

DISCOUNT INVESTMENT CORPORATION. LTD

Number with the Registrar 520023896

To: The Securities Authority
www.isa.gov.il

To: The Tel-Aviv Stock Exchange Ltd.
www.tase.co.il

T082 (Public)

Broadcast on Magna: 20/01/2019

Reference: 2019-01-009246

A supplementary report to the report filed on **January 20, 2019**, whose Reference Number is: **2019-01-007491**

The main points of the information added/supplemented:

Following the provision of Section 4 of the form – pursuant to a pre-ruling which the company received from the tax authorities on January 23, 2019, the following provisions, *inter alia*, will apply regarding the tax withholding at source out of the dividend in-kind:

- 1. The tax withholding at source will be on the date of the actual distribution of the bonds.**
- 2. The value of the dividend in-kind distributed to the shareholders will be determined according to the product of the quantity of the bonds and the average closing rate of the three last trading days of the bonds, which preceded the day of the actual distribution (the "Dividend In-Kind Value").**
- 3. Shares held by the nominee company – the tax withholding at source out of the dividend in-kind distributed to the shareholders holding their shares through banking corporations and/or exchange members will be according to the provision of the Income Tax (Deduction from Interest, from a Dividend and from Certain Profits) Regulations, 5766-2005 (the "Dividend Deduction Regulations"), including Sections 2(A1) and 2(C1) of such Regulations; all subject to the provisions of the Income Tax Ordinance (New Version), 5721-1961 (the "Ordinance"), and the provisions of this certificate.**
- 4. Shares which are not held by the nominee company – the tax withholding at source out of the value of the dividend distributed to the shareholders which are not held by the nominee company will be made by the company pursuant to the provision of the Dividend Deduction Regulations and subject to the provisions of the Ordinance.**
- 5. The tax deduction from the dividend in-kind may be carried out by means of the cash dividend amounts (after deduction of the tax from said dividend) and may be carried out from other sources of the shareholders.**
- 6. In selling the bonds in the future by the shareholders, the value of the dividend in-kind, as determined in the above Section 2, will be treated as the original price of such bonds. Furthermore, the day of the purchase in this regard will be the date of the actual distribution.**

In accordance with the above, the company will withhold tax at source for the dividend paid by it, both the dividend in-kind which is the subject of this immediate report and the cash dividend to be paid by the company (as set forth in the immediate report published on January 20, 2019, Reference No. 2019-01-007485), this being out of the cash portion of the dividend as stated above.

IMMEDIATE REPORT ON THE DISTRIBUTION OF A DIVIDEND IN KIND

Regulation 37(A) of the Securities Regulations (Periodic and Immediate Reports), 5730 – 1970

- We hereby report that on 17/01/2019, it was decided to pay a dividend on the Company's securities.
-

1	Type of entitled security:	<u>Discount Investment Regular shares</u>	Entitled security number on the stock exchange	<u>639013</u>
	Type of recipient security	<u>IDB Development Bonds 9</u>	Recipient security number on the stock exchange	<u>7980154</u>
	Quantity of securities received in respect of each entitled security	<u>0,000.5</u>		
	Other details:			
	<u>It should be mentioned that the exact quantity of securities that are divided in respect of each entitled security is NIS 0.585 par value of bonds (Series 9) of IDB Development Corporation Ltd. ("The bonds")</u>			

3. The determining date (The ex day): **24/01/2019**
Ex day: **24/01/2019**
Payment date: **03/02/2019**

4. The rate of the tax that is deductible and the deduction process

The Company is taking action to receive a pre-ruling from the tax authorities in connection with the deduction of tax at source in respect of the amount of the distribution of the bonds. Upon the receipt of such pre-ruling, the Company will publish an appropriate report.

The balance of the Corporation's income as defined in Section 302 of the Companies Law 1999, after the distribution that is the subject of this report is:

NIS 670,000,000.

5. Processes and activity for the approval of the distribution

The Board of Directors decision of 17.1.2019 on the distribution of dividend in kind in an amount of NIS 0.585 par value of bonds for each entitled security, reflecting an amount of approximately NIS 60 million, as of the time of the said decision. The overall amount of such dividend, as aforesaid, may change because of changes, insofar as they may apply, in the value of the bonds and/or because of self-purchases, insofar as they may be executed by the Company for its shares, pursuant to the self purchase plan for shares dated 13.12.201 (see the immediate report of 16.12.2018, reference No. 2018-01-122265) and/or because of the exercise of options into shares of the Company (Discount Investments OP 6/16), for details regarding the options for employees, as aforesaid, see the immediate report on the state of the capital, the granting of rights for the purchase of shares and the Corporations' securities records, and the changes therein dated December 31, 2018 (reference No. 2018-01-129957).

The Company's Board of Directors has confirmed that the distribution complies with profits and the repayment capacity tests that are set in Section 302 of the Companies Law, 5759 – 1999.

6. If there are securities convertible into equity, please note the impact of the distribution on those securities

The exercise price of each option that has not yet been exercised will be reduced by the amount of the gross dividend per share.

For details regarding the Board of Directors' decision on an additional distribution of dividend in cash, see an additional report that is being published in tandem with this immediate report. The balance of the Company's profits, as stated in Section 3 above is stated after the distribution of the dividend in cash, the distribution of the dividend in kind and less the Company's purchases of its shares in the period from 30.9.2018 and until the time of this immediate report.

Signed at the time of the report by Gil Kotler, the Company's Chief Financial Officer.

Reference numbers of previous documents on the subject (There is no mention constituting an inclusion by way of the referral):

The Corporation's securities are listed for trading on the Tel-Aviv Stock Exchange

Date of the updating of the structure of the form: 31/12/2018

Abbreviated name: Discount Investments

Address: The Triangular Tower, 3 Azrieli Center, Tel-Aviv 67023 Telephone: 03-6075888. 03-6075881 Fax: 03-6075889

E-mail: Investor.Relations@dic.co.il

Name of the electronic reporter: Larisa Cohen, Position: Company secretary Employing company name:

Address: 44th Floor, The Triangular Tower, 3 Azrieli Center, Tel-Aviv 6702301 Telephone: 03-6075666. Fax: 03-7604350

E-mail: larisa.cohen@idb.co.il