject to the Merchandise be free of any debt, obligation, prior or future suit the grounds of which are prior to the purchase date or deriving from the purchase itself.
2. Golan shall pay the following compensation for the Merchandise, which to the best of its knowledge and on the basis of the information it provided Xfone within the framework of its request for a procedural freeze, will cover the entirety of the debts to Xfone's creditors (with the exception of the debts towards the controlling shareholders at Xfone):
   - 2.1 Repayment of Xfone's debt to Bank Mizrahi (estimated on the basis of the information provided by Xfone at a sum not exceeding NIS 40 million) and redemption of the remainder of Xfone's debts to employees, authorities and regular creditors, with the exception of the debt to Cellcom (estimated, on the basis of information provided by Xfone, at a sum not exceeding NIS 20 million), so long as the total payment to Xfone's creditors does not exceed Nis 60 million.
   - 2.2 Purchasing Xfone will include taking all of Xfone's debt to Cellcom.
   - 2.3 Upon the purchase of Xfone's shares, Xfone will continue to operate on the telecom market and as a result, the Current Xfone providers will be able to continue to provide their services to Xfone and continue with their business cooperation with it, Xfone's workers will remain its workers and Xfone's customers will remain its customers. By purchasing Xfone's activity, Golan will step into Xfone's shoes. Xfone (or Golan, as the case may be) will continue to uphold Xfone's obligations to Xfone customers and offer Xfone employees further employment for a period of at least two years.
   - 2.4 The frequencies assigned to network shared by Cellcom and Xfone will continue to be assigned to the network and the Group will pay the licensing fees and frequency fees, while guaranteeing the quality of the network and services for customers using it. Continued investment in the network will also be guaranteed.

Note 10 - Events After the Date of the Statement of Financial Position (Continued)

I. (cont.)

3. In the interim period needed in order to receive the regulatory approvals for the transactions, Golan will provide Xfone with interim financing to the sum of up to NIS 3 million per month and for a period of up to 3 months, by amortization from the compensation Xfone must pay Cellcom for the sharing agreement and their use.
4. This agreement is stipulated on the receipt of regulatory approvals from the Ministry of Communications and the Anti-Trust Commissioner in addition to the approval of the creditors' meeting and the court regarding the insolvency and no certainty exists that the required approvals will be received or that the agreement will be implemented in accordance with the proposal or with changes.

J. On August 17 2021 the Board of Directors of Property & Building decided, among other things, to instruct the management of Property & Building to begin a process of examining the sale of Property & Building's holdings in the field of residential construction in Israel ("the Holdings"), in whole or in part, in one transaction or in a number of transactions. As of the publication of this report, no certainty exists that Property & Building will receive offers to purchase the Holdings as noted (in whole or in part), or that the process in question will mature to negotiations or to signing a binding agreement (or binding agreements), or regarding the timing and terms of such an agreement (or agreements), inasmuch as it or they are signed. The sale in question is subject to approval by the Board of Directors of Property & Building, taking into account, among other things, market conditions and the transaction (or transactions) at hand, inasmuch as they exist, and will be subject to the terms agreed upon in possible transactions as noted and in accordance with the law.

Discount Investment Corporation Ltd

Financial statements
of a material associated comapny

IDB GROUP USA INVESTMENTS INC.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021

UNAUDITED

IN THOUSANDS OF U.S DOLLARS

I N D E X

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

Introduction

We have reviewed the accompanying financial information of IDB Group USA Investment Inc. and subsidiaries (hereinafter - the "Company"), which comprises the condensed consolidated statement of financial position as of June 30, 2021 and the condensed consolidated statements of comprehensive loss, changes in equity and cash flows for the six and three month periods then ended. The Company's board of directors and management are responsible for the preparation and presentation of this interim financial information for these interim periods in accordance with IAS 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with (Israel) Review Standard No. 2410, issued by the Israeli Institute of Certified Public Accountants regards "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing principles generally accepted in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements do not present fairly, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

An emphasis of matter paragraph

Without qualifying our conclusion, we draw attention to note 1c, which describes a resolution by the board of directors to continue investing in the improvement of the Company's assets, and in parallel to take the necessary actions in order to prepare for the realization of the Company's assets, based among others on the prevalent market conditions and to the extent that the Company will realize its assets in their entirety, it may remain without any significant business activity.

Haifa, Israel August 17, 2021	Kesselman & Kesselman Certified Public Accountants (lsr.) A member firm of PricewaterhouseCoopers International Limited

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

U.S. dollars in thousands

	June 30		December 31
	2021	**2020**	**2020**
	Unaudited		**Audited**
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	**7,252**	3,947	7,233
Restricted cash	**3,515**	1,200	304
Receivables and prepayments	**824**	1,596	1,246
Land held for sale	**-**	15,000	-
Total current assets	**11,591**	21,743	8,783
NON-CURRENT ASSETS:			
Restricted cash	**-**	6,420	2,903
Investment property	**222,685**	218,148	222,500
Land inventory	**12,000**	12,000	12,000
Other assets	**1,524**	2,089	1,992
Total non-current assets	**236,209**	238,657	239,395
Total assets	**247,800**	260,400	248,178
LIABILITIES			
CURRENT LIABILITIES:			
Loans from bank and financial institution	**118,729**	44,163	47,672
Related parties	**5,604**	4,977	5,604
Tenant's security deposits	**1,151**	921	1,135
Accounts payable and accrued liabilities	**4,438**	1,934	6,601
Total current liabilities	**129,922**	51,995	61,012
NON-CURRENT LIABILITIES:			
Loans from shareholders	**117,878**	138,745	117,398
Loans from bank	**-**	69,660	69,768
Total non-current liabilities	**117,878**	208,405	187,166
Total liabilities	**247,800**	260,400	248,178
Equity attributable to equity owners of the Company			
Paid-in capital	**88,000**	88,000	88,000
Capital reserve from transaction with controlling shareholders	**1,838,014**	1,837,311	1,838,014
Capital reserve from transaction with non-controlling interest	**(190)**	(190)	(190)
Accumulated deficit	**(1,925,824)**	(1,925,121)	(1,925,824)
Total equity	**-**	-	-
Total liabilities and equity	**247,800**	260,400	248,178

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

August 17, 2021		
Date of approval of the financial statements	ELI ELEFANT Director	AMI BAR-LEV Director

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

U.S. dollars in thousands

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2021	**2020**	**2021**	**2020**	**2020**
	Unaudited				Audited
REVENUES					
Rental revenue	**6,308**	6,335	**3,003**	3,243	10,932
EXPENSES					
Rental property expenses	**2,526**	2,299	**1,323**	998	4,641
General and administrative expenses	**317**	1,435	**8**	477	2,617
Valuation loss on investment property and land inventory	**-**	4,613	**-**	-	19,977
Financing income	**(2)**	(12)	**(1)**	(4)	(18)
Financing expenses on shareholders loans	**-**	569	**-**	-	569
Revaluation of shareholders loans measured in fair value	**478**	(6,355)	**(1,439)**	(1,436)	(27,701)
Financing expenses to others	**2,676**	3,786	**2,799**	3,208	11,550
Impairment loss of investment in associates	**313**	-	**313**	-	-
Total expenses	**6,308**	6,335	**3,003**	3,243	11,635
Loss and total comprehensive loss for the period attributable to equity owners of the Company	**-**	-	**-**	-	(703)

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

U.S. dollars in thousands

	Attributable to equity owners of the Company				
	Paid-in capital	**Capital reserve from transactions with controlling shareholders**	**Capital reserve from transactions with non-controlling interest**	**Accumulated deficit**	**Total**
For the six months ended June 30, 2021 (unaudited)					
Balance as of January 1, 2021	**88,000**	**1,838,014**	**(190)**	**(1,925,824)**	**-**
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**-**
Balance as of June 30, 2021	**88,000**	**1,838,014**	**(190)**	**(1,925,824)**	**-**

	Attributable to equity owners of the Company				
	Paid-in capital	**Capital reserve from transactions with controlling shareholders**	**Capital reserve from transactions with non-controlling interest**	**Accumulated deficit**	**Total**
For the six months ended June 30, 2020 (unaudited)					
Balance as of January 1, 2020	88,000	1,837,311	(190)	(1,925,121)	-
Total comprehensive loss for the period	-	-	-	-	-
Balance as of June 30, 2020	88,000	1,837,311	(190)	(1,925,121)	-

	Attributable to equity owners of the Company				
	Paid-in capital	**Capital reserve from transactions with controlling shareholders**	**Capital reserve from transactions with non-controlling interest**	**Accumulated deficit**	**Total**
For the three months ended June 30, 2021 (unaudited)					
Balance as of April 1, 2021	**88,000**	**1,838,014**	**(190)**	**(1,925,824)**	**-**
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**-**
Balance as of June 30, 2021	**88,000**	**1,838,014**	**(190)**	**(1,925,824)**	**-**

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

U.S. dollars in thousands

	Attributable to equity owners of the Company				
	Paid-in capital	Capital reserve from transactions with controlling shareholders	Capital reserve from transactions with non-controlling interest	Accumulated deficit	Total
For the three months ended June 30, 2020 (unaudited)					
Balance as of April 1, 2020	88,000	1,837,311	(190)	(1,925,121)	-
Total comprehensive loss for the period	-	-	-	-	-
Balance as of June 30, 2020	88,000	1,837,311	(190)	(1,925,121)	-

	Attributable to equity owners of the Company				
	Paid-in Capital	Capital reserve from transactions with controlling shareholders	Capital reserve from transactions with non-controlling interest	Accumulated deficit	Total
Balance as of January 1, 2020 (audited)	88,000	1,837,311	(190)	(1,925,121)	-
Total comprehensive loss for the year	-	-	-	(703)	(703)
Capital reserve from transactions with controlling shareholders	-	703	-	-	703
Balance as of December 31, 2020	88,000	1,838,014	(190)	(1,925,824)	-

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2021	2020	2021	2020	2020
	Unaudited				Audited
Cash flows from operating activities:					
Loss	**-**	-	**-**	-	(703)
Adjustments to reconcile loss to net cash provided by operating activities:					
Depreciation and amortization	**44**	56	**20**	31	94
Provision for doubtful accounts and bad debt expense	**98**	904	**3**	228	1,494
Valuation loss on investment property and land inventory	**-**	4,613	**-**	-	19,977
Financing expense (income), net	**3,152**	(2,012)	**1,359**	1,768	(15,600)
Impairment loss of investment in associates	**313**	-	**313**	-	-
Changes in operating assets and liabilities:					
Change in deferred rent receivable	**244**	556	**366**	348	1,183
Tenant receivables	**340**	(1,281)	**301**	(849)	(867)
Accounts payable and accrued liabilities	**(334)**	(1,193)	**(122)**	(333)	(86)
Other assets	**145**	419	**104**	349	(65)
Net cash provided by operating activities	**4,002**	2,062	**2,344**	1,542	5,427
Cash flows from investing activities					
Investment in real estate and other assets	**(1,792)**	(612)	**(1,545)**	(270)	(2,261)
Net cash used in investing activities	**(1,792)**	(612)	**(1,545)**	(270)	(2,261)
Cash flows from financing activities					
Repayment of loans	**(636)**	-	**(309)**	-	-
Payment of interest	**(2,026)**	(3,745)	**(1,021)**	(1,855)	(7,557)
Decrease in restricted cash	**471**	1,655	**471**	1,663	6,066
Loans from related parties	**-**	1,020	**-**	1,020	1,991
Net cash provided by (used in) financing activities	**(2,191)**	(1,070)	**(859)**	828	500
Net change in cash and cash equivalents	**19**	380	**(60)**	2,100	3,666
Cash and cash equivalents, beginning of period	**7,233**	3,567	**7,312**	1,847	3,567
Cash and cash equivalents, end of period	**7,252**	3,947	**7,252**	3,947	7,233
Supplemental non-cash disclosures:					
Capital reserve from transactions with shareholders	**-**	-	**-**	-	703
Non-cash payment of interest expenses, financing cost and deposit to restricted cash account	**2,517**	-	**-**	-	-
Non-cash investment in investment property	**-**	-	**-**	-	3,590

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL

a. IDB Group USA Investments Inc. ("the Company" or "IDBG") is a company domiciled in the United States. The Company was incorporated in 2005 and is held by Property & Building Corporation Ltd. ("PBC") and IDB Development Corporation Ltd. ("IDBD"), for the purpose of investing in real estate projects in the USA. As to the change in the Company's shareholding, also see note 6(b) on credit facility granted by PBC.

These financial statements have been prepared in a condensed format as of June 30, 2021 and for the six and three months periods then ended ("interim financial statements"). These financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2020 and for the year then ended and the accompanying notes ("annual financial statements").

b. COVID-19

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus, or COVID-19, a global pandemic and recommended containment and mitigation measures worldwide.

On March 24, 2020, the Tivoli project was closed subject to the orders of the Governor of the State of Nevada. During the period in which the Tivoli project was closed, several restaurants operated on a limited basis allowing delivery and takeout. Vital services such as banks and clinics were permitted to operate. Center operations were reduced to a minimum allowing for essential businesses to operate. Operational efficiencies were realized (valet parking services, cleaning, landscaping, etc.). In accordance with the instructions of the authorities, the Tivoli project reopened on May 15, 2020, subject to constraints set by the authorities. On June 1, 2021 the authorities removed all restriction and in July 20, 2021 issued new guidance related to mask requirements.

During the closure period several tenants experienced difficulties and some announced the closure and subsequent liquidations of their businesses in the project. Also, a number of tenants announced that they would not be extending their lease agreements in the project and exercised their termination rights. On the other side, new leases were signed in this period increasing the occupancy up to 76% as of June 30, 2021. Approximately 94% of the billed lease payments, for the six months ended June 30, 2021, have so far been collected for the office tenants and for the retail and restaurant tenants. The Company will continue working to complete the collection for the period.

At this stage, the Company can't reasonably estimate the adverse impact of the COVID-19 pandemic will have on its operating results in 2021. As of the date of the financial statements the company estimates that, the project's projected cash flow, together with the plan noted above, will allow the Company's cash flow to remain positive this year.

NOTE 1:- GENERAL (continued)

c. On March 14, 2021, the board resolved to continue investing in the improvement of the Company's assets, and in parallel to take the necessary actions in order to prepare for the realization of the Company's assets, based among others on the prevalent market conditions.

The Israeli Institutional Loan and the Bank Loan (as both such terms are defined in note 5 below), are due to mature in January 2022. In August 2021 The Company signed amendment to the bank loan agreement extending its maturity to January 1, 2023 (See Note 5b). On August 17, 2021, the Company and PBC signed a modification to the Indemnification agreement, at which based on the terms of the signed amendment to the bank loan, PBC undertook to pay off the Institutional loan on time, if it will not be paid by the Company, subject to the terms on the agreement (See Note 5j).

To the extent that the Company will realize its assets in their entirety, it may remain without any significant business activity.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. The interim consolidated financial statements for the six and three month periods ended June 30, 2021 have been prepared in accordance with IAS 34, "Interim Financial Reporting". The significant accounting policies and methods of computation adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the annual financial statements.

b. Use of estimates and judgments

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

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

NOTE 3:- INVESTMENT PROPERTY

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

Approximately 670,000 square feet were developed and are comprised of approximately 337,000 square feet of office space, and approximately 333,000 square feet of retail and restaurant (the "center"). Occupancy rate as of the end of June 30, 2021 is 76%. The rest of the Project remains under planning for development with no construction date specified at this date.

NOTE 3:- INVESTMENT PROPERTY (continued)

Investment property is under level 3 fair value hierarchy.

The Company obtained an independent third party appraisal of its investment property in the fourth quarter of 2020. The valuation was performed mainly by discounting the future cash flows anticipated to be derived from the project. The discount rate used by the independent appraisers was 8% and was selected based on the type of property and its intended use, its location and the quality of the lessees. The capitalization rate used was 6.5%. The valuation concluded that the fair value of the property as of the end of the year 2020 to be $222.5 million, including $15.0 million in respect of a parcel of land adjacent to the project.

b. Movement:

	U.S. dollars in thousands
Balance as of January 1, 2021	222,500
Investments	429
Deferred rent	(244)
Balance as of June 30, 2021	222,685

NOTE 4:- LAND INVENTORY

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

The Company obtained an independent third-party appraisal of its vacant land in the fourth quarter of 2020. The valuation concluded that the fair value of the property as of December 31, 2020 to be $12 million.

NOTE 5:- LOANS FROM BANK AND FINANCIAL INSTITUTION

a. Loan from bank

In December 2018 GW obtained a loan ("Bank Loan") from the Bank of Nevada ("Bank of Nevada") in the principal amount of $70 million. The loan agreement between GW and the Bank of Nevada (the "Bank Loan Agreement") was signed in December 2018 for a period of three years ending on January 1, 2022, at fixed rate per annum of 5.75%, in parallel with the Israeli Institutional Loan and the Indemnification Agreement described below. The GW project is fully pledged in favour of the Bank of Nevada with a first lien. The Bank Loan Agreement includes a guarantee that was provided by IDBG, as indicated in the loan agreement.

NOTE 5:- LOANS FROM BANK AND FINANCIAL INSTITUTION (continued)

Upon closing of the Bank Loan, Bank of Nevada deposited an amount of $10 million into a reserve accounted maintained by GW at the Bank of Nevada, to be used for TI needs. The TI balance as of June 30, 2021 is in the amount of $2.4 million.

Under the Bank Loan Agreement, GW has undertaken to comply with a covenant of LTV (as defined) of no more than 40%, based on an appraisal acceptable to Bank of Nevada in its sole and absolute discretion. The calculated LTV as of June 30, 2021, based on the GW's appraisal, is 31%.

The Bank Loan Agreement includes a review mechanism in which GW undertook that throughout the loan period the DSCR (Debt Service Coverage Ratio) of the property will not be less than 1.3. The DSCR review will begin on December 31, 2020, according to the 12 months preceding the review date. If the ratio falls below 1.3, then subject to the Bank of Nevada's demands, GW will immediately demand to partially repay the balance of the Bank Loan, to a balance that will allow GW to meet the aforementioned criterion. As of June 30, 2021, based on the Company's calculation, the DSCR is 1.5.

If GW or IDBG shall be in material breach or material default with respect to any indebtedness towards any person in an amount greater than $100,000, and unless such material breach or material default was contested by GW or IDBG (as applicable) and the other person was prevented or stayed from obtaining a judgement in order to enforce its rights, Bank of Nevada will have the option to call for immediate repayment of the Bank Loan.

b. <u>Extension of the Loan from bank</u>

On August 2021 the Company signed the third amendment to the Bank Loan agreement with the following major changes:

a) The maturity date was extended from January 1, 2022, to January 1, 2023;
b) Interest rate was changed to 4.7% effective August 1, 2021. The outstanding loan in the balance of $69,252,745 was increased by $4,000,000. Such balance net of the closing cost was deposited at closing into a blocked account maintained by the lender and will be released upon full payoff of the Institutional loan to be used for to cover costs associated with tenant improvements and leasing commissions.
c) Prepayment penalty of 0.5% if the loan will be paid prior to May 1, 2022;

d) Extension option for additional period through January 1, 2024 subject to the terms in the loan agreement.

NOTE 5:- LOANS FROM BANK AND FINANCIAL INSTITUTION (continued)

c. Loan from Israeli Institutional Entity

IDBG obtained a loan (the "Israeli Institutional Loan") from an Israeli Institutional Entity ("the Israeli Lender"), as detailed below.

The Loan Agreement

1. The Israeli Institutional Loan balance of NIS 153 million ($44.5 million), matured (bullet) on January 6, 2021. The Israeli Institutional Loan include a $1.2 million interest reserve, and bears interest at 5.93% (the "Israeli Institutional Loan Interest") or at 7.93% as long as a default event occurs as indicated below, payable on a quarterly basis. The Israeli Institutional Loan proceeds will be used to finance the Tivoli Project and to finance any action and/or related purpose to the construction and leasing of the Project. See Note 5 C for the loan extension signed on January 6, 2021.

2. The collateral provided to the Israeli Lender is as follows (jointly, the "Collateral"): a single first degree lien on all the rights of IDBG in GW; a first mortgage on IDBG's 8 acres land in Las Vegas, USA, intended to be used for residential purposes; a single, floating first lien on all the assets, monies, property and rights of any sort that IDBG currently has and that it will have in the future; a lien on the rights of IDBG in its bank account; joint and several guarantees by PBC and IDBD on all the amounts payable under the Israeli Institutional Loan (the "Parent Guarantees"), accompanied by commitments by PBC and IDBD not transfer their holdings in IDBG to third parties in a manner not in accordance with the provisions of the Israeli Institutional Loan agreement. In case of default, the Israeli Institutional Lender is entitled to realize any of the items of the Collateral in the order it determines.

3. The Israeli Institutional Loan Agreement includes standard representations, events of default, causes for immediate repayment following such events of default, provisions for early repayment and standard indemnification sections in favor of the Israeli Institutional Lender. The causes for immediate repayment under the Israeli Institutional Loan Agreement include, inter alia, an event in which a third party, such as Bank of Nevada, announces the immediate repayment of debt or other liabilities of GW, in an amount exceeding $ 1 million.

4. IDBG's commitment to the Israeli Institutional Lender takes precedence over its undertakings of repayment of shareholder loans, made available to it by PBC and IDBD.

The Guarantors

1. Each of PBC and IDBD (the "Guarantors"), jointly and severally, provided the Israeli Institutional Lender a continuous guarantee to assure payment of all amounts to which the Israeli Institutional Lender is and/or will be entitled from IDBG in respect of the Israeli Institutional Loan, and which shall remain valid until payment of all the amounts under the Israeli Institutional Loan agreement, or until confirmation by the Israeli Institutional Lender of the cancellation of the Parent Guarantees.

NOTE 5:- LOANS FROM BANK AND FINANCIAL INSTITUTION (continued)

2. The Israeli Institutional Lender will be entitled to make a demand for realization of the Parent Guarantees in each of the following cases: (1) if the Company does not make full and exact payment of any of the payments under the Israeli Institutional Loan agreement when they become due; and/or (2) in the event that the immediate repayment of the Israeli Institutional Loan is declared under the terms of the Israeli Institutional Loan agreement.

Indemnification agreement

1. With respect to the Israeli Institutional Loan, PBC, IDBD and IDBG have originally entered into an indemnification agreement that provides that in the event that the Parent Guarantees will be realized in a ratio which does not conform to the ratio of the holdings of each of PBC and IDBD in IDBG (i.e. if the Israeli Institutional Lender will collect from one of the parties an amount that is greater than its proportional share in IDBG), the party that paid more than its proportional share in IDBG will be entitled to full indemnification from the other party with respect to the additional amount it bore (the "Excess Amount", and the "Indemnification Agreement", respectively).

2. In the event that one of PBC and IDBD will bear an Excess Amount, the other party will indemnify it for such Excess Amount within seven (7) days from the date of first demand by the first party, and for any damages or expenses that will be caused due to the payment of the Excess Amount. The Excess Amount will bear an annual interest at the interest rate of the Israeli Institutional Loan plus 3%, until its full payment.

3. The Excess Amount will have priority upon any other affiliate loans, dividends, and any other payment due to PBC and/or to IDBD from IDBG. The remaining balance of the Parent Guarantees which will have been realized, will bear the terms of the existing shareholders loans.

4. See note d.i and d.j below for amendments to the indemnification agreement signed in January 2021 and in August 2021.

d. Extension of the Loan from Israeli Institutional Entity

On January 6, 2021, the Company signed an amendment and a one-year extension to the Israeli Institutional Loan from the Israeli Lender with the following major changes:

a) The maturity date was extended from January 6, 2021 to January 6, 2022;

b) Loan fee of NIS 0.6 million;

c) The interest rate was reduced from 7.93% to 5%;

d) The Loan balance was increased from approximately NIS 153 million to NIS 162 million. The extended loan includes an interest reserve in the balance of approximately NIS 5.4 million to be used for the ongoing interest payment. The interest reserve balance as of June 30, 2021 is in the amount of NIS 3.5 million.

NOTE 5:- LOANS FROM BANK AND FINANCIAL INSTITUTION (continued)

d. Extension of the Loan from Israeli Institutional Entity (con't)

e) IDBG has undertaken to comply with a covenant of LTV (as defined in the Israeli Institutional Loan) of no more than 55%. Each increase of 5% above 55% will trigger an increase in the interest rate of 0.25%, up to 1% in aggregate. An increase of the LTV to a level above 75% will allow the Israeli Lender to call for an immediate payment of the Israeli Institutional Loan. The calculated LTV as of June 30, 2021 is 53.8%;

f) Each reduction of PBC's credit rating below A- (or in a similar rating at other rating company) will trigger an increase of 0.35% in the interest rate (and an increase in the credit rating will result in a corresponding decrease in the interest rate). In no event will the total interest rate increase above 7.0% (other than in case of default, a default interest rate or additional associated costs);

g) A reduction in PBC's equity below NIS 900 million or a decrease in PBC's credit rating below BBB, will allow the lender to call for an immediate payment of the Israeli Institutional Loan;

h) Guaranty – the previous guarantee that was provided, jointly and severally, by PBC and IDBD was replaced by a similar independent guarantee that was provided only by PBC;

i) Indemnification agreement – the pervious mutual indemnification agreement between the Company, IDBD and IDBG was replaced by a new indemnification agreement between the Company and PBC, pursuant to which whenever the guarantee will be exercised and the amount of the loan, in whole or in part, will be repaid by PBC, then PBC will be deemed to have executed the Israeli Institutional Loan directly vis-à-vis IDBG, and PBC will be able to benefit from all the provisions applicable to the Israeli Lender as though PBC had extended that part of the Israeli Institutional Loan. However, the realization of assets of PBC will only be done in accordance with the joint decision of its shareholders in accordance with the existing shareholder agreement, and PBC will have priority in receiving funds from IDBG. For the avoidance of doubt, all PBC's rights will in any case be subordinated to the rights of the Bank of Nevada, if applicable, under the Bank Loan Agreement detailed in section A above.

j) On August 17, 2021, the parties signed a modification to the Indemnification agreement, noting that if as a condition to the refinancing or the extension of the current Bank Loan, the lender will require the payoff on the existing Israeli institution loan, PBC will pay it off (excluding the interest payments and any early payoff penalty). Such payoff will be considered as part of the PBC guarantee on the Israeli institution loan. It was agreed that the following terms will be added to the current agreement: i. the interest rate for the first 12 month will be similar to the existing interest rate of the Institutional loan; ii. after the end of the period of 12 month, if the loan will not be fully paid off by IDBG, the interest rate will change to the interest rate used in the market for similar loan. The agreement included a mechanism to determine the interest rate in a case that it will not be agreed by the parties.

NOTE 6:- LOANS FROM SHAREHOLDERS

a. Loans from shareholders:

PBC and IDBD provided loans (“shareholders’ loans”) to the Company for the purpose of financing projects.

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

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

Subsequently, the Company has decided to designate the said shareholders’ loans as liabilities measured at fair value through profit or loss in order to eliminate a measurement inconsistency (‘an accounting mismatch’) between the loans and the investment property to which it is related and which is measured at fair value.

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

On March 5, 2021, the parties signed a modification to the shareholder’s’ loan, noting that i. the parties acknowledge that the only sources of revenues available for Borrower to repay the loan are derived from the current properties owned by the Company (“the Recourse Assets”), and it is a non-recourse loan, such that Shareholders shall not have recourse with respect to the Loan or any outstanding amount under this shareholders’ loan agreement to any other asset of the Company other than the Recourse Assets; ii. if the Company shall (directly or indirectly) sell the Recourse Assets, in whole or in part (the proceeds from such sale, the “**Recourse Assets Proceeds**”), then the Loan and any accrued and unpaid interest, up to the aggregate amount of the Recourse Assets Proceeds, will be subject to immediate repayment at the option of the shareholders’, provided that such immediate repayment will not undermine the Company’s ability to pay outstanding taxes, wages to employees and payments in connection with property leased by the Company for the purposes of its ongoing operations.

b. Credit Facility Granted by PBC:

On September 20, 2015, after having received the approval of the audit committee and the Board of Directors of PBC, the shareholders of PBC approved entering into an agreement for providing a loan of up to $ 50 million ("the credit facility"), (of which $ 25 million is in respect of IDBD's share), between PBC (the lender), the Company (the borrower), IDBD and Meniv Investments Ltd. ("Meniv"), a wholly-owned subsidiary of IDBD. This agreement represents a transaction with a controlling shareholder of PBC.

NOTE 6:- LOANS FROM SHAREHOLDERS (continued)

The agreement included the following principal provisions:

1. The credit facility - the credit facility will serve as the basis for providing a loan in the amount of up to $ 50 million, which credit facility can be used by the Company from time to time over a period of 27 months from the date all the approvals referred to above have been obtained (September 20, 2015) ("utilization period"). The amounts withdrawn on account of the credit facility (the "utilized amounts") are to be repaid at the end of the utilization period. The term of the credit facility was extended for a period of 12 months from the end of the utilization period, until December 2018 and in November 2018, IDBD exercised its last option to extend the repayment period by an additional 9 months until September 2019.

2. Interest and non-utilization fee - amounts that will be provided in cash until the date on which an actual loan is received from an external lender will bear annual interest of Libor + 8% for amounts up to $ 20 million and Libor + 10% for amounts above $ 20 million. Amounts provided in cash from the date on which a loan is received from an external lender will bear interest at the rate of interest on the loan from the external lender plus 2%, for amounts up to $ 20 million (provided that the Company's rights in QT are pledged in favor of PBC), and plus 3% for amounts above $ 20 million (or in the event that the Company's rights in QT are not pledged in favor of PBC). The effective annual interest rate on the total facility amount funded was 10% as of December 31, 2019.

   The amounts that will be provided as a guarantee (not backed by a cash deposit) will bear an annual fee of 3%. In addition to the interest on the loan, the Company will pay PBC a non-utilization fee at an annual rate of 0.5% of the portion of the credit facility that is not utilized.

3. Conversion mechanism - at the end of the loan period, or before the end of the loan period upon the occurrence of a breach event ("the loan termination date"), to the extent that it is determined that there is an outstanding priority amount that has not been repaid to PBC, the parties will implement the conversion mechanism prescribed in the agreement so that the entire outstanding loan will be converted into shares of the Company that will be issued by the Company to PBC and to Meniv and their transferees (pro rata to their share of the debt). The value of the Company and the conversion ratio will be determined by an external appraiser based on the terms of the agreement.

4. Collateral - to secure the repayment of the loan and the fulfillment of the Company's obligations pursuant to the agreement, to the extent possible, the bank accounts of the Company will be pledged in favor of the Company. Moreover, IDBD and Meniv committed that until the full repayment of the priority amount they will not record any charges or provide any collateral in respect of their rights in the Company.

NOTE 6:- LOANS FROM SHAREHOLDERS (continued)

5. Upside Mechanism - in addition to all payments under the agreement, PBC is entitled to receive from the Company a payment of 15% from the gain realized solely from the sale of the aforementioned Tivoli Project. The gain from sale of the Tivoli Project is the excess of the consideration received from the sale, net of commissions and transaction costs, over the carrying amount of the Project as of June 30, 2015 (which is defined in the agreement at US $277 million) plus investments by GW in the Project from July 1, 2015. The Company will record a provision for this upside in conjunction with the recording of the increase in the value of the Project.

6. PBC'S Right to casting vote in the Company's board of director's – the agreement includes a mechanism which allows PBC, under certain conditions, to have a casting vote in the Company's board of director's on decisions regarding refinance of the Tivoli Project and regarding the sale of assets of the Company and GW.

On September 20, 2019, the mechanism prescribed in the agreement was implemented, and as such, on February 17, 2020, the Company issued PBC with additional 93.65 shares. Accordingly, PBC’s share in the Company’s equity, and IDBD share in the Company’s equity, after the transaction, increased to 74.18% and 25.82%, respectively.

In addition, according to this mechanism, the terms of the outstanding credit facility (including the accrued interest) was changed to the terms of the shareholders’ loans and PBC's and IDBD's share in the shareholders' loans was changed based on their share in the Company's equity after the abovementioned issuance of shares. During the period through the execution of the transaction (February 17, 2020), the credit facility continued to accumulate interest in accordance with the provisions of the credit facility.

On February 17, 2020, due to the change with the terms of the credit facility, the Company designated this loan as a liability measured at fair value through profit or loss.

c. During the twelve-month period ended December 31, 2020 the controlling shareholders provided the Company with additional balance of approximately $2.0 million (by PBC) and credited approximately $0.7 million (by IDBD) from their outstanding balance. The credit was recorded as a capital reserve from transactions with controlling shareholders.

Note 7:- SUBSEQUENT EVENTS

See Notes 5b and 5.d.j.

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