2020 INTERIM FINANCIAL STATEMENTS

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JUNE 30, 2020

DIC | DISCOUNT INVESTMENT CORPORATION

Discount Investment Corporation Ltd

Financial Statements

June 30, 2020
(Unaudited)

* The English version of this information as at June 30, 2020 is a translation of the Hebrew version of the financial statements of IDB Development Corporation Ltd., and is presented solely for convenience purposes. Please note that the Hebrew version constitutes the binding version.

TRANSLATION FROM HEBREW – IN THE EVENT OF ANY DISCREPANCY THE HEBREW SHALL PREVAIL

DIC

Discount Investment Corporation Ltd

Interim Financial Statements June 30, 2020

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 2020

The Board of Directors of Discount Investment Corporation Ltd. ("DIC" or the "Company") hereby respectfully submits the Board of Directors' Report as at June 30, 2020, which reviews the Company's principal operations in the second quarter of 2020 (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 (including the Board of Directors' Report) for the year ended December 31, 2019 (the "Periodic Report"), and of the financial statements for 2019, as included in the Periodic Report (the "Annual Financial Statements").

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. As at the publication date of the report, approximately 82.3% of the Company's issued share capital is held by Dolphin IL Investments Ltd., a company incorporated in Israel which is wholly owned by Dolphin Netherlands B.V. ("Dolphin Netherlands"), and approximately 1.5% of the Company's issued share capital are held by Tyrus S.A., a company incorporated in Uruguay which is wholly owned by IRSA Inversiones Y Representaciones Sociedad Anonima ("IRSA"), a foreign corporation. Dolphin Netherlands and IRSA are companies indirectly controlled by Mr. Eduardo Elsztain (through corporations under his control), who directly holds, as of the publication date of the report, approximately 0.3% of the Company's issued share capital.

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.

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 direct and indirect investments are partly investments in companies with significant cash flows, which are characterized by routine dividend distributions (see also section 1.6.4 below regarding the balances of distributable profits in investee companies directly held by the Company, and restrictions also arising therefrom), and partly investments in companies with growth and optimization potential. The Company's cash flows also have been affected, and may continue being affected, by the raising and restructuring of debt.

[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 (Cont.)

1.1 General (Cont.)

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 applied to the statement of income, or those which are applied 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, and the Company's investee companies are also exposed to fluctuations in the prices of raw materials and in the demand for their products, 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 at June 30, 2020, 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.

- 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 volatility of securities prices, and may result in an economic downturn, financial crisis and reduced ability to raise financing sources. A global economic downturn could also have a significantly adverse impact on the income and operating results of the Group's member companies.

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

1.1 General (Cont.)

- **Disclosure regarding the coronavirus crisis** - The outbreak of the novel coronavirus (COVID-19, the "Coronavirus") began in China in the first quarter of 2020, and has since spread around the world, causing concern and uncertainty. At the end of the second quarter of 2020, Israel experienced another outbreak (second wave) which may trigger the imposition of further and/or new restrictions. In the immediate term, stock and debenture markets were falling sharply, and there is concern of a decline in global economic activity. The outbreak may also affect consumption habits and volumes in various market sectors, and damage them severely (such as the telecommunication, commerce and services, and real estate sectors, in which the Company is engaged through its investee companies), which could affect, inter alia, Cellcom's roaming services, the provision of services to customers, service installations, operation and maintenance, as well as the supply, sale and pricing of products. Additionally, as part of the global effort to deal with the coronavirus pandemic, and the attempts to minimize its spread, countries around the world (with the recommendation of medical and public health entities) are adopting a policy of isolating people and even certain population groups which meet certain definitions (which are changing dynamically). Additionally, cross-border movement was restricted, air traffic was significantly reduced, and marine transport was also minimized. These factors could also have a significant impact on the availability of workforce and equipment in the fields of activity of the Group's member companies, could lead to deficient supply of raw materials and construction materials, and could result in delays in timetables for the performance of activities. The foregoing implications may also have negative effects on the liquidity of the Company and its investee companies, as well as their business position, credit rating, their ability to distribute dividends, and their ability to raise financing for their activity, insofar as any may be required, as well as the terms of such financing.

  In accordance with the trust deed for the debentures (Series J), the Company is subject to financial covenants pertaining to the rating of the Company's debentures, its net asset value, and its leverage ratio. These covenants constitute grounds for adjusting the interest rate only. Following the reduction of rating of the Company's debentures on April 7, 2020, and the non-fulfillment of the financial covenants as at March 31, 2020, the interest rate applicable to the debentures (Series J) was increased, beginning on April 7, 2020, from 4.80% to 5.05%, and beginning on June 30, 2020, from 5.05% to 5.80%, respectively. On June 30, 2020, the Company fulfilled one of the financial covenants from which it had deviated on March 31, 2020, and as a result, as from the date of publication of the financial statements for the second quarter of 2020, the interest rate on the debentures (Series J) will decrease from 5.80% to 5.30%. For additional details, see section 1.6.3.3 below.

  Due to the declines which were recorded in stock markets, the Group recorded, in the first half of 2020, loss with respect to net change in the fair value of financial assets, net of tax, in the amount of NIS 107 million. DIC's share in the loss amounted to NIS 78 million. In the second quarter of 2020, the Group recorded profit with respect to net change in the fair value of financial assets, net of tax, in the amount of NIS 36 million. DIC's share in the profit amounted to NIS 30 million.

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

  Cellcom - Cellcom's results in the first half of 2020 reflect the negative effects of the coronavirus pandemic on its roaming services and on sales of end user equipment to customers, as well as its investment portfolio. Cellcom expects that its roaming services will continue being adversely affected by the coronavirus pandemic in 2020.

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.)

Property & Building - Property & Building's results in the first half of 2020 reflect the negative results of the coronavirus pandemic, mostly with respect to Property & Building's foreign activities, which mostly includes the HSBC Tower and the Tivoli project in Las Vegas (as specified below), and on its investment portfolio (as specified in section 1.10.2 below).

- HSBC Tower - The HSBC Tower was closed on March 15, 2020, in accordance with directives issued by New York State and New York City. Access to the tower and to its services was permitted to tenants defined as "essential" in accordance with the city's bylaws and regulations. During this period, the tower's occupancy rate remained at 98%. All office tenants are paying their liabilities in full in accordance with the lease agreements. As of the present date, the collection rate at the tower during the months April - June 2020 amounted to approximately 98% of total rent charged. New York City is currently in stage 4 of the deconfinement plan. The tower remains active and open for "essential" businesses and for tenants who choose to work from the offices, subject to restricted occupancy guidelines of up to 50%.
- Tivoli project in Las Vegas - On March 24, 2020, the most of the center in the Tivoli project was closed in accordance with the authorities' instructions. During the period of the center's closure, several restaurants operated in a limited framework, as well as essential services, such as banks and clinics. The center's management activity was reduced to the minimum required for the businesses which were operating in the center during that period, which led to savings of 36% in the center's current operating expenses during the relevant period.

  In accordance with the authorities' directives on May 9, 2020, and following a process of adjustment and re-organization, the center re-opened on May 15, 2020, subject to restrictions which were announced by the authorities.

  The occupancy rate in the project before the coronavirus crisis began was approximately 73%. During the closure period, several lessees encountered difficulties, and some announced the discontinuation of their activity in the project. Several lessees also announced that they would not extend their lease agreements in the project, which are about to expire. However, several new contracts were signed during this period. Management is continuing to conduct negotiations regarding the rental of additional areas in the project.

  It is noted that the project's lending bank has been cooperating with management during the aforementioned period, and approved for IDBG to finance the interest payments in the months May - July 2020, out of the existing reserve in the project account, and not out of current cash flows, as required in the loan agreement. The loan agreement regarding the loan received from Bank Nevada includes an assessment mechanism whereby the borrower has undertaken that over the loan period the Debt Service Coverage Ratio (DSCR) will not be lower than 1.3. The assessment of the DSCR shall start on December31 2020 based on the 12-month period preceding the assessment date. If the ratio will be lower than 1.3, then the borrower shall be required – upon demand of the lender – to immediately repay a portion of the loan balance, such that the outstanding balance will enable the borrower to meet the aforesaid financial covenant. As of June 30 2020, the DSCR was app. 2.1.

  At this stage, it is not possible to estimate the full effect of the coronavirus pandemic on the project's results in 2020; however, at this stage, Property & Building estimates that the damage will be limited to a few millions of USD, where despite the expected decline in NOI, the project's current cash flows, along with increased efficiency measures which have been implemented, will allow the project to maintain a positive cash balance.

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

1.1 General (Cont.)

- Gav Yam - As at the publication date of Gav Yam's report for the second quarter of 2020, the management of Gav Yam estimated that, in the long term, in light of its financial strength, as reflected, inter alia, in its high balances of available cash and cash equivalents, its low leverage ratio, the average lifetime of its debt and the comfortable distribution thereof, the fact that all of Gav Yam's properties are unpledged, and in light of the broad geographical and sectoral distribution of Gav Yam's properties, as well as their status, locations and occupancy rates, and the fact that the vast majority of properties are used for IT, office, logistics and industrial purposes (and not for commerce or retail), with an emphasis on the quality of lessees, and the distribution of revenues from them, all reduce the exposure of Gav Yam's businesses to the crisis and/or to significant instability, and it has tools at its disposal in order to appropriately deal with the economic crisis described above.
- Residential construction segment in Israel - According to the assessment of Property & Building, at this stage there are no indications of a decline in the fair value of Property & Building's inventory of apartments, inter alia, in light of the average sale prices in the period after the coronavirus outbreak, and in light of the fact that payments from apartment buyers are continuing to be received in an orderly fashion. In addition, Property & Building promotes and meets conditions in several projects for the purpose of obtaining building permits; however, since the COVID-19 outbreak there are difficulties in procedures with the authorities which cause delays in issuance of the permits required for construction of the projects.

Property & Building believes that its financial strength and the status of its properties, cash balances, and the current cash flows which it is generating, will allow it to continue financing its activities and service its liabilities.

Shufersal - Shufersal's results in the first half and second quarter of 2020 reflected the effects of the coronavirus crisis, due to the restrictions which were imposed on movement, the lockdown and closure of food businesses, which led to an increase in the demand for food products and toiletries, a trend which affected the entire retail food segment in Israel, including Shufersal. Revenues in the retail segment in the second quarter of 2020 amounted to NIS 3,485 million, as compared with NIS 3,241 million in the corresponding period last year, while according to Shufersal's assessment, a total of approximately NIS 260 to 290 million of the increase in revenue, as stated above, was attributable to excess revenue due to the coronavirus crisis. In the first half of 2020, revenues in the retail segment amounted to approximately NIS 7,005 million, as compared with approximately NIS 6,215 million in the corresponding period last year, while according to Shufersal's assessment, a total of approximately NIS 590 to 630 million out of the aforementioned revenues are attributable to excess revenues due to the coronavirus crisis.

During the second quarter of 2020, approximately 1,700 Shufersal employees were forced to self-isolate, due to instructions issued by the Ministry of Health, for various periods of time, which increased Shufersal's expenses by immaterial amounts. In light of the foregoing, and in accordance with the increased demand for food due to the coronavirus crisis, Shufersal recruits temporary workers from time to time. The impact of the foregoing and other circumstances (such as night work, increased shifts patterns in order to meet demand), led to an approximately NIS 46 million increase in payroll and workforce expenses during the second quarter of 2020, and an approximately NIS 74 million increase in the first half of 2020.

It should be 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

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

1.1 General (Cont.)

Significant events during the first half of 2020 and after the date of the statement of financial position:

in the outbreak of the virus, and in the instructions issued by the relevant authorities in Israel and around the world.

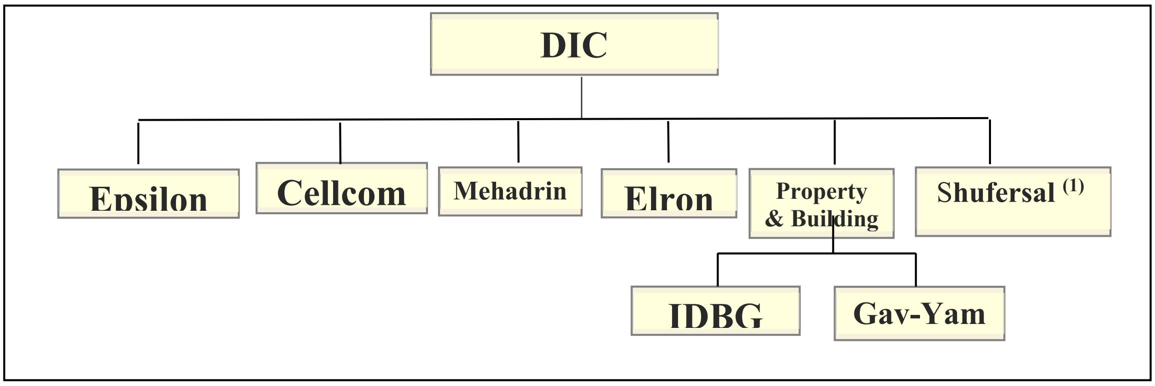
- The Group's operations are affected by many other external factors (see sections 7 and 20 in Part A of the Periodic Report).
- The financial statements for the second quarter of 2020 of IDB Development Corporation Ltd. ("IDB Development") (which were approved on the approval date of the Company's financial statements), and the review report of its independent auditors, included a reference and drawing of attention to the existence of significant doubts regarding the ability of IDB Development to continue operating as a going concern.
  For details regarding the possible effects of IDB Development's situation on the Company and its investee companies, see section 3.2 in Part A of the Periodic Report.
- In the first quarter of 2020, DIC acquired approximately 8.8% of Mehadrin's issued share capital, for a total cost of NIS 39 million, such that its holding rate in Mehadrin increased to approximately 40.2%. The aforementioned acquisitions of Mehadrin shares resulted in DIC gaining control of Mehadrin. For additional details, see Note 3.A.3.A. to the financial statements.
  In the second quarter of 2020, DIC purchased approximately 3.5% of the issued share capital of Mehadrin, at a total cost of NIS 14 million, such that its holding rate in Mehadrin increased to approximately 43.7%. For additional details, see Note 3.A.3.G. to the financial statements.
- In the second quarter of 2020, DIC acquired approximately 3.6% of Property & Building's issued share capital, for a total cost of NIS 51 million. For additional details, see Note 3.A.1.A. to the financial statements.
  In July 2020, after the date of the statement of financial position, DIC acquired approximately 1.4% of Property & Building's issued share capital, for a total cost of NIS 18 million. For additional details, see Note 9.A to the financial statements.
- In May 2020, Property & Building sold approximately 5% of Gav Yam's issued share capital, in a manner whereby its stake in Gav Yam decreased from approximately 34.9% to approximately 29.9%. The gross consideration from the aforementioned sale amounted to a total of NIS 191 million. For additional details, see Note 3.A.1.B. to the financial statements.
- In June 2020, DIC exercised 3.8 million Cellcom options (Series 3), at a total cost of NIS 33 million. Due to the above, and due to the exercise of additional option instruments of Cellcom by parties other than DIC, DIC's stake in Cellcom's issued share capital increased to approximately 46.2%. For additional details, see Note 3.A.2.A. to the financial statements.
- On July 26, 2020, after the date of the statement of financial position, DIC sold its entire stake in Shufersal (26% of Shufersal's issued share capital), for a total net consideration of NIS 1,450 million. For additional details, see Note 9.C. to the financial statements.
- On August 20 2020, the Board of Directors of DIC approved a buyback plan for the purchase of Series F and Series J DIC debentures through December 31 2021 at a total cost of up to NIS 300 million. The purchase of the debentures as aforesaid shall be carried out in accordance with market opportunities, on dates, prices and scope to be determined by DIC's management.

As at June 30, 2020, the main consolidated companies directly held by the Company include Property & Building (72.4%), Cellcom (46.2% in capital, 48.4% in voting rights), Elron (61.1%) and Mehadrin (43.7%). As of the said date, Shufersal is a primary associate company (26.0%).

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

1.1 General (Cont.)

Presented below is a diagram specifying the primary companies, for the purpose of this report, which are held by the Company as at June 30, 2020[3]



(1) For details regarding DIC's sale of its entire stake in Shufersal, of approximately 26%, on July 26, 2020, after the date of the statement of financial position, see Note 9.C. to the financial statements.

1.2 Results in the first half and second quarter of 2020

The Company concluded the first half of 2020 with loss of NIS 302 million, as compared with loss of NIS 633 million in the corresponding period last year. Loss in the second quarter of 2020 amounted to NIS 104 million, as compared with loss of NIS 602 million in the corresponding period last year, and net profit of NIS 14 million in 2019.
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	Data on the level of the Company					Data on the level of the investee company [5]				
		Profit (loss) For the six months		Profit (loss) For the three months		Profit (loss) for	Profit (loss) For the six months		Profit (loss) For the three months		Profit (loss) for
		ended June 30					ended June 30				
	As at June 30, 2020	2020	2019	2020	2019	2019	2020	2019	2020	2019	2019
		NIS millions									
Cellcom	46.2%	(41)	(539) [6]	(21)	(532)[6]	(564)[6]	(89)	(51)	(46)	(35)	(107)
Property & Building	72.4%	(149)	48	(50)	11	666 [7]	(216)	70	(72)	17	1,048
Shufersal [8]	26.0%	37	18	17	9	56	170	96	80	48	269
Elron[9]	61.1%	(26)	(24)	(8)	(13)	(48)	(42)	(40)	(13)	(22)	(79)
Mehadrin	43.7%	13 [10]	-	(8)	-	72 [11]	7	(4)	(20)	(72)	14
Others		(5)	(10)	(2)	7	(7)					
Total		(171)	(507)	(72)	(518)	175					
Administrative and financing, net (see section 1.4 below)		(131)	(126)	(32)	(84)	(161)					
Net profit (loss)		(302)	(633)	(104)	(602)	14					

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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 Includes amortization for impairment of the goodwill attributed to Cellcom in the amount of NIS 517 million.

7 Includes profit from the loss of control of Gav-Yam in the amount of NIS 557 million.

8 For details regarding DIC's sale of its entire stake in Shufersal, of approximately 26%, on July 26, 2020, after the date of the statement of financial position, see Note 9.C. to the financial statements.

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 The contribution to profit in the first half of 2020 includes net profit in the amount of NIS 12 million due to the rise to control of Mehadrin, and bargain profit with respect to the allocation of negative value to goodwill, as part of a paper regarding the allocation of the balance of the investment in Mehadrin, which was consolidated on March 9, 2020.

11 The contribution to profit in 2019 includes net profit in the amount of NIS 72 million due to the rise to control of Mehadrin, and a bargain purchase. Until the date of the distribution of Mehadrin shares as a payment in kind dividend in December 2019 by Property & Building, Mehadrin's contribution to profit was included under Property & Building's contribution.

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

1.4 Administrative and financing expenses, net

	Six months Year		Second quarter Year		
	2020	2019	2020	2019	
	NIS millions				Explanation of change
Management expenses, net	(15)	(18)	(7)	(9)	The decrease in management expenses, net, in the second quarter of 2020, as compared with the corresponding quarter last year, was mainly due to consulting and legal expenses totaling app. NIS 1 million. The decrease in net management expenses in the first half of 2020, as compared with the corresponding period last year, was primarily due to the decrease in payroll costs in the amount of approximatley NIS 1 million, and the decrease in consulting and legal expenses totaling app. NIS 1 million.
Financing expenses, net	(116)	(108)	(25)	(75)	The decrease in the second quarter of 2020, as compared with the corresponding quarter last year, was mainly due to: 1. In the second quarter of 2020, the Company recorded net profit in the amount of NIS 21 million with respect to revaluation and interest from the Company's marketable securities and liquid investments, as compared with profit of NIS 4 million in the corresponding period last year; 2. A decrease in net financing expenses, in the amount of NIS 33 million, with respect to linkage differentials on DIC's liabilities which are linked to the known CPI, mostly due to the CPI's decrease by 0.2% in the second quarter of 2020, as compared with the CPI's increase by 1.5% in the corresponding period last year. 3. A decrease in net interest expenses in the amount of NIS 6 million, primarily due to the decrease in the Company's debt; 4. The decrease in financing expenses, net, in the amount of NIS 3 million, with respect to foreign currency differences on the balance of assets linked to the USD exchange rate, despite of a sharper decrease in the USD exchange rate in the second quarter of 2020, at a rate of 2.8%, as compared with the decrease of 1.8% in the corresponding period last year, due to the decrease of the Company's dollar-linked cash balances in the second quarter of 2020, relative to the corresponding period last year; 5. Profit which was recorded in the second quarter of 2019, in the amount of NIS 9 million, with respect to the early redemption of the Company's debentures. The increase in the first half of 2020, as compared with the first half of last year, was mostly due to: 1. In the first half of 2020, the Company recorded net loss in the amount of NIS 34 million with respect to revaluation and interest from the Company's marketable securities and liquid investments, due to the sharp market declines as a result of the coronavirus pandemic, as specified in section 1.1 above. as compared with profit of NIS 17 million in the corresponding period last year. 2. Profit which was recorded in the first half of 2019, in the amount of NIS 26 million, from early redemption of the Company's debentures; 3. A decrease in net financing expenses, in the amount of NIS 36 million, with respect to linkage differentials on DIC's liabilities which are linked to the known CPI, mostly due to the CPI's lower decrease by 0.7% in the first half of 2020, as compared with the CPI's increase by 1.2% in the corresponding period last year; 4. The decrease in financing expenses, net, in the amount of NIS 23 million, with respect to foreign currency differences on the balance of assets linked to the USD exchange rate, due to the decrease of 0.3% in the USD exchange rate in the first half of 2020, as compared with the decrease of 4.9% in the corresponding period last year. The effect of the change in the USD exchange rate was partially offset by the decline in USD cash balances in the first half of 2020, relative to the corresponding period last year. 5. A decrease in net interest expenses in the amount of NIS 12 million, primarily due to the decrease in the Company's debt.
Total	**(131)**	**(126)**	**(32)**	**(84)**	

For details about the revision of the terms of the Company's agreement with IDB Development for the distribution of uses and offices expenses and the cost distribution agreement (services agreement), in effect as from July 1 2020 through June 30 2023, see Note 4.C to the financial statements.

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

Presented below is a table specifying the relative weight of the Company's primary holdings, in consideration of the rates of holding therein, which are calculated according to the "holding value" as at August 18, 2020:[12]

Mix of holdings according to primary holdings:

Investee company		% of total holdings
1	Property & Building (real estate)	41%
2	Cellcom (telecommunication)	37%
3	Elron (technology)	8%
4	Mehadrin (agriculture)	8%
All other holdings		6%
Total		**100%**

1.6 Select data from the financial statements and financing characteristics

1.6.1 Summary balance sheet data

	Company		Consolidated	
	As at June 30			
	2020	2019	2020	2019
	NIS millions			
Current assets	642	1,616	7,865	7,765
Total assets	5,263	5,687	20,145	27,911
Current liabilities	332	344	3,632	3,296
Total liabilities	3,711	4,455	16,359	22,902
Capital attributed to owners of the Company [13]	1,552	1,232	1,552	1,232
Total capital (including non-controlling interests)			3,786	5,009

1.6.2 Liabilities and financing

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

	As at August 18	As at June 30		As at December 31
	2020	2020	2019	2019
	NIS millions			
Financial liabilities[14]	(3,700)	(3,672)	(4,426)	(3,643)
Liquid asset balances[15]	2,083	638	1,767	767
Debt, net	(1,617)	(3,034)	(2,659)	(2,876)
Average lifetime of liabilities	2.9	3.0	3.7	3.6

[12] The value of holdings (which does not include the liquid cash balance or the Company's liabilities) was calculated with respect to public companies - based on the known market value as at the calculation date and with respect 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.

[13] See also section 1.6.5 below.

[14] 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.

[15] Includes cash and cash equivalents, and marketable 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 In the first half

	In the six months ended June 30					
	2020			2019		
	Liquid assets (1)	Financial debt	Financial debt, net	Liquid assets (1)	Financial debt	Financial debt, net
	NIS millions					
Balance at start of period	767	(3,643)	(2,876)	2,197	(4,565)	(2,368)
Dividends from investee companies and others (see also section 1.6.3.2 below)	106	-	106	128	-	128
Investment in Cellcom	(33)	-	(33)	(4)	-	(4)
Investment in Property & Building	(51)	-	(51)	(26)	-	(26)
Investment in Elron	-	-	-	(49)	-	(49)
Investment in Mehadrin	(51)	-	(51)	-	-	-
Realization of long term investments	1	-	1	-	-	-
Long term investments	(1)	-	(1)	-	-	-
Self-purchase of debentures	-	-	-	(149)	173	24
Repayment of financial debt - principal	-	-	-	(38)	38	-
Repayment of financial debt - interest	(48)	48	-	(60)	60	-
Acquisition of treasury shares	-	-	-	(96)	-	(96)
Dividend paid	-	-	-	(104)	-	(104)
Repayment of lease liabilities	(1)-	-	(1)	-	-	-
Investment in fixed assets	(1)	-	(1)	-	-	-
Payment of restricted deposit	-	-	-	9	-	9
Payment of real estate land betterment levy	-	-	-	(14)	-	(14)
General and administrative expenses less management fees and others, net, from change in balance of payables and receivables	(11)	-	(11)	(22)	-	(22)
Foreign currency differences	(5)	-	(5)	(27)	-	(27)
Financing - interest income, revaluation of current investments, accrual of interest on financial debt and linkage differentials	(34)	(77)	(111)	22	(132)	(110)
Balance at end of period	638	(3,672)	(3,034)	1,767	(4,426)	(2,659)

(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 second quarter

	For the three months ended June 30					
	2020			2019		
	Liquid assets [(1)]	Financial debt	Financial debt, net	Liquid assets [(1)]	Financial debt	Financial debt, net
	NIS millions					
Balance at start of period	675	(3,679)	(3,004)	1,851	(4,488)	(2,637)
Dividends from investee companies and others (see also section 1.6.3.2 below)	103	-	103	127	-	127
Investment in Cellcom	(33)	-	(33)	-	-	-
Investment in Elron	-	-	-	(49)	-	(49)
Investment in Property & Building	(51)	-	(51)	-	-	-
Investment in Mehadrin	(12)	-	(12)	-	-	-
Realization of long term investments	1	-	1	-	-	-
Self-purchase of debentures	-	-	-	(40)	48	8
Repayment of financial debt - principal	-	-	-	(38)	38	-
Repayment of financial debt - interest	(48)	48	-	(60)	60	-
Payment of restricted deposit	-	-	-	9	-	9
Repayment of lease liabilities	(1)	-	(1)	-	-	-
Payment of real estate land betterment levy	-	-	-	(14)	-	(14)
General and administrative expenses less management fees and others, net, from change in balance of payables and receivables	(12)	-	(12)	(15)	-	(15)
Foreign currency differences	(5)	-	(5)	(7)	-	(7)
Financing - interest income, revaluation of current investments, accrual of interest on financial debt and linkage differentials	21	(41)	(20)	3	(84)	(81)
Balance at end of period	638	(3,672)	(3,034)	1,767	(4,426)	(2,659)

(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.)

1.6.3.2 Dividends received:

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

	For the six months ended June 30		For the three months ended June 30		For the year ended December 31
	2020	2019	2020	2019	2019
	NIS millions				
Property & Building	69	78	69	78	78[(1)]
Shufersal	21	42	21	42	42
Epsilon Investment House Ltd. ("Epsilon")	1	-	-	-	3
Credit Suisse, Emerging Markets Credit Opportunity LP ("EMCO")	-	1	-	1	1
Pitango Venture Capital Fund III (Israeli Investors) LP ("Pitango")	13	5	13	5	6
Brinx Israel Ltd. ("Brinx")	-	-	-	-	1
Others	2	2	-	1	2
Total	106	128	103	127	133

(1) Not including a distribution of Mehadrin shares as a payment in kind dividend in the amount of NIS 136 million.

1.6.3.3 In connection with the Company's debentures (Series J), the Company undertook, in accordance with the deed of trust, to fulfill, during the entire period of the debentures, the grounds for adjustment of the interest rate and the financial covenants, which will be evaluated as at the date of the financial statements, as follows:

Grounds for adjustment of interest rate [(1)] / financial covenant	Calculation results	
	As at June 30, 2020	As at August 18, 2020
(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 (Negative)	ilBBB- Rating (Negative)
(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 720 million. Ratio between net financial debt and asset value - 81%	Net asset value - NIS 947 million. Ratio between net financial debt and asset value - 63%
(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 - 81%	Ratio between net financial debt and asset value - 63%
(D) In case the ratio between DIC's capital and DIC's 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. 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) 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 April 7, 2020, S&P Maalot reduced the rating of the Company's debentures to a rating of ilBBB- (negative). Following the rating reduction, the interest rate applicable to the Company's debentures (Series J) was increased, beginning on April 7, 2020, from 4.80% to 5.05%.
- On August 6 2020, S&P Maalot ratified the rating of the Company's debentures at il/BBB- (Negative).
- Following the non-fulfillment of the financial covenants specified in sections (B) and (C) above as at March 31, 2020, the interest rate applicable to the Company's debentures (Series J) increased, beginning on June 30, 2020, from 5.05% to 5.80%.
- Due to the fulfillment of the financial covenant specified in section (C) above as of June 30, 2020, which the Company did not fulfill as of March 31, 2020, the interest rate will be reduced, beginning from the publication date of the financial statements for the second quarter of 2020, from 5.80% to 5.30%.
- 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 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 20, 2020 (reference number 2020-01-091977), proximate to the publication of this report.

1.6.3.5 The cash flows of DIC are affected, inter alia, by dividends that are distributed by the Company and by dividends which DIC received from its investee companies, by the consideration from the realization of its holdings in investee companies, by investments, by repaying the Company's current liabilities and by debt raisings.

1.6.3.6 DIC's policy is to act to ensure that it will have sufficient liquid resources to service its liabilities in a timely manner. As part of the above, DIC strives to maintain an adequate cash balance. It is noted that as at June 30, 2020, DIC has a balance of liquid resources in the amount of NIS 638 million. In July 2020, after the date of the statement of financial position, DIC sold its entire stake in Shufersal, of approximately 26%, for a total net consideration of NIS 1,450 million. For additional details, see Note 9.C to the financial statements. The total of DIC's principal and interest payments with respect to debt in the second half of 2020, in 2021, and in the first half of 2022 amounted to NIS 415 million, NIS 778 million and NIS 43 million, respectively.

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.)

1.6.4 Retained earnings and negative balances of distributable profits[16]

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 at June 30, 2020				
	Investee companies			
	NIS millions			
The Company[17]	Property & Building	Cellcom [18]	Elron[19]	Mehadrin
(892)	764	1,155	(163)	488

1.6.5 Presented below is the movement in the capital attributable to the owners of the Company [20]

	For the six months ended June 30		For the three months ended June 30		For the year ended December 31
	2020	2019	2020	2019	2019
	NIS millions				
Balance at start of period	1,824	2,317	1,664	1,868	2,317
Initial adoption of the amendment to IAS 28	-	(171)	-	-	(171)
Changes during the period					
Net profit (loss) attributable to the Company's owners	(302)	(633)	(104)	(602)	14
Acquisition of treasury shares	-	(96)	-	-	(96)
Dividend to the Company's owners	-	(104)	-	-	(104)
Reserves from translation differences	(6)	(83)	(47)	(31)	(131)
Reserves in respect of transactions with non-controlling interests	35	1	39	1	6
Hedging reserves	(3)	2	(1)	-	(2)
Revaluation reserves	4	2	4	-	2
Capital reserves and other movements, net	-	(3)	(3)	(4)	(11)
Balance at end of period	1,552	1,232	1,552	1,232	1,824

16 For details regarding restrictions on the distribution of dividends, see sections 8.4, 9.4 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.

17 The balance of distributable profits as at June 30, 2020 was calculated based on the net profit (loss) attributable to the owners of the Company, which was accrued in the last eight quarters, less dividends which were distributed during the period, and less the acquisition of treasury shares during the period. The cumulative balance of retained earnings was negative.

18 Retained earnings in Cellcom's reviewed financial statements as at June 30, 2020.

19 Data with respect to Elron were translated for convenience purposes according to the USD exchange rate as at 30, 2020.

20 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 at June 30, 2020 (including wholly owned headquarter subsidiaries)

	Linked to the CPI	Linked to foreign currency (primarily to the USD)	Unlinked	Non-monetary items	Total
			NIS millions		
Right-of-use assets	-	-	-	13	13
Fixed assets	-	-	-	2	2
Long term other receivables and debit balances	6	-	-	-	6
Investments in investee companies and other companies (see section 1.6.7)	-	-	-	4,596	4,596
Other receivables and debit balances	-	-	16	1	17
Investments in marketable securities	-	25	18	139	182
Cash and cash equivalents	-	116	340	-	456
Total assets	**6**	**141**	**374**	**4,751**	**5,272**
Debentures (including maturities)	1,655	-	1,983	-	3,638
Lease liabilities (including maturities)	18	-	1	-	19
Other payables and credit balances	46	-	7	-	53
Current provisions	-	-	10	-	10
Total liabilities	**1,719**	**-**	**2,001**	**-**	**3,720**
Net balance as at June 30, 2020	**(1,713)**	**141**	**(1,627)**	**4,751**	**1,552**
Net balance as at June 30, 2019	**(2,009)**	**675**	**(1,714)**	**4,280**	**1,232**
Net balance as at December 31, 2019	**(1,682)**	**158**	**(1,735)**	**5,083**	**1,824**

For details regarding the linkage bases of the total assets and total liabilities in the consolidated statement of financial position as at June 30, 2020, see section 2.2 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.)

1.6.7 Investment in investee companies and others

1.6.7.1 Presented below is the movement in investee companies and other companies:

	In the six months ended	In the three months ended
	June 30, 2020	
	NIS millions	
Balance at start of period	4,707	4,592
Group's share in the losses of investee companies accounted by the equity method	(179)	(68)
Dividends from investee companies [(1)]	(91)	-
Change in investments as due to the purchase of investments[(2)]	182	131
Change in investments as due to the sale of investments[(2)]	(6)	(2)
Change in investments carried to capital reserves	3	(40)
Other changes (mostly revaluation of companies measured at fair value [(1)])	(20)	(17)
Balance at end of period	4,596	4,596

(1) Not including dividends from companies measured at fair value, which are carried to the statement of income.

(2) Including the effect of exercised and expired options of minority interests.

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 investee companies and others (Cont.)

1.6.7.2 Presented below are the balances of investments in investee companies and others, the net asset value and the leverage ratio[21] as at June 30, 2020:

	Holding rate	Book value	Asset value[21]
		NIS millions	
Companies accounted by the equity method			
Cellcom	46.2%	1,207	965
Property & Building	72.4%	1,439	962
Shufersal [22]	26.0%	1,396	1,363
Elron	61.1%	138	162
Mehadrin	43.7%	282	168
Epsilon	68.8%	55	55
EMCO	12.2%	6	6
Microwave Networks, Inc.	99.8%	11	11
Others		6	6
Companies and funds measured at fair value			
Pitango	27.3%	6	6
Mustang Mezzanine Fund, LP	23.8%	10	10
Brinx	10.0%	29	29
Others		11	11
		4,596	3,754

	As at August 18, 2020[(1)]	As at June 30, 2020[(1)]	As at December 31, 2019
		NIS millions	
Asset value [21]	2,564	3,754	4,112
Less financial debt, net (section 1.6.2)	(1,617)	(3,034)	(2,876)
Total net asset value [NAV] [23]	947	720	1,236
Leverage ratio - [LTV] [24]	63%	81%	70%

(1) As specified in section 1.1 above, the coronavirus pandemic is also having a significant impact on capital markets, resulting in a significant decline in the market value of the Company's holdings after the outbreak began, which significantly affected the Company's net asset value. In the opinion of Company management, in view of the fact that under the current circumstances there is no necessity and/or special urgency to dispose of Company's assets, then it is possible to assume that the market value of the Company's holdings does not reflect the economic value of the assets which are held by the Company, inter alia, in light of the Company's cash balances, as stated above, which allow the Company reasonable and adequate space to take possible actions to improve the Company's net asset value, to the extent required.

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2 Net 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 calculation date (and not based on their value in the Company's financial statements).

22 For details regarding DIC's sale of its entire stake in Shufersal, of approximately 26%, on July 26, 2020, after the date of the statement of financial position, see Note 9.C. to the financial statements.

23 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 NAV is not based on generally accepted accounting principles, and does not constitute an alternative to the information which is 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 at 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 at June 30, 2020, plus investments which were made and less dividends which were received after June 30, 2020 and until proximate to the publication of the report.

24 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 percent) of net financial debt relative to its asset value. It is hereby clarified that NAV is not based on generally accepted accounting principles, and does not constitute an alternative to the information which is included in the 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 rules 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 2020 (including non-controlling interests) amounted to NIS 232 million, as compared with comprehensive loss (including non-controlling interests) of NIS 679 million in the corresponding quarter last year. The aforementioned difference is primarily due to the following factors:

A. Loss in the second quarter of 2020 (including non-controlling interests) amounted to NIS 172 million, as compared with loss in the amount of NIS 630 million in the corresponding quarter last year.

B. In the second quarter of 2020, other comprehensive loss (including non-controlling interests) was recorded for foreign currency translation differences with respect to foreign operations in the amount of NIS 47 million, as compared with other comprehensive loss in the amount of NIS 37 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 2020 at a rate of 2.8%, as compared with the decrease of 1.8% in the corresponding quarter last year.

Comprehensive loss attributable to the owners of the Company in the second quarter of 2020 amounted to NIS 143 million, as compared with comprehensive loss in the amount of NIS 635 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
	2020	2019	2020	2019	2019
	NIS millions				
Net profit (loss) for the period attributable to owners of the Company	(302)	(633)	(104)	(602)	14
Net profit (loss) for the period attributable to non-controlling interests	(150)	10	(68)	(28)	303
Net profit (loss) attributable to the owners of the Company and to non-controlling interests	(452)	(623)	(172)	(630)	317
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)	(42)	(612)	(37)	(606)	(627)
Profit from discontinued operations, after tax	-	225	-	144	1,187[1]
Comprehensive loss attributable to Company shareholders	(299)	(714)	(143)	(635)	(125)
Basic and diluted earnings (loss) per share - in NIS	(2.1)	(4.4)	(0.7)	(4.3)	0.1

[1] Including profit in respect of the loss of control of Gav-Yam in the amount of NIS 834 million. DIC's share in the profit amounts to NIS 557 million.

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
	2020	2019	2020	2019	2019
	NIS millions				
Involving cash flows -					
Profit (loss) from the sale of Gav Yam shares	(23)	-	(23)	-	146
Profit from self-purchase of debentures	-	26	-	9	78
Expenses with respect to the voluntary retirement program for Cellcom employees	-	-	-	-	21
Retrospective update of telecommunication tariffs in the wholesale market by the Ministry of Communication	13	-	-	-	-
Not involving cash flows -					
Profit due to loss of control of Gav-Yam	-	-	-	-	411
Loss due to rise to control of Mehadrin	(100)	-	-	-	(15)
Profit from the allocation of negative value to goodwill in Mehadrin	112	-	-	-	72
The impairment of Mehadrin's assets, presented as held for sale	-	-	-	-	(23)
Impairment of goodwill attributed to Cellcom	-	(517)	-	(517)	(517)
Update to the value of the HSBC Tower, net	(56)	18	-	18	18
Update to the value of the Tivoli project and land in Las Vegas, net	(8)	(2)	-	-	(15)

1.9.2 Main non-recurring impacts which directly affect capital attributed to the Company's owners

1.9.2.1 In the second quarter of 2020 DIC acquired approximately 3.6% of Property & Building's issued share capital, at a total cost of NIS 51 million. As a result DIC recorded, in the second quarter of 2020, an increase in capital attributed to the Company's owners in the amount of NIS 19 million.

1.9.2.2 In the second quarter of 2020, DIC acquired approximately 3.5% of Mehadrin's issued share capital, at a total cost of NIS 14 million. As a result of the acquisition, DIC recorded, in the second quarter of 2020, an increase in capital attributed to the Company's owners in the amount of NIS 9 million.

1.9.2.3 For details regarding the exercise of Cellcom share options by DIC and by non-controlling interests in the first half of 2020, which resulted in DIC recording, in the first half of 2020, an increase in capital attributed to the Company's owners in the amount of NIS 5 million, see Note 3.A.2.A. to the financial statements.

1.9.3 Event After the Date of the Statement of Financial Position

For details regarding the sale of the Company's entire stake in Shufersal shares after the date of the statement of financial position, see Note 9.C. 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[25]

1.10.1 Cellcom segment

DIC's share in the results of the Cellcom segment in the first half and in the second quarter of 2020 amounted to loss of NIS 41 million and loss of NIS 21 million, respectively, as compared with loss in the amount of NIS 539 million, and loss in the amount of NIS 532 million in the first half and in the second quarter of 2019, respectively, and loss of NIS 564 million in 2019, including amortization for impairment of the goodwill attributed to Cellcom in the amount of NIS 517 million, which was recorded in the second quarter of 2019.

The first half of 2020 was characterized by continued competition in the mobile segment, and on the other hand, continued growth in the landline segment, and the results in the quarter were partially affected by the coronavirus crisis, mostly the decline in Cellcom's revenue from roaming services (roaming services for outbound tourists and roaming services for tourists in Israel), and Cellcom's income from the sale of end user equipment to customers, as a result of the temporary closure of service centers and points of sale in March 2020 and in the second quarter of 2020.

[25] In the tables presented in this section, the percentage of change pertaining to the comparison of data to the corresponding period of last year is calculated based on exact figures which are not rounded to the nearest million.

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			Second quarter of			
	2020	2019	(Decrease)	2020	2019	(Decrease)	
	NIS millions		%	NIS millions		%	Explanation
Income from services	1,365	1,373	(0.6)	683	695	(1.7)	The decrease in the second quarter of 2020, as compared with the corresponding period last year, was mostly due to the decrease of 8.3% in income from services in the mobile segment, due to the decline in income from roaming services, as a result of the coronavirus pandemic and as a result of the decline in mobile income due to the ongoing erosion in the prices of those services, in light of the competition in the mobile market. On the other hand, an increase of 8.7% occurred in the landline segment relative to the corresponding period last year, which was primarily due to the increase in income from internet and television services and an increase in the sale of minutes to international operators. The decrease in the first half of 2020, as compared with the corresponding period last year, was primarily due to the decrease of 5.2% in income from services in the mobile segment, due to the decline in income from roaming services, due to the impact of the coronavirus and due to decline in mobile services, as a result of the ongoing erosion in the prices of those services, in light of the competition in the mobile market. On the other hand, in the landline segment, a 5.9% increase occurred relative to the corresponding period last year, which was primarily due to the increase in income from internet and television services.

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 2020	First six months of 2019	(Decrease)	Second quarter of 2020	Second quarter of 2019	(Decrease)	
	NIS millions		%	NIS millions		%	Explanation
Revenues from end user equipment	382	475	(19.6)	172	225	(23.6)	The decrease in the first half and first quarter of 2020, as compared with the corresponding periods last year, was primarily due to the decrease in the scope of sales of end user equipment in the landline and mobile segment, which was affected by the temporary closure of the sales division during the quarter, due to the coronavirus crisis, in accordance with the restrictions imposed on the entire economy.
Total revenues	**1,747**	**1,848**	**(5.5)**	**855**	**920**	**(7.1)**	
Cost of sales and services	(1,308)	(1,374)	(4.8)	(664)	(679)	(2.2)	The decrease in the second quarter of 2020, as compared with the corresponding period last year, was primarily due to the decrease in the scope of sales of end user equipment in the landline and mobile segment, the decrease in expenses for roaming services, which were affected by the coronavirus crisis, and the decrease in other operating expense. The decrease in the first half of 2020, as compared with the corresponding period last year, was mostly due to the decrease in costs associated with internet services in the landline segment, due to the retrospective update of telecommunication tariffs in the wholesale market by the Ministry of Communication, which affected, on a one-time basis, the decrease of expenses in the amount of NIS 28 million, and the decline in sales of end user equipment in the landline segment, the decrease in roaming services expenses, which were affected by the coronavirus crisis, and the decrease in other operating expenses.
Gross profit	439	474	(7.4)	191	241	(20.7)	

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: (Cont.)

	First six months of 2020	First six months of 2019	Increase	Second quarter of 2020	Second quarter of 2019	Increase (Decrease	Explanation
	NIS millions		%	NIS millions		%	
Adjusted EBITDA [26]	466	457	2.0	222	233	(4.7)	The decrease in the second quarter of 2020, as compared with the corresponding quarter last year, was mainly due to decrease in the scope of roaming services and a decrease in sale of end user equipment due to temporary closure of the frontal sales point and a temporary reduction in workforce due to the Coronavirus pandemic, which was partially offset as a result of cutting of operating costs by Cellcom, such as furloughing employees (which has ended) and saving in current operating costs during the second quarter of 2020, and due to increase in the internet and television operations and a decrease in operating expenses in the landline segment. The increase in the first half of 2020 compared with the corresponding period last year was mainly attributed to the decrease in expenses associated with internet services in the landline segment, following the retrospective update to telecommunication tariffs in the wholesale market, as stated above, and the continued transition of customers from wholesale infrastructure to fiber optic infrastructure. On the other hand, there was a decrease in income from roaming services and a decrease in the contribution of sales of end user equipment following the closure of the frontal points of sale and the reduction of the sales force due to the coronavirus pandemic.
Rate of EBITDA from total revenues	26.7%	24.7%	8.1	26.0%	25.3%	2.8	

26 Adjusted EBITDA - A standard metric in the communications sector, defined as earnings before net financing income (expenses), other net income (expenses) (excluding expenses in connection with the voluntary retirement programs for employees and profit (loss) losses from the sale of subsidiaries), taxes, depreciation and amortization, and share-based payments.

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: (Cont.)

	First six months of 2020	First six months of 2019	Increase	Second quarter of 2020	Second quarter of 2019	Increase (Decrease	Explanation
	NIS millions		%	NIS millions		%	
Financing expenses, net	(98)	(79)	24.1	(34)	(52)	(34.6)	The decrease in the second quarter of 2020, relative to the corresponding quarter last year, was primarily due to the effect of changes in the consumer price index on the balances of Cellcom's CPI-linked debentures, due to the decrease of the CPI in the current quarter, as compared with the increase of the CPI in the corresponding quarter last year, as specified in section 1.4 above, and due to the decline in Cellcom's scope of debt. The increase in the first half of 2020, relative to the corresponding period last year, was mostly due to losses in Cellcom's portfolio of marketable investments, due to the capital market declines in the first quarter of 2020, as a consequence of the coronavirus pandemic, as compared with the profit recorded in Cellcom's portfolio of marketable investments in the first half of last year, and was partly offset by the effect of changes in the consumer price index on the balances of Cellcom's linked debentures, due to the decrease of the CPI in the first half of 2020, as compared with the increase of the CPI in the corresponding period last year, as specified in section 1.4 above.
Tax income	20	13	53.8	12	11	9.1	The increase in tax income in the first half and in the second quarter of 2020, as compared with the corresponding periods last year, was due, inter alia, to the increase in pre-tax loss and the expected usage of the losses for tax purposes.
Loss	**(89)**	**(51)**	**74.5**	**(46)**	**(35)**	**31.4**	

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.)

Cellcom's main operational indicators:

	Second quarter of 2020	Second quarter of 2019	Change in % Increase (decrease)
In the mobile segment:			
Number of Cellcom subscribers at end of period (in thousands)	2,734	2,745	(0.4)
Churn rate	8.7%	11.3%	(23.0)
Monthly average revenue per user (ARPU) (in NIS) [27]	46.9	51.9	(9.6)
In the landline segment:			
Number of subscribers (households) at end of period in the television segment (in thousands)	*245	239	2.5
Number of subscribers (households) at end of period in the internet infrastructure segment (in thousands)	283	278	1.8

* In the second quarter of 2020, Cellcom erased approximately 5 thousand television subscribers, due to a change in the subscriber counting method, by accelerating the date when a subscriber is erased from the list, from the date when equipment is returned to Cellcom, to the date when the subscriber's request to disconnect from the service is received.

[27] ARPU (Average Revenue Per User) - Monthly average revenue per subscriber, including current revenue from the provision of mobile communication 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

DIC's share in the results of the Property & Building segment in the first half and second quarter of 2020 amounted to loss of NIS 149 million and loss of NIS 50 million, respectively, as compared with profit of NIS 48 million and profit of NIS 11 million in the first half and second quarter of 2019, respectively, and profit of NIS 666 million in 2019, including profit in the amount of NIS 557 million from the loss of control of Gav Yam.

The first half of 2020, before the coronavirus pandemic, was characterized by stability in the revenue-generating property branch in Israel, as reflected 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. Property & Building's results after the coronavirus pandemic began reflect the mostly negative effects on Property & Building's foreign activities, mostly including the HSBC Tower and the Tivoli project in Las Vegas (as specified in section 1.1 above), and the declines in the value on Property & Building's investment portfolio, as specified below.

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[28]

	First six months of 2020	First six months of 2019[29]	Increase (Decrease)	Second quarter of 2020	Second quarter of 2019[29]	Increase (Decrease)	
	NIS millions		%	NIS millions		%	Explanation
Revenues from property rentals	138	146	(5.5)	67	73	(8.2)	The decrease in the first half and second quarter of 2020, as compared with the corresponding periods last year, was primarily due to the realization of assets and the decrease in income, in NIS terms, from the HSBC Tower, due to the decrease in the exchange rate of the USD.
Revenues from the rental of identical properties[30]after the deduction of holding expenses ("NOI")	80	79	1.3	40	42	(4.8)	The change in the first half and second quarter of 2020, was mainly impacted by costs of the HSBC building and changes in the exchange rate of the USD.
Revenues from the sale of apartments and real estate	63	197	(68.0)	28	106	(73.6)	The decrease in the first half and second quarter of 2020, as compared with the corresponding periods last year, was primarily due to the decrease in the scope of active projects. Revenue from apartment sales is recognized based on the progress of sales and construction in the projects.
EBITDA[31]	148	189	(21.7)	39	154	(74.7)	The decrease in the first half and in the second quarter of 2020, as compared with the corresponding periods last year, was mostly due to a dividend from an associate company which was received in March 2020, in the amount of NIS 70 million. In 2019, the dividend was received from the associate company in question in April 2020, in the amount of NIS 103 million, and due to the decrease in the net results of the residential activity.

28 The data were presented according to the presentation in the financial statements of Property & Building.

29 Retrospectively adjusted due to the presentation of the activities of Gav-Yam, Mehadrin and revenue-generating real estate in the commercial segment under discontinued operations.

30 It is hereby clarified that NAV is not based on generally accepted accounting principles, and does not constitute an alternative to the information which is included in the financial statements.

31 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 which were received from associate companies.

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 2020	First six months of 2019**	Increase (Decrease)	Second quarter of 2020	Second quarter of 2019 **	Increase (Decrease)	Explanation
	NIS millions		%	NIS millions		%	
Increase (decrease) in fair value of investment property, net	(120)	45	Transition to expense	2	45	(95.6)	The change in net value in the second quarter of 2020, as compared with the corresponding period last year, was mostly due to the increase in the value of Property & Building's international investment property in the second quarter of 2019. The change in net value in the first half of 2020, as compared with the corresponding period last year, was mostly due to the decrease in the value of Property & Building's international investment property, as compared with the increase in value in the first half of last year. For details, see Note 3.A.1.E. to the financial statements.
Loss from disposal of investment in investee	(34)	-	(100.0)	(34)	-	(100.0)	The loss stemmed from disposal of app. 5% of Gav Yam's issued share capital, as described in note 3.A.1.B to the financial statements.
Share of Property & Building in the net profits (losses) of investee companies	39	(12)	Transition to profit	24	-	100.0	In the second quarter of 2020, this item mostly included Property & Building's share in the results of Gav Yam, which was consolidated until September 1, 2019, when it became an associate company. In the first half of 2020, this item mostly included Property & Building's share in the results of Gav Yam, and was partly offset by the update to the valuation of the Tivoli project in Las Vegas. In the first half of last year, this item mostly included an update to the valuation of the Tivoli project.

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 2020	First six months of 2019**	Increase (Decrease)	Second quarter of 2020	Second quarter of 2019 **	Increase (Decrease)	
	NIS millions		%	NIS millions		%	Explanation
Financing expenses, net	(184)	(140)	31.4	(104)	(97)	7.2	The increase in the second quarter of 2020 compared with the corresponding quarter last year stemmed mainly from app. NIS 32 million increase in financing expenses as a result of exchange differences in respect of the balance of assets linked to the exchange rate of the USD, in view of a sharper 2.8% decrease in the exchange rate of the USD compared with a 1.8% decrease in the corresponding period last year, from a NIS 19 million loss recorded in the second quarter of 2020 from SWAP transactions for the exchange of index-linked NIS cash flow with fixed NIS cash flow in respect of debentures. This was partially offset by a decrease in interest and linkage expenses in respect of the debt, as a result of the decrease in the CPI in the current quarter compared with a CPI increase in the corresponding period last year, as described in section 1.4 above. The increase in the first half of 2020 compared with the corresponding period last year stemmed mainly from a decrease in the value of Property & Building's portfolio in the first half of 2020 due to the slump in the Stock Exchange as a result of the Coronavirus pandemic, compared with revenues recorded in the first half of 2019, from a loss recorded in the second quarter of 2020 from SWAP transactions for the exchange of index-linked NIS cash flow with fixed NIS cash flow in respect of debentures. This was partially offset by a decrease in interest and linkage expenses in respect of the debt, as a result of the decrease in the CPI in the first half of 2020 compared with a CPI increase in the corresponding period last year, as described in section 1.4 above.
Income (expenses) Taxes	25	(23)	Transition to income	(4)	(19)	(78.9)	The transition to tax income in the first half of 2020 and the decrease in tax expenses in the second quarter of 2020 compared with tax expenses in the corresponding periods last year stemmed, among other things, from recording pre-tax losses and expectation that losses for tax purposes will be utilized

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 2020	First six months of 2019**	Increase (Decrease)	Second quarter of 2020	Second quarter of 2019 **	Increase (Decrease)	
	NIS millions		%	NIS millions		%	Explanation
Profit (loss) from discontinued operations, after tax, attributable to the Company's owners	(25)	114	Transition to loss	3	40	(92.5)	The decrease in profits in the second quarter of 2020 and the transition from profit to loss in the first half of 2020 compared with the corresponding periods last years stemmed mainly from the fact that Company's results for the first half of 2020 included discontinued commerce operations (Ispro), whereas the comparative figures for 2029 also included profit from Gav Yam's activity and loss from Mehadrin's activity.
Net profit (loss)	**(216)**	**70**	Transition to loss	**(72)**	**17**	Transition to loss	

* The data were presented according to the presentation in the financial statements of Property & Building.

** Retrospectively adjusted due to the presentation of the activities of Gav-Yam, Mehadrin and revenue-generating real estate in the commercial segment under discontinued operations.

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.

1.10.3 Shufersal segment

DIC's share in the results of the Shufersal segment in the first half and second quarter of 2020 amounted to profit of NIS 37 million and profit of NIS 17 million, respectively, as compared with profit of NIS 18 million and profit of NIS 9 million in the first half and second quarter of 2019, respectively, and profit of NIS 56 million in 2019.
In July 2020, after the date of the statement of financial position, DIC sold its entire stake in Shufersal, of approximately 26%, for a total net consideration of approximately NIS 1,450 million. For additional details, see Note 9.C. to the financial statements.

Shufersal's results in the half quarter of 2020 were affected by the coronavirus pandemic, which resulted in an increase of sales Shufersal's sales in general, and through the online channel in particular, due to the public's stocking up on various foods and hygiene products. The results were also affected by seasonality, the timing of the Passover holiday, which this year fell in mid-April, and its effects on Shufersal's results were reflected both in the first quarter and in the first quarter of 2020; while last year, Passover eve fell in mid-April, and its effects on Shufersal's results were mostly reflected in the second quarter of 2019; Shufersal's results in the second quarter of 2020 were affected by the continued development of Shufersal's digital platform, which primarily includes the "Shufersal Online" system, and the continued expansion and strengthening of the private brand, including the launch of products in current and new categories in the Be segment.

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 Shufersal segment (Cont.)

Summary of the business results of Shufersal

	First six months of 2020	First six months of 2019	Increase (Decrease)	Second quarter of 2020	Second quarter of 2019	Increase (Decrease)	
	NIS millions		%	NIS millions		%	Explanation
Revenues from the retail segment	7,005	6,215	12.7	3,485	3,241	7.5	The increase in the second quarter of 2020, as compared with the corresponding quarter last year, was mainly due to the coronavirus pandemic, which was partly offset by seasonality. Sales in identical stores which were fully operational in the two reporting periods increased by 6.1%. The increase in the first half of 2020, as compared with the corresponding period last year, was primarily due to the coronavirus pandemic. Sales in identical stores which were fully operational in the two reporting periods increased by 11.6%.
Revenues from the real estate segment	89	90	(1.1)	45	46	(2.2)	
Revenues from the Be segment	393	339	15.9	192	176	9.1	The increase in the first half and second quarter of 2020, as compared with the corresponding periods last year, was primarily due to the opening of new branches, the increase in identical store revenues, and the effect of the coronavirus pandemic. Sales in identical stores which were fully operational in the second quarter of 2020 and in the second quarter of 2019 increased by 12.9%. Sales in identical stores which were fully operational in the first half of 2020 and in the first half of 2019 increased by 14.1%.
Total revenues[32]	**7,420**	**6,578**	**12.8**	**3,689**	**3,429**	**7.6**	

[32] After adjustments in respect of inter-segmental rentals.

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 Shufersal segment (Cont.)

Summary of the business results of Shufersal (Cont.)

	First six months of		Increase (Decrease)	Second quarter of		Increase (Decrease)	
	2020	2019		2020	2019		
	NIS millions		%	NIS millions		%	Explanation
Sales per square meter - retail segment (NIS in thousands)	13.64	12.34	10.5	6.72	6.42	4.8	The increase in the first half and second quarter of 2020, as compared with the corresponding periods last year, was mostly due to the above.
Gross profit	1,967	1,780	10.5	968	920	5.2	The increase in gross profit the first half and second quarter of 2020, as compared with the corresponding periods last year, was primarily due to the increase in revenues.
Rate of gross profit from total revenues	26.5%	27.1%	(2.2)	26.2%	26.8%	(2.2)	The decrease in the rate of gross profit in the first half and second quarter of 2020, as compared with the corresponding periods last year, was mostly due to the increase in online sales.
Operating expenses	(1,631)	(1,513)	7.8	(803)	(782)	2.7	The increase in the first half and second quarter of 2020, as compared with the corresponding periods last year, was primarily due to the increase of Shufersal's activity.
Other income (expenses), net	3	(1)	Transition to income	4	-	100	
Operating profit [33]	339	266	27.4	169	138	22.5	The increase in the first half and second quarter of 2020, as compared with the corresponding periods last year, was mostly due to the foregoing, and the decrease in operating loss in the Be segment, which resulted, in addition to the foregoing, from the increased operational efficiency and the deepening of the synergy with Shufersal's other operations.

[33] After other income and expenses, net.

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 Shufersal segment (Cont.)

Summary of the business results of Shufersal (Cont.)

	First six months of 2020	First six months of 2019	Increase (Decrease)	Second quarter of 2020	Second quarter of 2019	Increase (Decrease)	
	NIS millions		%	NIS millions		%	Explanation
EBITDA	725	624	16.2	363	319	13.8	The increase in the first half and second quarter of 2020, as compared with the corresponding periods last year, was mostly due to the increase in operating profit.
Rate of EBITDA from total revenues	9.8%	9.5%	3.2	9.8%	9.3%	5.4	
Rate of operating profit	4.6%	4.0%	15.0	4.6%	4.0%	15.0	
Financing expenses, net	(110)	(137)	(19.7)	(60)	(73)	(17.8)	The decrease in the second quarter of 2020, as compared with the corresponding period last year, was primarily due to the effect of changes in the consumer price index on the balances of Shufersal's CPI-linked debentures, due to the decrease of the CPI in the current quarter, as compared with the increase of the CPI in the corresponding quarter last year, as specified in section 1.4 above. The decrease in the first half of 2020, as compared with the corresponding period last year, was primarily due to the increase in income from Shufersal's forward transactions, due to the effect of the increase in the USD and EUR exchange rates in the current period, relative to the decrease of the exchange rates in the corresponding period last year, as well as the effect of changes in the consumer price index on the balances of Shufersal's CPI-linked debentures, due to the decrease of the CPI in the first half of 2020, as compared with the increase of the CPI in the corresponding period last year, as specified in section 1.4 above.
Tax expenses	(53)	(36)	47.2	(25)	(19)	31.6	
Net profit	**170**	**96**	**81.3**	**80**	**48**	**75.0**	

2. <u>Exposure to and Management of Market Risks</u>

2.1 During the reporting period, no material changes occurred in the Company's exposure to and management of market risks, relative to the Company's reports on this subject in the Company's Board of Directors' Report for 2019. The Company does not manage the risks of its investee companies.

2.2. Linkage bases of total assets and total liabilities in the consolidated statement of financial position as at June 30, 2020:

	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	304	1,590	153	4,318	13,780	20,145
Total liabilities	5,463	1,701	72	7,976	1,147	16,359
Net balance as at June 30, 2020	**(5,159)**	**(111)**	**81**	**(3,658)**	**12,633**	**3,786**
Net balance as at June 30, 2019	**(8,807)**	**(454)**	**12**	**(4,598)**	**18,856**	**5,009**
Net balance as at December 31, 2019	**(5,299)**	**(560)**	**17**	**(3,270)**	**13,003**	**3,891**

2.3 <u>Investee companies</u>
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 2019.

3. <u>Donations and assistance to the community</u>

Further to that stated in section 3.1 of the Company's Board of Directors' report for 2019, in March 2020, the Company's Board of Directors resolved to set the Company's donation budget for 2020 at a total of NIS 827 thousand, and a total of NIS 105 thousand out of the aforementioned amount (which constitutes 0.75% of the Company's net profit for 2019, according to its audited consolidated financial statements, and constitutes 12.7% of the Company's total donation budget for 2020) was provided as a donation to IDB Community Foundation (R.A.), a not-for-profit association which collects donations from member companies of the Group.

4. <u>Disclosure Requirements Regarding the Corporation's Financial Report</u>

4.1 **<u>Conclusion of employment of the Company's General Manager, appointment of General Manager and approval of his terms of tenure and employment</u>** - In March 2020, Mr. Eran Saar concluded his tenure as the Company's General Manager. In March 2020, DIC's Board of Directors approved the appointment of Mr. Doron Cohen as the Company's General Manager, beginning on March 15, 2020, and in April 2020 and June 2020, DIC's Board of Directors (after approval was received from the Compensation Committee) and DIC's general meeting approved his terms of tenure and employment. For additional details, see Note 4.A to the financial statements.

4.2 **<u>Buyback plan for the purchase of DIC's debentures -</u>** on August 20 2020, the Board of Directors of DIC approved a buyback plan for the purchase of Series F and Series J DIC debentures through December 31 2021 at a total cost of up to NIS 300 million. The purchase of the debentures as aforesaid shall be carried out in accordance with market opportunities, on dates, prices and scope to be determined by DIC's management.

4.3 **<u>Major events after the date of the statement of financial position</u>**

For details regarding major events after the date of the statement of financial position, see Note 9 to the financial statements.

4.4 **<u>Specific disclosure for the debenture holders</u>**

See Annex A to the Board of Directors' Report.

Eduardo Elsztain	Doron Cohen
Chairman of the Board of Directors	CEO

Tel Aviv, August 20, 2020

DIC

Discount Investment Corporation Ltd

Interim Financial Statements June 30, 2020

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

				Data as at June 30, 2020							Data as at August 20, 2020			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%	1,385	1,671	4.95%	41	(16)	1,696	1,481	1,385	1,673	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%	1,960	1,960	5.80%(7)	-	23	1,983	1,560	1,960	1,960	5.30%(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, Tel: 03-6237777
Total		**6,287**		**3,345**	**3,631**		**41**	**7**	**3,679**	**3,041**	**3,345**	**3,633**						

Notes:

(1) The Company is fulfilling all of the conditions and undertakings in accordance with the deed of trust. For details regarding the update to the interest rate on the debentures (Series J), see section 7 below.

(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 2020.

(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 2020.

(6) Semi-annual payments.

(7) Following the reduction of the rating of the Company's debentures on April 7, 2020, and the non-fulfillment of the financial covenants as at June 30, 2020, the interest rate applicable to the debentures (Series J) was increased, beginning on April 7, 2020, from 4.80% to 5.05%, and beginning on June 30, 2020, from 5.05% to 5.80%, respectively. Due to the fulfillment of the financial covenant as of June 30, 2020, which the Company did not fulfill as of March 31, 2020, the interest rate will be reduced, beginning from the publication date of the financial statements for the second quarter of 2020, from 5.80% to 5.30%. For additional details, see section 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.

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

Details regarding debenture ratings

Series	Name of rating company	Rating as at June 30, 2020	Rating as at August 20, 2020 (1)	Rating on the series issuance date	Date of rating issuance as at August 20, 2020	Additional ratings during the period between the date of the original issuance and the current rating as at August 20, 2020	
						Date	Rating
F	S&P Maalot	BBB- (Negative)	BBB- (Negative)	AA	8/2020	4/2007, 6/2007, 11/2008, 7/2009, 1/2011, 10/2011, 11/2011, 1/2012, 5/2012, 9/2012, 7/2013, 8/2013, 12/2013, 3/2014, 12/2014, 2/2015, 3/2016, 7/2016, 2/2017, 3/2017, 8/2017, 9/2017, 12/2017, 3/2018, 8/2018, 4/2019, 7/2019, 4/2020	AA, A+, A- BBB+, BBB, BBB-
J	S&P Maalot	BBB- (Negative)	BBB- (Negative)	BBB	8/2020	9/2017, 12/2017, 3/2018, 8/2018, 4/2019, 7/2019, 4/2020	BBB, BBB+ 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 August 6, 2020 (reference number 2020-15-075859).

Annex B

Details on economic papers in accordance with Regulation 49(A) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970 [“Regulation 49(A) of the Reports Regulations”]

Details on an economic paper as at March 31, 2020 regarding the appraisal of the economic value of the HSBC Tower in New York, USA, which is held by Property & Building [Regulation 49(A) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970]:

The aforementioned economic paper is included in the Company's financial statements by way of reference to the aforementioned paper which is attached to the financial statements of Property & Building Ltd. as at March 31, 2020, which were submitted by it to the Israel Securities Authority and published on June 25, 2020 (reference number 2020-01-067065). See also Note 3.A.1.E. 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. Date of the valuation - March 31, 2020.

C. Value of the subject of the valuation in Property & Building's books before the performance of the valuation - USD 940 million.

D. Value of the subject of the valuation, as determined in the valuation - USD 905 million.

E. Identity and details of the valuer - Cushman & Wakefield. 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 valuer and the companies which ordered the paper.

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

G. Assumptions used to perform the valuation:

1. NOI in the realization year (12th year) — USD 61.4 million

2. Annual capitalization rates -
   - In respect of the forecasted NOI for the first 11 years and the forecasted consideration from the realization of the property
     At the end of the 11th year (discount rate) — 6.25%
   - In respect of the forecasted NOI in the 12th year, which was used to determine the forecasted realization consideration for the property
     (Terminal Capitalization Rate) — 4.75%

3. Rate of terminal value from total value determined in the valuation — 70%

4. Market rent growth rate with respect to concluding contracts:
   First year — 0%
   Second year and thereafter — 3%

5. Collection loss in the first year, due to the coronavirus pandemic — 5%

Details on an economic paper regarding the attribution of the purchase consideration of Mehadrin, as at March 9, 2020 [Regulation 49(A) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970]

The aforementioned economic paper is not attached to the financial statements, despite the fact that DIC's share in the negative goodwill totaling NIS 112 million, which was created in the paper, which was recognized as gain in the statement of income, exceeds 10% of the loss attributable to the Company's owners in the four quarters preceding June 30, 2020, and exceeds 5% of the capital attributed to owners as of June 30, 2020, due to the following reasons:

A. The aforementioned gain on negative goodwill does not exceed 10% of the "representative profit" attributable to the Company's owners (as defined in Note 1.D.(4) to the annual financial statements) as at June 30, 2020. As stated in Note 1.D.(4) to the annual financial statements, the "representative profit" test constitutes a standard indicator for evaluating the results of holding companies similar to the Company, and is used by the Company to evaluate materiality and immateriality in other contexts as well;

B. The market value of Mehadrin after the closing of the transaction directly constitutes approximately 1.8% of the Company's total assets in the consolidated statement of financial position as of June 30, 2020;

C. On the date of the rise to control of Mehadrin, the investment in Mehadrin was remeasured prior to obtaining control according to the fair value of Mehadrin shares, according to the price on the stock exchange at that time, which was lower than the book value of the investment. The difference between the fair value, as stated above, and the book value of Mehadrin before control was obtained amounts to NIS 100 million. The net profit with respect to the rise to control of Mehadrin, and the allocation of negative value to goodwill, as stated above, amounts to NIS 12 million, which constitutes approximately 3.5% of loss attributable to the Company's owners in the four quarters preceding June 30, 2020, and approximately 0.8% of capital attributed to owners as of June 30, 2020.

(D) As at the approval date of these financial statements, a final economic paper by an external valuer has not yet been received. The fair value of the asset the assets and liabilities which were measured in accordance with the temporary measurement of an external valuer can be finally adjusted up to 12 months after the date of rise to control. On the final measurement date, the adjustments are made by restating the comparative figures which were previously reported according to the temporary measurement. Insofar as the final economic paper meets the aforementioned quantitative thresholds, including the "representative profit" threshold, it will be reported together with future financial statements.

DIC

Discount Investment Corporation Ltd

Interim Financial Statements June 30, 2020

Part 3 - Condensed Consolidated Interim Financial Statements

Discount Investment Corporation Ltd.

Condensed Consolidated Interim Financial Statements
As at June 30, 2020

(Unaudited)

Table of Contents

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"), which includes the condensed consolidated interim statement of financial position as at June 30, 2020, as well as the condensed consolidated interim statements of income or loss, comprehensive income, changes in equity and cash flows for the six and three month periods then ended. The Board of Directors and management are responsible for preparing and presenting the financial information for this interim period in accordance with IAS 34, "Interim Financial Reporting", and are also responsible for compiling the financial information for this interim period in accordance with Chapter IV of the Securities Regulations (Periodic and Immediate Reports), 5730-1970. Our responsibility is to express a conclusion regarding the financial information for these interim periods, based on our review.

We have not reviewed the condensed interim financial information of consolidated companies, whose assets as included in the consolidation constitute approximately 8% of total consolidated assets as at June 30, 2020, and whose income as included in the consolidation constitutes approximately 20.6% and 27.2%, respectively, of total consolidated income in the six and three month periods then ended. We have also not reviewed the condensed interim financial information of investee companies accounted by the equity method, the investment in which totaled approximately NIS 192 million as at June 30, 2020, and where the Group's share in their losses amounted to approximately NIS 26 million and approximately NIS 10 million, in the six and three month periods then ended, respectively.
The condensed interim financial information of those companies was reviewed by other auditors, whose review reports 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." A review of financial information for interim periods consists of inquiries, mainly with the people responsible for financial and accounting matters, and of the application of analytical and other review procedures. review 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 be 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 not 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.

Tel Aviv, August 20, 2020	Kesselman & Kesselman Certified Public Accountants A member firm of PricewaterhouseCoopers International Limited

Condensed Consolidated Interim Statements of Financial Position as of

	June 30 2020[(2)]	June 30 2019[(1)]	December 31 2019
	(Unaudited)	(Unaudited)	(Audited)
		NIS millions	
Non-current assets			
Investments in investee companies accounted by the equity method	3,316	2,173	3,676
Financial assets measured at fair value through profit or loss	137	165	159
Loans, deposits, restricted deposits and debit balances	382	306	292
Right-of-use assets	905	789	774
Fixed assets	1,720	1,767	1,494
Investment property	3,295	12,299	3,389
Long term trade receivables	227	350	309
Inventory of real estate	66	22	45
Deferred expenses	419	336	324
Deferred tax assets	8	7	8
Intangible assets	1,805	1,932	1,849
	12,280	20,146	12,319
Current assets			
Financial assets measured at fair value through profit or loss	769	2,058	1,826
Deposits and pledged and restricted deposits	288	427	161
Other receivables and debit balances	316	227	156
Current tax assets	15	22	4
Trade receivables and other income receivable	1,217	1,237	1,207
Inventory	166	66	74
Inventory of buildings for sale	80	185	105
Assets classified as held for sale	1,251	33	1,445
Cash and cash equivalents	3,763	3,510	2,812
	7,865	7,765	7,790
Total assets	20,145	27,911	20,109

(1) Includes the assets of Gav-Yam which was deconsolidated beginning on August 31, 2019, see Note 3.A.1.I.below.
(2) Includes the assets of Mehadrin, which was initially consolidated on March 9, 2020, see Note 3.A.3. below.

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

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

	June 30 2020[2]	June 30 2019[1]	December 31 2019
	(Unaudited)	(Unaudited)	(Audited)
		NIS millions	
Capital			
Share capital	810	810	810
Capital reserves	4,148	4,192	4,118
Accumulated losses	(3,406)	(3,770)	(3,104)
Capital attributable to owners of the Company	1,552	1,232	1,824
Non-controlling interests	2,234	3,777	2,067
	3,786	5,009	3,891
Non-current liabilities			
Debentures	9,874	15,207	9,759
Loans from banks and other financial liabilities	1,499	2,026	1,630
Lease liabilities	600	600	577
Derivatives	11	4	-
Provisions	183	201	191
Deferred tax liabilities	517	1,528	541
Employee benefits	30	20	24
Other non-financial liabilities	13	20	6
	12,727	19,606	12,728
Current liabilities			
Current maturities of debentures	990	1,293	1,218
Credit from banking corporations and current maturities of loans from banks and others	539	267	273
Current maturities of lease liabilities	235	229	236
Other payables and credit balances	571	629	431
Trade payables	703	734	714
Derivatives	11	1	5
Current tax liabilities	21	20	18
Provisions	109	123	110
Liabilities classified as held for sale	453	-	485
	3,632	3,296	3,490
Total capital and liabilities	20,145	27,911	20,109

(1) Includes the liabilities of Gav-Yam, which was deconsolidated beginning on August 31, 2019, see Note 3.A.1.I. below.
(2) Includes the liabilities of Mehadrin, which was initially consolidated on March 9, 2020, see Note 3.A.3. below.

Eduardo Elsztain	Doron Cohen	Haim Tabouch
Chairman of the Board	CEO	VP Accounting

Approval date of the financial statements: August 20, 2020

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 2020[2]	For the six months ended June 30 2019[1]	For the three months ended June 30 2020[2]	For the three months ended June 30 2019[1]	For the year ended December 31 2019
		(Unaudited)		(Unaudited)		(Audited)
		NIS millions				
Income						
Sales and services	7	2,479	2,328	1,312	1,177	4,621
The Group's share in the net profit of investee companies accounted by the equity method, net		42	-	26	-	37
Profit from realization and increase in the value of investments, assets and dividends		33	17	19	8	108
Increase in fair value of investment property, net		-	40	1	50	106
Other income		15	12	8	7	25
Financing income		17	113	43	42	236
		2,586	2,510	1,409	1,284	5,133
Expenses						
Cost of sales and services		1,884	1,658	1,060	822	3,258
Research and development expenses		7	19	2	8	32
Selling and marketing expenses		274	323	124	157	669
General and administrative expenses		261	237	137	133	479
The Group's share in the loss of investee companies accounted by the equity method, net		-	21	-	35	-
Loss from realization, impairment, and write-down of investments and assets		75	629	56	614	735
Decrease in fair value of investment property, net		156	-	-	-	-
Other expenses		-	1	-	-	6
Financing expenses		433	455	214	279	754
		3,090	3,343	1,593	2,048	5,933
Loss before taxes on income		(504)	(833)	(184)	(764)	(800)
Taxes on income		52	(15)	12	(10)	(70)
Loss from continuing operations		(452)	(848)	(172)	(774)	(870)
Profit from discontinued operations, after tax		-	225	-	144	1,187
Net profit (loss) for the period		(452)	(623)	(172)	(630)	317
Net profit (loss) attributable to:						
The Company's owners		(302)	(633)	(104)	(602)	14
Non-controlling interests		(150)	10	(68)	(28)	303
		(452)	(623)	(172)	(630)	317
		NIS	NIS	NIS	NIS	NIS
Earnings (loss) per share attributable to for the Company's owners						
Basic and diluted loss per share from continuing operations		(2.1)	(4.9)	(0.7)	(4.6)	(4.5)
Basic and diluted earnings per share from discontinued operations		-	0.5	-	0.3	4.6
Basic and diluted earnings (loss) per share		(2.1)	(4.4)	(0.7)	(4.3)	0.1

(1) Restated due to the presentation of the Gav-Yam operation under discontinued operations, see Note 3.A.1.I. below.
(2) Includes the data of Mehadrin, which was initially consolidated on March 9, 2020, see Note 3.A.3. 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
	2020	2019	2020	2019	2019
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
Net income (loss) for the period	(452)	(623)	(172)	(630)	317
Other comprehensive income (loss) items which will not be transferred to profit and loss, net of tax					
Actuarial losses in defined benefit plan	-	-	-	-	(4)
The Group's share in other comprehensive loss in respect of investee companies accounted by the equity method	-	(4)	(3)	(4)	(8)
Total other comprehensive loss which will not be transferred to profit and loss	-	(4)	(3)	(4)	(12)
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	8	(101)	(47)	(37)	(165)
Effective part in changes to the fair value of cash flow hedging	-	-	(2)	-	-
The Group's share in other comprehensive loss with respect to investee companies accounted by the equity method	(3)	(18)	(8)	(8)	(30)
Total other comprehensive income (loss) after initial recognition under comprehensive income which has been transferred or will be transferred to profit and loss	5	(119)	(57)	(45)	(195)
Total other comprehensive income (loss) for the period, net of tax	5	(123)	(60)	(49)	(207)
Total comprehensive income (loss) for the period	(447)	(746)	(232)	(679)	110
Attributable to:					
The Company's owners	(299)	(714)	(143)	(635)	(125)
Non-controlling interests	(148)	(32)	(89)	(44)	235
Comprehensive income (loss) for the period	(447)	(746)	(232)	(679)	110
Comprehensive income (loss) for the period attributed to Company shareholders					
Due to:					
Continuing operations	(299)	(1) (777)	(143)	(1) (674)	(778)
Discontinued operations	-	(1) 63	-	(1) 39	653
	(299)	(714)	(143)	(635)	(125)

(1) Restated due to the presentation of the Gav-Yam operation under discontinued operations, see Note 3.A.1.I. 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 ended June 30, 2020 (unaudited)													
Balance as at 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 (see Note 3.A.3. below)	-	-	-	-	-	-	-	-	-	-	-	396	396
Acquisition of shares in consolidated companies from non-controlling interests (1)	-	-	41	(12)	-	-	4	-	-	-	33	(83)	(50)
Sale of interests in consolidated companies to non-controlling interests (2)	-	-	(6)	-	-	-	-	-	-	-	(6)	26	20
Share-based payments given by consolidated companies	-	-	-	-	-	-	-	-	-	-	-	8	8
Balance as at June 30, 2020	810	4,449	50	(299)	(5)	(2)	67	3	(115)	(3,406)	1,552	2,234	3,786

(1) Including effects in respect of expirations of share-based payment instruments in consolidated companies.

(2) Including effects due to the exercise of options by non-controlling interests in a consolidated company, and the issuance of options to non-controlling interests in a consolidated company.

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	Revaluatio reserves	Controllin shareholde reserve	Treasury shares	Accumul ated loss	Total capital attributable to the Company's owners	Non-controlling interests	Total capital
	NIS millions												
For the six months ended June 30, 2019 (unaudited)													
Balance as at January 1, 2019	810	4,449	9	(162)	-	(2)	88	3	(19)	(2,859)	2,317	4,024	6,341
Initial adoption of the amendment to IAS 28	-	-	-	-	-	-	-	-	-	(171)	(171)	(83)	(254)
Income (loss) for the period	-	-	-	-	-	-	-	-	-	(633)	(633)	10	(623)
Other comprehensive income (loss) for the period	-	-	-	(79)	2	-	-	-	-	(4)	(81)	(42)	(123)
Transactions with owners carried directly to equity, investments of owners and distributions to owners	-												
Dividend paid to the Company's owners	-	-	-	-	-	-	-	-	-	(104)	(104)	-	(104)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(133)	(133)
Acquisition of treasury shares	-	-	-	-	-	-	-	-	(96)	-	(96)	-	(96)
Acquisition of shares in consolidated companies from non-controlling interests (1)	-	-	1	(4)	-	-	2	-	-	-	(1)	(2)	(3)
Share-based payments given by the Company	-	-	-	-	-	-	-	-	-	1	1	-	1
Share-based payments given by consolidated companies	-	-	-	-	-	-	-	-	-	-	-	3	3
Balance as at June 30, 2019	810	4,449	10	(245)	2	(2)	90	3	(115)	(3,770)	1,232	3,777	5,009

(1) Includes an acquisition within the framework of an issuance 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 ended June 30, 2020 (unaudited)													
Balance as at 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 owners carried directly to equity and investments of owners													
Acquisition of shares in consolidated companies from non-controlling interests (1)	-	-	40	(12)	-	-	4	-	-	-	32	(82)	(50)
Sale of interests in consolidated companies to non-controlling interests (2)	-	-	(1)	-	-	-	-	-	-	-	(1)	4	3
Share-based payments given by consolidated companies	-	-	-	-	-	-	-	-	-	-	-	4	4
Balance as at June 30, 2020	810	4,449	50	(299)	(5)	(2)	67	3	(115)	(3,406)	1,552	2,234	3,786

(1) Including effects in respect of expirations of share-based payment instruments in consolidated companies.

(2) Including effects due to the exercise of options by non-controlling interests in a consolidated company, and the issuance of options to non-controlling interests in a consolidated company.

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 difference	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 ended June 30, 2019 (unaudited)													
Balance as at April 1, 2019	810	4,449	9	(214)	2	(2)	90	3	(115)	(3,164)	1,868	3,791	5,659
Loss for the period	-	-	-	-	-	-	-	-	-	(602)	(602)	(28)	(630)
Other comprehensive loss for the period	-	-	-	(29)	-	-	-	-	-	(4)	(33)	(16)	(49)
Transactions with owners carried directly to equity, investments of owners and distributions to owners													
Acquisition of shares in consolidated companies from non-controlling interests (1)	-	-	1	(2)	-	-	-	-	-	-	(1)	27	26
Share-based payments given by consolidated companies	-	-	-	-	-	-	-	-	-	-	-	3	3
Balance as at June 30, 2019	810	4,449	10	(245)	2	(2)	90	3	(115)	(3,770)	1,232	3,777	5,009

(1) Includes an acquisition within the framework of an issuance 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 year ended December 31, 2019 (audited)													
Balance as at January 1, 2019	810	4,449	9	(162)	-	(2)	88	3	(19)	(2,859)	2,317	4,024	6,341
Initial adoption of the amendment to IAS 28	-	-	-	-	-	-	-	-	-	(171)	(171)	(83)	(254)
Net income for the period	-	-	-	-	-	-	-	-	-	14	14	303	317
Other comprehensive loss for the period	-	-	-	(127)	(2)	-	-	-	-	(10)	(139)	(68)	(207)
Transactions with owners carried directly to equity, investments of owners and distributions to owners													
Dividend paid to the Company's owners	-	-	-	-	-	-	-	-	-	(104)	(104)	-	(104)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(201)	(201)
Acquisition of treasury shares	-	-	-	-	-	-	-	-	(96)	-	(96)	-	(96)
Consolidation of Mehadrin due to rise to control	-	-	-	-	-	-	-	-	-	-	-	278	278
Deconsolidation of Gav-Yam and Mehadrin due to loss of control	-	-	(4)	-	-	-	(27)	-	-	27	(4)	(2,329)	(2,333)
Acquisition of shares in consolidated companies from non-controlling interests (1)	-	-	12	(4)	-	-	2	-	-	-	10	126	136
Sale of interests in consolidated companies to non-controlling interests (2)	-	-	(2)	-	-	-	-	-	-	-	(2)	6	4
Share-based payments given by the Company	-	-	-	-	-	-	-	-	-	(1)	(1)	-	(1)
Share-based payments given by consolidated companies	-	-	-	-	-	-	-	-	-	-	-	11	11
Balance as at December 31, 2019	810	4,449	15	(293)	(2)	(2)	63	3	(115)	(3,104)	1,824	2,067	3,891

(1) Includes acquisitions within the framework of an issuance in a subsidiary.

(2) Including effects in respect of the 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 Cash Flows

	For the six months ended June 30		For the three months ended June 30		For the year ended December 31
	2020[(2)]	2019[(1)]	2020[(2)]	2019[(1)]	2019
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
Cash flows from operating activities					
Net profit (loss) for the period	(452)	(623)	(172)	(630)	317
Profit from discontinued operations, after tax	-	(225)	-	(144)	(1,187)
Loss from continuing operations	(452)	(848)	(172)	(774)	(870)
Adjustments:					
The Group's share in the profit of investee companies accounted by the equity method, net	(42)	21	(26)	35	(37)
Received dividends (including from other investments)	103	47	33	45	49
Realization losses (profits), decrease (increase) and write-downs, net, of investments, assets and dividends	42	612	37	606	627
Decrease (increase) in fair value of investment property, net	156	(40)	(1)	(50)	(106)
Depreciation and amortization	483	446	257	227	915
Financing costs, net	416	342	171	237	518
Expenses (income) of tax on income, net	(52)	15	(12)	10	70
Income tax paid, net	(15)	(18)	(9)	(9)	(23)
Payments with respect to the settlement of derivatives, net	(17)	(7)	(5)	(6)	(10)
Share-based payment expenses	8	4	4	3	9
	1,082	1,422	449	1,098	2,012
Changes in other balance sheet items					
Decrease (increase) in other receivables and debit balances (including long-term amounts)	21	21	(6)	(33)	(2)
Decrease in trade receivables (including long term amounts)	201	150	128	123	215
Decrease in inventory (including long term amounts)	42	123	49	77	142
Change in provisions and benefits to employees	-	-	-	-	(1)
Decrease in trade payables	(57)	(36)	(14)	(94)	(53)
Decrease in other payables and credit balances, provisions and other liabilities (including long term amounts)	(169)	(63)	(129)	(9)	(66)
	38	195	28	64	235
Net cash from continuing operating activities	668	769	305	388	1,377
Net cash from discontinued operating activities	-	179	-	73	263
Net cash from operating activities	668	948	305	461	1,640
Cash flows from investing activities					
Deposits, loans and long term investments provided	(2)	(8)	-	(8)	(15)
Decrease in pledged and restricted deposits, net	14	9	20	9	9
Current investments, loans and short term deposits, net	847	(104)	752	(52)	(241)
Investments and loans, net, in investee companies accounted by the equity method	(24)	(11)	-	(2)	(191)
Non-current investments	(1)	-	(1)	-	(1)
Investments in investment property and in fixed assets	(154)	(209)	(77)	(12)	(370)
Investments in intangible and other assets	(99)	(112)	(47)	(112)	(233)
Receipts in respect of the settlement of derivatives, net	11	8	1	7	9
Add cash due to the initial consolidation of subsidiaries	101	-	-	-	-
Consideration from the realization of consolidated companies, net of cash spent within the framework of their deconsolidation	(4)	-	(4)	-	-
Consideration from the realization of loans and long term deposits	4	-	4	-	-
Receipts from realization of non-current investments, including dividend from the realization	246	14	244	5	27
Receipts from realization of investment property, fixed assets and other assets	171	-	58	-	720
Taxes paid, net, in respect of investment property, fixed assets and other assets	(14)	(34)	(8)	(14)	(53)
Interest received	17	26	7	11	50
Net cash (used in) from continuing investing activities	1,113	(421)	949	(168)	(289)
Net cash used in discontinued investing activities	-	(128)	-	(41)	(39)
Net cash (used in) from investing activities	1,113	(549)	949	(209)	(328)

(1) Restated due to the presentation of the Gav-Yam operation under discontinued operations, see Note 3.A.1.I. below.
(2) Includes the data of Mehadrin, which was initially consolidated on March 9, 2020, see Note 3.A.3. 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
	2020[2]	2019[1]	2020[2]	2019[1]	2019
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
Cash flows for financing activities					
Non-current financial liabilities received	248	665	248	515	665
Repayment of non-current financial liabilities	(576)	(1,254)	(245)	(756)	(2,452)
Interest paid	(260)	(301)	(183)	(211)	(665)
Repayment of lease liabilities	(142)	(134)	(60)	(58)	(289)
Acquisition of treasury shares	-	(96)	-	-	(96)
Issuance of rights in consolidated companies to non-controlling interests	5	27	5	26	166
Current financial liabilities, net	(2)	(44)	12	(34)	(37)
Receipts, including exercised share options, from non-controlling interests in consolidated companies	32	-	15	-	4
Acquisition of shares in consolidated companies from non-controlling interests	(63)	(30)	(63)	-	(30)
Dividend paid to the Company's owners	-	(40)	-	-	(40)
Dividend to non-controlling interests in consolidated companies	(32)	(36)	(31)	(36)	(42)
Payments in respect of the settlement of derivatives	(1)	-	-	-	(2)
Net cash used in continuing financing activities	(791)	(1,243)	(302)	(554)	(2,818)
Net cash used in discontinued financing activities	-	(493)	-	(370)	(493)
Net cash used in financing activities	(791)	(1,736)	(302)	(924)	(3,311)
Increase (decrease) in cash and cash equivalents from continuing operations	990	(895)	952	(334)	(1,730)
Decrease in cash and cash equivalents from discontinued operations	-	(442)	-	(338)	(269)
Increase (decrease) in cash and cash equivalents from continuing operations and from discontinued operations	990	(1,337)	952	(672)	(1,999)
Balance of cash and cash equivalents at start of period	2,812	4,890	2,868	4,198	4,890
Effects of fluctuations in exchange rates on balances of cash and cash equivalents	(11)	(43)	(37)	(16)	(60)
Balance of cash and cash equivalents presented under held for sale assets	(28)	-	(20)	-	(19)
Balance of cash and cash equivalents at end of period	3,763	3,510	3,763	3,510	2,812

(1) Restated due to the presentation of the Gav-Yam operation under discontinued operations, see Note 3.A.1.I. below.
(2) Includes the data of Mehadrin, which was initially consolidated on March 9, 2020, see Note 3.A.3. 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"). As at the publication date of the report, approximately 82.3% of the Company's issued share capital is held by Dolphin IL Investments Ltd. a company incorporated in Israel which is wholly owned by Dolphin Netherlands B.V. ("Dolphin Netherlands"), and approximately 1.5% of the Company's issued share capital is held by Tyrus S.A., a company incorporated in Uruguay which is wholly owned by IRSA Inversiones Y Representaciones Sociedad Anonima ("IRSA"), a foreign corporation. Dolphin Netherlands and IRSA are companies indirectly controlled by Mr. Eduardo Elsztain (through corporations under his control), who directly holds, as of the publication date of the report, approximately 0.3% of the Company's issued share capital.

B. **Impact of the coronavirus** - The outbreak of the novel coronavirus (COVID-19, the "Coronavirus") began in China in the first quarter of 2020, and has since spread around the world, causing concern and uncertainty which led to the imposition of restrictions both in the private and in the public domain. At the end of the second quarter of 2020, Israel experienced another outbreak (second wave) which may trigger the imposition of further and/or new restrictions. The coronavirus pandemic (COVID-19, the "Coronavirus") is having a significant impact on capital markets, and the market value of the Company's holdings declined significantly during the reporting period. For details regarding the market value of the Company's main investments, see Note 3.B below.

Due to the declines which were recorded in stock markets, the Group recorded, in the first half of 2020, loss with respect to net change in the fair value of financial assets, net of tax, in the amount of NIS 107 million. DIC's share in the loss amounted to NIS 78 million. In the second quarter of 2020, the Group recorded profit with respect to net change in the fair value of financial assets, net of tax, in the amount of NIS 36 million. DIC's share in the profit amounted to NIS 30 million.

Following the reduction of rating of the Company's debentures on April 7, 2020, and the non-fulfillment of the financial covenants as at March 31, 2020, the interest rate applicable to the debentures (Series J) was increased, beginning on April 7, 2020, from 4.80% to 5.05%, and beginning on June 30, 2020, from 5.05% to 5.80%, respectively. On June 30, 2020, the Company fulfilled one of the financial covenants which the Company had deviated from on March 31, 2020, and as a result, the interest rate on the debentures (Series J) decreased, beginning on the publication date of the financial statements for the second quarter of 2020, from 5.80% to 5.30%. For additional details, see Note 4.B below.

<u>Described below are the effects on the Company's primary holdings:</u>

<u>Cellcom</u> - Due to the coronavirus crisis and its effects, international tourism has significant declined, which has negatively affected roaming services for outbound tourists, and roaming services for tourists in Israel) and the results for the first half of 2020; it is expected to continue adversely affecting Cellcom's roaming services.

Additionally, the Government of Israel published regulatory directives, for certain periods, intended to contain the coronavirus pandemic in Israel, including a prohibition against congregating in public and leaving home for unnecessary reasons, as well as the closure of malls and cultural and leisure centers, and a significant reduction of in-person presence at workplaces. Following these directives, Cellcom closed its points of sale and service centers for a certain period, which resulted in a decline in end user equipment sales. During that period, Cellcom has adopted measures to reduce the aforementioned negative effects, by cutting expenses and investments, including by reducing sales activity and furloughing many employees. Cellcom's results in the first half of 2020 reflect the negative effects of the coronavirus pandemic on Cellcom's roaming services and on sales of end user equipment to customers.

<u>Note 1 - General</u> (Cont.)

B. (Cont.)

<u>Described below are the effects on the Company's primary holdings</u> (Cont.)

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

At the end of the first and second quarters 2020, DIC checked for external and internal indicators of impairment of the goodwill and brand attributed to Cellcom, including the effect of the economic damage which was caused, due to the coronavirus pandemic, to Cellcom's cash flow forecast, and in light of the increased efficiency measures implemented by Cellcom, including furloughing employees and other specific savings measures which were implemented due to the coronavirus crisis, and reached the conclusion that there were no negative indicators which would have required an impairment test.

Property & Building - HSBC Tower - the HSBC Tower was closed on March 15, 2020, in accordance with directives issued by New York State and New York City. Access to the tower and to its services was permitted to tenants defined as "essential" in accordance with the city's bylaws and regulations. As of the date of publication of the report, New York City is in stage 4 of the deconfinement plan. The tower remains active and open for "essential" businesses and for tenants who choose to work from the offices, subject to restricted occupancy guidelines of up to 50%. As of the publication date of this report, the tower's occupancy rate remained at 98% and the collection rate at the tower during the months April - June 2020 amounted to approximately 98% of total rent charged.

After most of the center at the Tivoli project was closed since March 24, 2020 in accordance with the authorities' instructions, the center was reopened on May 15 2020, subject to restrictions which were announced by the authorities. During the closure period, several lessees encountered difficulties, and some announced the discontinuation of their activity in the project. Several lessees also announced that they would not extend their lease agreements in the project, which are about to expire. However, several new contracts were signed during this period. Rent in respect of March 2020 was collected with not material difference compared to previous months. Approximately 70% of the rent in respect of April – May 2020 was collected so far and 82% of the rent in respect of June 2020. As of the date of this report, management did not set a uniform policy as to giving reliefs to lessees and negotiations are held with each and every lessee. Tivoli's management takes action to complete the collection for the period.

The project's lending bank – Bank of Nevada - has been cooperating with management during the aforementioned period, and approved for IDBG to finance the interest payments in the months May - July 2020, out of the existing reserve in the project account, and not out of current cash flows, as required in the loan agreement.

Property & Building is closely monitoring the effect of the coronavirus pandemic on its business activities, and has been communicating directly with its lessees since the beginning of the crisis.

Property & Building believes that its financial strength and the status of its properties, cash balances, and the current cash flows which it is generating, will allow it to continue financing its activities and service its liabilities.

<u>Note 1 - General</u> (Cont.)

B. (Cont.)

<u>Gav Yam</u> - As at the publication date of Gav Yam's report for the second quarter of 2020, the management of Gav Yam estimated that, in the long term, in light of its financial strength, as reflected, inter alia, in its high balances of available cash and cash equivalents, its low leverage ratio, the average lifetime of its debt and the comfortable distribution thereof, the fact that all of Gav Yam's properties are unpledged, and in light of the broad geographical and sectoral distribution of Gav Yam's properties, as well as their status, locations and occupancy rates, and the fact that the vast majority of properties are used for IT, office, logistics and industrial purposes (and not for commerce or retail), with an emphasis on the quality of lessees, and the distribution of revenues from them, all reduce the exposure of Gav Yam's businesses to the crisis and/or to significant instability, and it has tools at its disposal in order to appropriately deal with the economic crisis described above. In the second quarter of 2020, Property & Building assessed whether there is objective evidence for the impairment of its investment in Gav Yam. In view of, among other things, Gav Yam's operating results in the reported period, which reflect an improvement compared to previous periods (the NOI and FFO metrics), and in view of the fact that Gav Yam's share price over and after the reported period fluctuates and does not reflect an ongoing price decrease, the Company reached the conclusion that there is no objective evidence of impairment in the value of its investment in Gav Yam, and therefore the investment should not be tested for impairment.

<u>Shufersal</u> - In light of the restrictions which were imposed on leaving the home, closures which were imposed on cities in Israel (and even on the entire country for certain periods of time), as well as the closure of various businesses (including in the food sector) in the beginning of the second quarter of 2020, and in light of the sharp increase in morbidity towards the end of the second quarter, and after the date of the statement of financial position (mostly in July 2020), the coronavirus pandemic affected Shufersal's activity during the reporting period. During the crisis period, in light of the nature of the coronavirus crisis (restrictions on movement, lockdown and closure of food businesses), increased demand was seen for food and toiletry products, which affected the food retail segment in Israel, including Shufersal. The coronavirus crisis had an immaterial (net) positive effect on the revenues and operating results from the Be operation. Shufersal's real estate activity was not significantly affected during the crisis period.

It should be noted 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 at the approval date of the financial statements, 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, the concern regarding the development of a local or global recession, or another wave 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. C. These financial statements were prepared according to a condensed framework as at June 30, 2020 and for the three and six month period then ended (the "Interim Financial Statements") in accordance with IAS 34, "Interim Financial Reporting", and do not include all information required in full annual financial statements. These reports should be read and reviewed together with the Company's annual financial statements as at December 31, 2019, and for the year then ended, and of the accompanying notes, which were approved on March 31, 2020 (the "Annual Financial Statements"). The notes to the interim financial statements with respect to contingent investments, engagements, debentures and loans, engagements and liabilities only include the main updates on these matters since the approval date of the annual financial statements.

Note 1 - General (Cont.)

D. **Main 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.;
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.;
IFRS	-	International Financial Reporting Standards.

Note 2 - Significant Accounting Policies

A. Framework for preparation of the interim financial statements

The condensed consolidated interim financial statements were prepared in accordance with generally accepted accounting principles regarding the preparation of financial statements, as determined in International Accounting Standard 34 - "Interim Financial Reporting", and in accordance with the disclosure provisions set forth in Chapter IV of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

These condensed consolidated interim financial statements were approved for publication by the Company's Board of Directors on August 20, 2020. The significant accounting policies which 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.

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. It is noted 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.

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.

<u>Note 2 - Significant Accounting Policies</u> (Cont.)

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

	CPI		Exchange rate of the US Dollar
	known CPI	CPI in lieu	
	Points		NIS
As at			
June 30, 2020	100.1	100.0	3.466
June 30, 2019	101.7	101.1	3.566
December 31, 2019	100.8	100.8	3.456
<u>Rates of change during the period (in percent):</u>			
For the three months ended			
June 30, 2020	(0.2%)	(0.7%)	(2.8%)
June 30, 2019	1.5%	0.4%	(1.8%)
For the six months ended			
June 30, 2020	(0.7%)	(0.8%)	0.3%
June 30, 2019	1.2%	0.9%	(4.9%)
For the year ended			
December 31, 2019	0.3%	0.6%	(7.8%)

E. Initial adoption of new standards

1. **Amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (the "Amendment to IAS 8) and to IAS 1, Presentation of Financial Statements (the "Amendment to IAS 1")**

The amendment to IAS 8, the amendment to IAS 1, and the subsequent amendments to other international financial reporting standards:

A. Use a consistent definition of materiality across the various standards and the conceptual framework;
B. Clarify the explanation regarding the definition of materiality; and
C. Integrate some of the instructions of IAS 1 pertaining to immaterial information.

The amended definition is as follows: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

These amendments were prospectively adopted on January 1, 2020. The initial adoption of the amendments had no material effect on the financial statements.

Note 2 - Significant Accounting Policies (Cont.)

F. Initial adoption of new standards (Cont.)

2. Amendment to International Financial Reporting Standard No. 3 “Business Combinations” (the “Amendment to IFRS 3”)

Pursuant to the Amendment to IFRS 3, to be considered as a business, an acquisition would have to include an input and a substantive process, that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not yet generated outputs). To be a business without outputs, there will now need to be an organized workforce.

The new definition of “output” includes goods and services provided to customers, generating income from the principal activity or other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

Instead of the aforesaid, an entity may opt to apply a “concentration test”, that, if met, eliminates the need for further assessment. Under this optional test, which substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business.

The Amendment to IFRS 3 was applied prospectively on January 1 2020. The first time application of the Amendment to IFRS 3 did not have a material impact on the Company’s financial statements.

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 72.4% at June 30 2020**

   A. In the second quarter of 2020, DIC acquired approximately 3.6% of Property & Building's issued share capital, for a total cost of NIS 51 million, such that DIC's holding rate in Property & Building increased to approximately 72.4%. As a result of the acquisition DIC recorded, in the second quarter of 2020, an increase in capital attributed to the Company's owners in the amount of NIS 19 million. For details regarding purchases after the date of the statement of financial position, see Note 9.A. below.

   B. In May 2020, Property & Building sold 5% of Gav-Yam's issued share capital, such that its stake in Gav-Yam decreased from approximately 34.9% to approximately 29.9%. The gross consideration with respect to the sale of the shares amounted to a total of NIS 191 million. As a result of the aforementioned sale, Property & Building recorded, in the second quarter of 2020, loss in the amount of approximately NIS 34 million. DIC's share in the loss amounted to NIS 23 million.

   C. Further to that stated in Note 3.G.2. to the annual financial statements, regarding the framework agreement which was provided to IDBG by Property & Building, on September 20, 2019 the loan period concluded, and in accordance with the provisions of the framework agreement, the conversion mechanism specified in the framework agreement was activated in a manner whereby the entire balance of debt which was provided by Property & Building according to the framework agreement was converted to capital of IDBG, which was allocated by IDBG to Property & Building, and Property & Building will have the right to receive repayment of the shareholder's loans (under the same conditions as those which apply to the existing shareholder's loans), in accordance with its share in the share capital after the performance of the aforementioned conversion, while during the period until the actual performance of the conversion, the balance of debt continued accruing interest in accordance with the provisions of the framework agreement. On February 17, 2020, the conversion was performed in practice. The ratio which was used to perform the conversion was determined according to the average of three valuations which were prepared by external independent valuers, which determined that, after the performance of the aforementioned conversion, Property & Building's interests in the share capital of IDBG will amount to 74.18%, and the Company's interests in the share capital of IDBG will amount to 25.82%, and that the rights of Property & Building and the Company to receive repayment of the shareholder's loans which were given to IDBG will be in accordance with the aforementioned updated ratio of holdings. Property & Building continued accounting for its investment in IDBG as a joint venture accounted by the equity method, due to the existence of a shareholders agreement between it and IDB Development regarding the parties' holdings in IDBG, according to which so long as each of the parties holds at least 25% of the interests in IDBG, no changes will be made to the composition of IDBG's Board of Directors.

   D. Further to that stated in Note 3.G.2.A.6. to the annual financial statements, regarding a letter in which IDB Development offered Property & Building to commence negotiations towards the acquisition of all of IDB Development's rights in IDBG, in May 2020, after approval was received from Property & Building's Audit Committee and Board of Directors, Property & Building signed an agreement for the acquisition of the balance of IDB Development's rights in IDBG, which constitute, as of the present date, approximately 25.8% of IDBG's issued and paid-up share capital, in consideration of a cash payment in NIS equal to approximately USD 27.8 million. The closing of the transaction was subject to the approval of the general shareholders' meeting of Property & Building, which convened on June 23, 2020, and which resolved not to approve the engagement.

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 72.4% at June 30 2020 (Cont.)**

E. In the first quarter of 2020, the fair value of the HSBC Tower in New York was updated to a total of USD 905 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 at March 31, 2020 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 at March 31, 2020, which were submitted to the Israel Securities Authority and published on June 25, 2020 (reference number 2020-01-067065). As a result of the update to the valuation of the HSBC Tower, net loss of NIS 82 million arose for Property & Building. DIC's share in the net loss amounted to NIS 56 million. The amortization was mostly due to the decline in the growth forecasts and the rental prices for the coming years.

F. The valuation of the Tivoli project in Las Vegas was updated in the first quarter of 2020 to a total of USD 233 million. As a result, Property & Building recorded amortization in the amount of NIS 11 million, which was included under the item for the Group's share in the loss of investee companies accounted by the equity method, net. DIC's share in the aforementioned loss amounted to a total of NIS 8 million. Following the update to the valuation in the first quarter of 2019, Property & Building recorded an amortization in the amount of NIS 3 million, while DIC's share in the aforementioned loss amounted to NIS 2 million.

G. During the months April and May 2020, Property & Building performed swap transactions to exchange CPI-linked NIS cash flows with fixed NIS cash flows with respect to debentures (Series D) of Property & Building. The total sum of the transactions amounts to NIS 1.3 billion. The transactions are being accounted for as an economic hedge transaction which is not subject to hedge accounting. Against these transactions, Property & Building pledged deposits in the amount of NIS 58 million, which are subject to a "mark to market" mechanism.

H. Further to that stated in Note 33.B to the annual financial statements, regarding Property & Building's engagement in an agreement for the sale of its entire stake in Ispro and rights by virtue of shareholder's loans which it provided to Ispro, to an unrelated third party ("Mega Or"), on March 26, 2020, the conclusion date of the due diligence period, Mega Or breached its undertaking to deposit the second deposit amount, in the amount of NIS 40 million, in the trust account. Property & Building demanded that Mega cure the breach, immediately deposit the second deposit amount, and proceed with the closing of the transaction in accordance with its terms. Further to the above, on April 11, 2020, Property & Building submitted to Mega Or notice regarding the conditional termination of the agreement, in which it was stated that Mega Or was being given (beyond the letter of the law) one last possibility to cure its breaches of the agreement, by April 20, 2020. The breaches were not cured by Mega Or by the aforementioned date, and the Mega Or agreement was terminated by Property & Building. On April 8, 2020, Property & Building engaged with Messrs. Kidan Dahari and Yaron Adiv, third parties unrelated to Property & Building (the "Buyers"), in an agreement for the sale of its entire stake in Ispro and rights by virtue of shareholder's loans which it provided to Ispro (the "Agreement").

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 72.4% at June 30 2020 (Cont.)**

H. (Cont.)

In the transaction, the buyers will acquire Property & Building's entire stake in Ispro shares, which constitutes 100% of Ispro's issued capital, and will acquire (through assignment by way of sale) Property & Building's rights by virtue of shareholder's loans which it provided to Ispro (the balance of which, as of the trade date, amounted to NIS 223 million), in consideration of a total of NIS 800 million, plus an additional consideration which will be calculated according to the cash flows from Ispro's activity, on a consolidated basis, excluding non-recurring effects (FFO), from the signing date of the agreement until the earlier of either the end of 2020, or the transaction closing date.

The agreement included a suspensory condition stipulating that the agreement will be automatically terminated in case Mega Or has cured its breaches by April 20, 2020. Due to the fact that Mega Or's breaches were not cured by the aforementioned date, the suspensory condition was not fulfilled, the agreement remained in effect, and the Mega Or agreement was terminated.

On the signing date of the agreement, the buyers submitted, to a trustee for the parties to the agreement, a bank check to the order of Property & Building in the amount of NIS 50 million, which was submitted to Property & Building after Mega Or failed to cure its breaches. The consideration balance will be paid by December 31, 2020, or an earlier date, insofar as it is scheduled earlier by the buyers (the "Closing Date"). In case the buyers wish to postpone the closing date later than December 31, 2020, they will be obligated, as a condition for such postponement, to deposit, by December 31, 2020, an additional sum of NIS 100 million into an account of Property & Building, and the remainder will be paid on the postponed closing date, which, in any case, will be no later than March 31, 2021.

It was further agreed between the parties that the buyers will be entitled to assign all or some of their rights and obligations in accordance with the agreement to Tnufort (1990) Ltd. (a company controlled by the buyers), and they will be entitled to assign up to 49.9% of their aforementioned rights to a third party which is not under their control, subject to several conditions which were specified in the agreement, including the condition requiring guarantors for the fulfillment of all of the buyer's undertakings in accordance with the agreement.

Each of the parties will have the right to terminate the agreement in case of a fundamental breach by the other party of any representation, declaration or undertaking specified in the agreement, insofar as the breach can be cured, and has not been cured within 12 business days. Insofar as the agreement has been terminated by Property & Building, due to a breach, as stated above, by the buyers, Property & Building will be entitled to damages in the amount of NIS 50 million or NIS 100 million (in case the agreement has been terminated after December 31, 2020, and the buyers have deposited the additional sum of NIS 100 million prior to that date), as damages constituting an exclusive and single remedy for the termination of the agreement.

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 72.4% (Cont.)**

Ispro's assets and liabilities are presented as assets and liabilities of a disposal group held for sale, as follows:

	June 30 2020	December 31, 2019
	(Unaudited)	Audited
	NIS millions	
Investment property	1,169	1,230
Other assets	98	81
Adjustment of book value fair value net of selling costs	(16)	-
Total assets of disposal group held for sale	1,251	1,311
Liabilities to banking corporations and financial institutions	308	320
Deferred tax liabilities	95	100
Other liabilities	50	65
Total liabilities of disposal group held for sale	453	485

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 72.4% (Cont.)**

I. Discontinued operation - Gav-Yam

1. Following the sale of Gav-Yam shares by Property & Building, as stated in Note 3.G.2.D. to the annual financial statements, the Gav-Yam operation was presented, until August 31, 2019, as a discontinued operation, while the comparative figures with respect to the results of Gav-Yam for the three and six month periods ended June 30, 2019 were restated in order to present the discontinued operation of Gav-Yam separately from continuing operations.
2. Data regarding the discontinued operation

A. Results of the discontinued operation:

	For the six months ended	For the three months ended
	June 30, 2019	
	(Unaudited)	(Unaudited)
	NIS millions	
Income		
Sales and services	265	137
Increase in fair value of investment property, net	137	122
The Group's share in the profit of investee companies accounted by the equity method, net	6	4
Financing income	22	8
	430	271
Expenses		
Cost of sales and services	30	17
Selling and marketing expenses	4	2
General and administrative expenses	13	7
Financing expenses	103	73
	150	99
Profit before taxes on income	280	172
Taxes on income	(55)	(28)
Profit for the period from discontinued operations	225	144
Net profit from the discontinued operation during the period attributed to:		
The Company's owners	64	40
Non-controlling interests	161	104
	225	144

B. Data regarding the net cash flows which are attributed to the discontinued operation:

	For the six months ended	For the three months ended
	June 30, 2019	
	(Unaudited)	(Unaudited)
	NIS millions	
Net cash from operating activities	179	73
Net cash used in investing activities	(128)	(41)
Net cash used in financing activities	(493)	(370)
Change in cash and cash equivalents from discontinued operations	(442)	(338)

<u>Note 3 - Investee Companies</u> (Cont.)

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

2. **Cellcom, an investee company held by DIC at a rate of 46.2% as at June 30, 2020**

A. In the first half of 2020, approximately 6.5 million Cellcom options (Series 3) were exercised, as well as approximately 0.8 million Cellcom options (Series 4), for a total consideration of NIS 64 million (including DIC, as stated below). In June 2020, DIC exercised 3.8 million Cellcom options (Series 3), at a total cost of approximately NIS 33 million. Due to the above, DIC's stake in Cellcom's issued share capital increased to approximately 46.2%, and DIC recorded, in the first half of 2020, an increase in capital attributed to the Company's owners in the amount of NIS 5 million. For details regarding the terms of Cellcom's options (Series 3 and Series 4), see Note 3.G.1.D. to the annual financial statements.

B. In May 2020, Cellcom issued to the public NIS 222 million par value of debentures (Series L), and 2.22 million options (Series 4). Each warrant (Series 4) entitles its holder to acquire one ordinary Cellcom share, at an exercise price of NIS 9.6, until September 30, 2020. The securities were listed on the Tel Aviv Stock Exchange. The total net consideration which Cellcom received from the issuance was NIS 200 million. For details regarding the terms of Cellcom's debentures (Series L), see Notes 15. A.1.D. and 15.D.1.C. to the annual financial statements.

C. Further to that stated in Note 33.D. to the annual financial statements, regarding the engagement of Cellcom, Golan Telecom's shareholders, and Golan Telecom, in a binding memorandum of understanding for the acquisition of the entire issued share capital of Golan Telecom, in June 2020, the Competition Authority Commissioner approved the transaction; in August 2020 the Ministry of Communication approved the transaction subject to certain conditions, including Golan Telcom's becoming a Mobile Virtual Network Operator (MVNO) for a certain period of time and a requirement that Golan Telcom will repay financial benefits it previously received, totaling app. NIS 75 million. Golan Telcom disagrees with this requirement. A final decision on that matter will be made by the Ministry of Communications at a later stage. Cellcom is reviewing the conditions.

3. **Mehadrin, an investee company held by DIC at a rate of 43.7% as at June 30, 2020**

A. In the first quarter of 2020, DIC acquired approximately 8.8% of Mehadrin's issued share capital, for a total cost of NIS 39 million, such that its holding rate in Mehadrin increased from approximately 31.4% to approximately 40.2%. The aforementioned acquisitions of Mehadrin shares resulted in DIC gaining control of Mehadrin. As a result of the aforementioned rise to control, beginning on March 9, 2020, DIC discontinued the presentation of its investment in Mehadrin according to the equity method in its consolidated financial statements, and began consolidating Mehadrin's reports. Notwithstanding the fact that DIC holds less than half of the voting rights in Mehadrin, the Company believes that it holds effective control of Mehadrin (inter alia, due to the Company's significant holding rate in its voting rights, the distribution of the other voting rights, and in light of the voting patterns in general meetings of Mehadrin shareholders).

On the date of the rise to control of Mehadrin, March 9, 2020, the investment in Mehadrin prior to obtaining control was remeasured according to the fair value of Mehadrin shares, according to the price on the stock exchange at that time. The difference between the aforementioned fair value and book value of Mehadrin prior to obtaining control, in the amount of NIS 100 million, was recognized as loss in the statement of income.

Note 3 - Investee Companies (Cont.)

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

3. **Mehadrin, an investee company held by DIC at a rate of 43.7% as at June 30, 2020 (Cont.)**

The Company prepared a paper regarding the allocation of the fair value of Mehadrin's assets and liabilities as of the date of rise to control. Due to the fact that Mehadrin's market value, as of the date of rise to control, is less than the price which is reflected by the capital attributed to Mehadrin's owners, negative goodwill was created in the aforementioned paper. DIC's share in the negative goodwill amounts to NIS 112 million, and was recognized as income in the statement of income. As a result of the above, DIC recorded, in the first quarter of 2020, net profit due to the rise to control of Mehadrin and the allocation of negative value to goodwill in the total amount of NIS 12 million, net, under the item for profit from realization and increase in the value of investments, assets and dividends.

B. The Company prepared a paper regarding the allocation of the balance of the investment in Mehadrin on the date of the rise to control, in which it recognized fair value adjustments to tangible and intangible assets and liabilities in Mehadrin's books, as follows[(1)]:

	NIS millions
Consideration	
Additional purchase cost	39
Fair value of existing rights prior to obtaining control	114
	153
Purchased assets and liabilities:	
Total assets and liabilities acquired (see section c below)	661
Minority interest recognized upon obtaining control	(396)
Owners' share	265
DIC's share in negative goodwill (profit from bargain purchase)	112
Loss from revaluation of rights existing prior to obtaining control to fair value:	
Fair value of rights existing prior to obtaining control	114
Book value of rights existing prior to obtaining control	(214)
Loss from revaluation of rights existing prior to obtaining control to fair value	(100)
Total net profit from obtaining control and from bargain purchase	12

(1) The determination of the fair value of the assets and liabilities is subject to a final assessment of the allocation of the value of the balance of the investment, which has not yet been completed as at the approval date of these financial statements. The fair value of the assets and liabilities can be finally adjusted until 12 months after the date of the rise to control. On the final measurement date, the adjustments are made by restating comparative figures which were previously reported according to the temporary measurement.

Note 3 - Investee Companies (Cont.)

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

3. **Mehadrin, an investee company held by DIC at a rate of 43.7% as at June 30, 2020 (Cont.)**

C. Assets and liabilities which were acquired on the date of initial consolidation:

	Value in the books of Mehadrin on the date of initial consolidation	Fair value adjustments	Values recognized in the initial consolidation
		(Unaudited)	
		NIS millions	
Non-current assets			
Investments in investee companies accounted by the equity method	105	-	105
Fixed assets	165	159	324
Loans and debit balances	114	-	114
Right-of-use assets	215	-	215
Intangible assets	39	(36)	3
Other non-current assets	118	-	118
Current assets			
Other receivables and debit balances	172	-	172
Trade receivables	139	-	139
Inventory	142	-	142
Cash and cash equivalents	140	-	140
Other current assets	41	-	41
Non-current liabilities			
Lease liabilities	93	-	93
Deferred tax liabilities	14	36	50
Other non-current liabilities	22	-	22
Current liabilities			
Credit from banking corporations and current maturities of loans from banks and others	368	2	370
Other payables and credit balances	207	-	207
Other current liabilities	110	-	110
Total	576	85	661

D. Change in cash on the date of initial consolidation:

	NIS millions
Consideration paid	(39)
Cash in Mehadrin	140
Total	101

E. Summary information with respect to Mehadrin

	From March 9, 2020 to June 30, 2020	For the three months ended June 30, 2020
	(Unaudited)	
	NIS millions	
Income	428	317
Loss for the period	(14)	(20)
Attributable to:		
The Company's owners	(6)	(8)
Non-controlling interests	(8)	(12)

Note 3 - Investee Companies (Cont.)

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

3. **Mehadrin, an investee company held by DIC at a rate of 43.7% as at June 30, 2020 (Cont.)**

F. Had the rise to control described in section A above been implemented beginning on January 1, 2020, consolidated loss in the first half of 2020 would have amounted to NIS 438 million (additional profit of NIS 14 million), consolidated loss attributable to the Company's shareholders in the first half of 2020 would have amounted to NIS 300 million (additional profit of NIS 2 million), and total income in the consolidated statement of income in the first half of 2020 would have amounted to NIS 2,831 million (an increase of NIS 352 million).

G. In the second quarter of 2020, DIC acquired approximately 3.5% of the issued share capital of Mehadrin, at a total cost of approximately NIS 14 million, such that DIC's holding rate in Mehadrin increased to approximately 43.7%. As a result of the aforementioned acquisition, the Company recorded, in the second quarter of 2020, an increase in capital attributed to the Company's owners in the amount of NIS 9 million.

4. **Shufersal, an investee company held by DIC at a rate of 26.0% as at June 30, 2020**

For details regarding DIC's sale of its entire stake in Shufersal, of approximately 26%, on July 26, 2020, after the date of the statement of financial position, for a total net consideration of NIS 1,450 million, see Note 9.C. below.

B. Details regarding investments in investee companies directly held by DIC as at June 30, 2020

	Stake in share capital and in voting rights June 30, 2020	Scope of investment in the investee company	Reserves (1)	Total	Market value of shares listed on the Tel Aviv Stock Exchange as at June 30, 2020	Market value of shares listed on the Tel Aviv Stock Exchange as at August 18, 2020	Country of incorporation
	%	NIS millions					
Primary consolidated companies *							
Property & Building Ltd.	72.4	1,439	150	1,589	943	1,036(3)	Israel
Cellcom Israel Ltd. (in voting - 48.4%)	46.2	1,207	2	1,209	987(2)	932	Israel
Mehadrin Ltd.	43.7	282	-	282	170	199(3)	Israel
Elron Electronic Industries Ltd.	61.1	138	91	229	161	196	Israel
Epsilon Investment House Ltd.	68.8	55	-	55			Israel
Primary associate company							
Shufersal Ltd.	26.0	1,396	5	1,401	1,400	-(4)	Israel
Other investee companies *		23	(9)	14			
Total		4,540					

* Investments in consolidated companies do not include headquarter companies wholly owned by DIC. The data presented above include investments through wholly owned headquarter companies of DIC. 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 owners of the Company.

(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 carried to profit and loss or to retained earnings.

(2) Cellcom is also listed in the United States. The market value of the holding in Cellcom, according to the closing price for trading in the United States (NYSE) on June 30, 2020 was NIS 984 million.

(3) Market value including acquisitions of Mehadrin and Property & Building after the date of the statement of financial position, see Note 9.A. below.

(4) For details regarding DIC's sale of its entire stake in Shufersal, of approximately 26%, on July 26, 2020, after the date of the statement of financial position, see Note 9.C. below.

(5) 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.

(6) 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 especially subject to a restriction on its ability to sell some of its shares in Cellcom to non-Israeli entities, see Note 9.G below.

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 condensed financial statements as at June 30, 2020 of IDBG, which is a material investee company jointly controlled by Property & Building and IDB Development (as at June 30, 2020, at capital holding ratios of 74.2% and 25.8%, respectively), which is accounted by the equity method. For additional details, see Note 3.G.2.A.3. to the annual financial statements, and Note 3.A.1.C. above.

2. **Summary information regarding material associate companies**

This section includes details regarding associate companies which fulfill one or more of the following tests:

- The Company's share in the investment amount in the associate company (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 (through concatenation) exceeds 10% (in absolute values) of the representative annual profit during the relevant period, as specified in Note 1.D.4.C. above. to the annual financial statements, and weighted according to the relative share of the evaluated period.
- Qualitative considerations.

	As at June 30 2020	As at June 30 2019	As at December 31 2019
	(Unaudited)	(Unaudited)	(Audited)
		NIS millions	
Shufersal[(a)]			
Current assets	3,361	2,939	2,807
Non-current assets	9,207	8,824	9,147
Total assets	12,568	11,763	11,954
Current liabilities	3,901	3,507	3,705
Non-current liabilities	6,668	6,494	6,335
Total liabilities	10,569	10,001	10,040

	For the six months ended June 30		For the three months ended June 30		For the year ended December 31
	2020	2019	2020	2019	2019
	(Unaudited)		(Unaudited)		(Audited)
			NIS millions		
Shufersal					
Revenues and rent	7,420	6,578	3,689	3,429	13,360
Income for the period	170	96	80	48	268
Other comprehensive loss	(11)	(9)	(14)	(16)	(36)
Total comprehensive income for the period	159	87	66	32	232

(A) Shufersal's field of activity is retail, its country of incorporation is Israel, its business operations are in Israel, and the Group's rate of ownership in its capital and voting rights as at the date of the financial statements is 26.0%. For details regarding DIC's sale of its entire stake in Shufersal on July 26, 2020, after the date of the statement of financial position, see Note 9.C. below.

Note 3 - Investee Companies (Cont.)

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

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

	As at June 30 2020	As at June 30 2019	As at December 31 2019
	(Unaudited)	(Unaudited)	(Audited)
		NIS millions	
Gav-Yam [(a)]			
Current assets	1,672	1,215	1,641
Non-current assets	8,362	7,322	8,032
Total assets	10,034	8,537	9,673
Current liabilities	854	410	652
Non-current liabilities	5,655	4,873	5,425
Total liabilities	6,509	5,283	6,077

	For the six months ended June 30		For the three months ended June 30		For the year ended December 31
	2020	2019	2020	2019	2019
	(Unaudited)		(Unaudited)		(Audited)
			NIS millions		
Gav-Yam					
Income	323	402	154	259	930
Income for the period	141	225	68	144	564
Total comprehensive income for the period	141	225	68	144	564

(a) Gav-Yam's field of activity is real estate, its country of incorporation is Israel, its business operations are in Israel, and the Group's rate of ownership (through Property & Building) in its capital and voting rights as at the date of the financial statements is 29.9%.

Note 3 - Investee Companies (Cont.)

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

3. **Summary information regarding material joint ventures**

This section includes details regarding joint ventures which fulfill one or more of the following tests:

- The Company's share in the total investment in the joint venture (through concatenation) exceeds 10% of the capital attributable to the owners of the Company in the relevant consolidated statement of financial position;
- The Company's share in the results of the joint venture (through concatenation) exceeds 10% (in absolute values) of the representative annual profit during the relevant period, as specified in Note 1.D.4. to the annual financial statements, and weighted according to the relative share of the evaluated period.
- Qualitative considerations.

	As at June 30 2020	As at June 30 2019	As at December 31, 2019
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions		
IDBG[(a),(b)]			
Cash and cash equivalents	14	14	12
Total current assets	76	83	72
Total non-current assets	827	913	848
Current financial liabilities (excluding trade payables, other payables and provisions)	(153)	(391)	(153)
Total current liabilities	(180)	(415)	(180)
Total non-current financial liabilities (excluding trade payables, other payables and provisions)	(723)	(581)	(740)

(a) IDBG holds interests in a commercial and office center (which is under construction in stages), in Las Vegas. Its country of incorporation is the United States, and the Group's stake in its equity and voting rights as at the date of the financial statements is 74.2% and 50%, respectively (held by Property & Building). For additional details, see Note 3.G.2.A.3. above. to the annual financial statements.

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

	For the six months ended June 30 2020	For the six months ended June 30 2019	For the three months ended June 30 2020	For the three months ended June 30 2019	For the year ended December 31 2019
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
IDBG[(b)]					
Income	22	22	11	12	45
Financing income (expenses), net [(a)]	7	(19)	(6)	(7)	15
Loss for the period from continuing operations and total comprehensive loss for the period [(a)]	-	(16)	-	-	(16)
(a) Includes financing income with respect to shareholder's loans in the amount of.	20	-	3	2	52

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

D. Dividends which were received by DIC from directly held investee companies

	For the six months ended June 30, 2020 – Amount distributed	For the six months ended June 30, 2020 – DIC share	For the three months ended June 30, 2020 – Amount distributed	For the three months ended June 30, 2020 – DIC share
	NIS millions		NIS millions	
Consolidated company				
Property & Building	100	69	100	69
Epsilon	2	1	-	-
Associate company				
Shufersal	80	21	80	21
		91		90

Note 4 - Events During the Reporting Period

A. In June 2020, DIC's general meeting approved, after approval was received from DIC's Board of Directors and Compensation Committee, the terms of tenure and employment of Mr. Doron Cohen, the Company's General Manager, which include:

1. Scope of position: The General Manager will be employed in the Company in full time (100%) position.
2. Employment period: The General Manager will be employed by DIC beginning on March 15, 2020 (the "Tenure Commencement Date").
3. Fixed salary: The monthly base salary will amount to NIS 120 thousand. The salary will be linked to increases in the consumer price index.
4. Fringe benefits: Social and fringe benefits according to DIC's standard practice, as well as loss of working capacity insurance. The Company's General Manager will also be entitled to a vehicle, according to the grade which will be practiced in the Company from time to time, with respect to members of management; grossing-up of tax with respect to the vehicle's value; and reimbursement of expenses with respect to the vehicle's maintenance and use (e.g., insurance, fuel, etc.).
5. Variable component - capital compensation

   The General Manager will be entitled to 2,500,000 unlisted options (the "Options"), exercisable into 2,500,000 ordinary DIC shares with a par value of NIS 1 each ("Ordinary Shares", and after being exercised, the "Exercise Shares"). The options will be subject to the terms of the options plan for Company officers, as approved by DIC's Board of Directors on March 23, 2016, as amended on May 30, 2018. The total benefit value of the options amounts to a total of approximately NIS 4.0 million, based on the B&S model, as at the approval date of the general meeting. DIC is expected to record, in the first calendar year, an expense with respect to the options in the amount of NIS 1.8 million. The exercised shares will constitute, after their allocation, approximately 1.7% of DIC's issued and paid-up share capital (less dormant shares, and including taking into account all stock options granted to the General Manager), as of April 27, 2020. The General Manager's entitlement to the options will vest in 5 equal tranches, over a period of 5 years after the tenure commencement date, as follows:

	Percent of total options	Vesting date	Exercise date	Exercise price for each option
First tranche	20%	One year from April 27, 2020	Five years after April 27, 2020	NIS 6.187
Second tranche	20%	Two years from April 27, 2020	Five years after April 27, 2020	NIS 6.663
Third tranche	20%	Three years after April 27, 2020	Five years after April 27, 2020	NIS 7.177
Fourth tranche	20%	Four years after April 27, 2020	Seven years after April 27, 2020	NIS 7.729
Fifth tranche	20%	Five years after April 27, 2020	Seven years after April 27, 2020	NIS 8.324

6. Variable component - annual bonus: The General Manager will be entitled to an annual bonus, beginning in 2020, which will not exceed 12 monthly salaries, subject to the fulfillment of the conditions specified in the compensation policy, as amended from time to time, including, inter alia, with respect to the threshold conditions. The annual bonus shall be based on measurable targets that will be approved on an annual basis in accordance with the provisions of the Compensation Policy and pursuant to the Company's works plans and strategies.
7. Annual cost of compensation: The total annual cost, with respect to the fixed component, fringe benefits, and variable component, with respect to a 100% position, based on the data regarding tenure in the Company, as stated above (assuming entitlement to the maximum bonus), is approximately NIS 4.5 million.
8. Termination of the agreement and advance notice: each party will be entitled, at any time, and unilaterally, to notify the other party of the termination of the employment agreement, by giving written notice six months in advance.
9. The employment agreement includes provisions regarding confidentiality, and regarding non-competition and intellectual property rights. Furthermore, by virtue of the status of the Company's General Manager as an officer of the Company, the General Manager was included in the Company's standard arrangements regarding insurance, indemnification and release, in accordance with previous resolutions of the Company.

Note 4 - Events During the Reporting Period (Cont.)

B. On April 7, 2020, S&P Maalot reduced the rating of the Company’s debentures from il/BBB (Negative) to il/BBB- (Negative). Following the rating reduction, the interest rate applicable to the Company’s debentures (Series J) was increased, beginning on April 7, 2020, from 4.80% to 5.05%. As of March 31, 2020, the Company’s net asset value and the ratio of net financial debt to asset value amounted to NIS 157 million and 95%, respectively. Following the non-fulfillment of financial covenants as at March 31, 2020, the interest rate applicable to the Company’s debentures (Series J) was increased, beginning on June 30, 2020, from 5.05% to 5.80%. As of June 30, 2020, the ratio between net financial debt and asset value amounted to 81%, due to the fulfillment of the financial covenant as of June 30, 2020, which the Company did not fulfill as of March 31, 2020, which will lead to the reduction of the interest rate, beginning from the publication date of the financial statements for the second quarter of 2020, from 5.80% to 5.30%. 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.

C. Further to that stated in Note 33.B.1. to the annual financial statements, regarding the agreement for the cost allocation agreement (services agreement), on June 25 and 29 2020, the Company’s Audit Committee and Board of Directors, respectively, approved revisions to the terms of the Company’s engagement with IDB Development in the cost allocation agreement (services agreement) for a period of 3 years, effective as from July 1, 2020 and until June 30, 2023 (hereafter – the "Revised Services Agreement"). The Revised Services Agreements provides, among other things, that instead of a cost allocation ratio for the common services (as defined in the said note), which is determined in the agreement, pursuant to which the Company bears 60% of the cost of the remuneration for the service providers (as defined in the said note), and the IDB Development bears 40% of that cost, and the mechanism that was set therein for an annual review of the changes in the cost of renumeration of service providers and the revising of the allocation ration (to the extent needed), the Company will make the common services available to IDB Development at a scope of no more than 20% of a full time position (weighted annually and in relation to all service providers) and in relation to Mr. Kaufman, who serves as the Company's VP and internal legal counsel and as the CEO of IDB Development (since April 21, 2020), the scope of his position will be divided equally between the parties (50% -50%) (hereafter – the "New Services Allocation Ratio"). In consideration for the performance of the common works and the New Services Allocation Ratio pursuant to the Revised Services Agreement, the IDB Development will pay the Company a fixed annual payment of NIS 3.3 million in respect of the first year (i.e. from July 1, 2020 to June 30, 2021) and an amount of NIS 2.5 million as from the end of the first year, as aforesaid (plus VAT). Furthermore, the Revised Services Agreement clarifies that IDB will have exclusive discretion regarding Mr. Kaufman's role in IDB Development and in determining his remuneration in respect of his role as IDB Development's CEO, provided that the said roles will not impair Mr. Kaufman’s ability to continue serving in his position as the CEO of IDB Development at the scope of 50% of a full time position at the very least. Accordingly, further to the mechanism that is set in the agreement for the distribution of the uses and office expenses, as described in Note 33.B.1.(A) to the annual financial statements, the ratio of the allocation of costs between the Company and IDB Development was revised such that in respect of the costs regulated under the said agreement IDB Development shall bear an annual cost of NIS 700 thousand (plus VAT) in respect of the first year (as from July 1, 2020) and NIS 500 thousand (plus VAT) as from the second year and thereafter. The engagement pursuant to the Revised Services Agreement was approved by the Company's General Meeting in August 2020 (among other things, by a majority of shareholders who do not have a personal interest in the resolution), and by the competent organs of IDB Development

Note 5 – Claims and Contingent Liabilities

A. For details regarding claims and contingent liabilities against the Company and its investee companies, including a claim which was received by IDB Development in connection with compliance with the provisions of the Concentration Law, which were pending as at December 31, 2019, see Notes 22 and 3.F.2., respectively, to the annual financial statements.

B. **Claims and contingent liabilities which are pending against the Company and its investee companies as at June 30, 2020, and material changes therein during the first half of 2020 and after the date of the statement of financial position:**

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

1. **Claims and contingent liabilities against DIC and derivative claim**

The financial statements of DIC as at June 30, 2020 include provisions with respect to legal claims against DIC in the total amount of NIS 7 million, while the original amount of the claims with respect to them amounts to NIS 50 million.

2. **Claims against Cellcom**

A. Presented below is a description of the pending claims against Cellcom:

Balance of the provision	Claim amounts
NIS millions	
54	1,943 (1),(2)

(1) Including claims against Cellcom and additional defendants together in the total amount of NIS 768 million, in which an amount claimed separately from Cellcom was not specified.

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

Note 5 – Claims and Contingent Liabilities (Cont.)

B. **Claims and contingent liabilities which are pending against the Company and its investee companies as at June 30, 2020, and material changes therein during the first half of 2020 and after the date of the statement of financial position (Cont.)**

2. **Claims against Cellcom (Cont.)**

B. Presented below are details regarding the amount and quantity of contingent liabilities against Cellcom which are in effect as at June 30, 2020, distributed by claim amount:

Claim amount	Number of claims	Claim amounts NIS millions
Consumer claims - up to NIS 100 million	16	587
Consumer claims - NIS 100 million to NIS 500 million	2	555
Consumer claims in which the claim amount was not specified	15	-
Consumer claims in which the amount claimed from Cellcom and additional defendants was not specified	8	-
Consumer claims against Cellcom and additional defendants in which the amount claimed separately from Cellcom was not specified	3	765
Consumer claims against Cellcom and additional defendants together, in which the amount claimed separately from Cellcom was not specified	1	3
Non-consumer claims - Up to NIS 100 million	28	33
Total	73	1,943

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

After the date of the statement of financial position, two claims and motions to approve them as class action were filed against Cellcom. The total amount of the claims is NIS 279 million. At this preliminary stage it is not possible to assess Cellcom's chances of prevailing in those claims. Furthermore, a claim and a motion to approve it as a class action that were filed against Cellcom and other defendants were concluded; the said claim was estimated by the plaintiffs at NIS 65 million. Three claims and motions to approve them as class actions, which were filed against Cellcom and estimated by the plaintiffs at app. NIS 291 million were also concluded.

3. **Claims against Property & Building**

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

Balance of the provision	Total additional exposure	Total
NIS millions		
8	50	58

B. Presented below are details regarding the quantity and amount of Property & Building's contingent liabilities as at June 30, 2020, distributed by claim amount:

Claim amount	Number of claims	Claim amounts NIS millions
Up to NIS 100 million	44	58

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 at June 30, 2020		As at June 30, 2019		As at December 31, 2019	
	(Unaudited)				(Audited)	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
	NIS millions					
Financial liabilities						
Debentures [(a),(b)]	10,949	10,015	16,625	16,646	11,031	11,181
Long term loans from banks and others [(a),(b)]	1,898	1,904	2,233	2,269	1,835	1,849
	12,847	11,919	18,858	18,915	12,866	13,030

(a) Book value including current maturities and accrued interest. Fair value as at 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 and lease liabilities is estimated using the future cash flow discounting method, with respect to the principal and interest components in loans and payments of lease liabilities, which are discounted according to the market interest rate as at 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 at 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 at June 30, 2020	As at June 30, 2019	As at December 31, 2019
	(Unaudited)		(Audited)
	NIS millions		
Financial assets	45	86	117
Financial liabilities	(21)	(1)	(5)

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 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 at January 1, 2020	156	210	366	-
Total income (loss) recognized:				
Under profit and loss [(a)]	(22)[(b)]	(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 first time measurement at fair value , at level 3	-	244[(c)]	244	-
Balance as at June 30, 2020	134	437	571	(1)
(A) Total profit for the period included under profit and loss with respect to held assets as at 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.
(C) See Note 3.A.1.C. above.

	For the six months ended June 30, 2019 (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 at January 1, 2019	179	-	179	(4)
Initial measurement at fair value due to the initial adoption of the amendment to IAS 28	-	315	315	-
Total income (loss) recognized:				
Under profit and loss [(a)]	(19)[(b)]	(14)	(33)	-
Under other comprehensive income (in the item for the reserves from translation differences)	(4)	(15)	(19)	-
Redemptions	-	(4)	(4)	-
Transfer from level 3	(2)	-	(2)	-
Transfers to level 3	9	-	9	-
Balance as at June 30, 2019	163[(1)]	282	445	(4)
(A) Total profit for the period included under profit and loss with respect to held assets as at June 30, 2019:				
Net loss from realization and increase (decrease) in the value of investments and assets	(19)	-	(19)	
The Group's share in the net profit (loss) of investee companies accounted by the equity method, net	-	(14)	(14)	

(B) Not including income from dividends in the amount of NIS 6 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, 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 at April 1, 2020	154	453	607	(1)
Total income (loss) recognized:				
Under profit and loss [(a)]	(16) [(b)]	(3)	(19)	-
Under other comprehensive income (in the item for the reserves from translation differences)	(3)	(13)	(16)	-
Realizations	(1)	-	(1)	-
Balance as at June 30, 2020	134	437	571	(1)
(A) Total profit for the period included under profit and loss with respect to held assets as at 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)	-

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

	For the three months ended June 30, 2019 (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 at April 1, 2019	168	292	460	(4)
Total income (loss) recognized:				
Under profit and loss [(a)]	(2)[(b)]	(4)	(6)	-
Under other comprehensive income (in the item for the reserves from translation differences)	(1)	(5)	(6)	-
Redemptions	-	(1)	(1)	-
Transfer from level 3	(2)	-	(2)	-
Balance as at June 30, 2019	163[(1)]	282	445	(4)
(A) Total profit for the period included under profit and loss with respect to held assets as at June 30, 2019:				
Net loss from realization and increase (decrease) in the value of investments and assets	(2)	-	(2)	
The Group's share in the net profit (loss) of investee companies accounted by the equity method, net	-	(4)	(4)	

(B) Not including income from dividends in the amount of NIS 6 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, 2019			
	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 at January 1, 2019	179	-	179	(4)
Initial measurement at fair value due to the initial adoption of the amendment to IAS 28	-	315	315	-
Total income (loss) recognized:				
Under profit and loss [(a)]	(23)[(b)]	(46)	(69)	4
Under other comprehensive income (in the item for the reserves from translation differences)	(6)	(23)	(29)	-
Investments	1	-	1	-
Redemptions	(2)	(8)	(10)	-
Fair value adjustments	-	(28)	(28)	-
Transfer from level 3	(2)	-	(2)	-
Transfers to level 3	9	-	9	-
Balance as at December 31, 2019	156[(1)]	210	366	-
(A) Total income (loss) for the period included under the income statement with respect to held assets as at December 31, 2019:				
Net loss from realization and increase (decrease) in the value of investments and assets	(23)	-	(23)	4
The Group's share in the net profit (loss) of investee companies accounted by the equity method, net	-	(46)	(46)	-

(B) Not including income from dividends in the amount of NIS 8 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 which are not registered for trading 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
	2020	2019(1)	2020	2019(1)	2019
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
Telecommunication services	1,374	1,382	687	703	2,791
Sale of communication equipment	397	489	180	237	964
Building rentals	204	220	103	110	438
Sale of apartments and real estate	63	197	28	106	336
Income from the agriculture segment	403	-	294	-	-
Income from management and consulting fees of an investment house	22	20	11	12	50
Others	16	20	9	9	42
	2,479	2,328	1,312	1,177	4,621

(1) Restated due to the presentation of the Gav-Yam operation under discontinued operations, see Note 3.A.1.I. above.

Note 8 - Operating Segments

The segmental division basis and the measurement basis used for segmental profit and loss is identical to that presented in Note 32 to the annual financial statements, regarding operating segment.

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

A. Segmental results

	Cellcom	Property & Building(1)	Shufersal(2)	Other (Elron)	Adjustments for the consolidation	Consolidated
	NIS millions					
For the six month period ended June 30, 2020 (unaudited)						
Sales and services	1,747	201	7,420	-	(6,889)	2,479
Segmental results - attributable to the owners of the Company	(41)	(149)	37	(26)	(123)	(302)
For the six month period ended June 30, 2019 (unaudited)						
Sales and services	1,848	681	6,578	-	(6,779)(3)	2,328
Segmental results - attributable to the owners of the Company	(539)	48	18	(24)	(136)	(633)
For the three month period ended June 30, 2020 (unaudited)						
Sales and services	855	95	3,689	-	(3,327)	1,312
Segmental results - attributable to the owners of the Company	(21)	(50)	17	(8)	(42)	(104)
For the three month period ended June 30, 2019 (unaudited)						
Sales and services	920	352	3,429	-	(3,524)(3)	1,177
Segmental results - attributable to the owners of the Company	(532)	11	9	(13)	(77)	(602)
For the year ended December 31, 2019 (audited)						
Sales and services	3,708	627	13,360	-	(13,074)	4,621
Segmental results - attributable to the owners of the Company	(564)	666	56	(48)	(96)	14

(1) Gav-Yam's operating results are presented in the statements of income until the date of loss of control on August 31, 2019, under discontinued operations.
(2) For details regarding DIC's sale of its entire stake in Shufersal, of approximately 26%, on July 26, 2020, after the date of the statement of financial position, see Note 9.C. below.
(3) Restated due to the presentation of the Gav-Yam operation under discontinued operations, see Note 3.A.1.I. below.

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
	2020	2019	2020	2019	2019
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
Reversal of amounts with respect to the Shufersal operation	(7,420)	(6,578)	(3,689)	(3,429)	(13,360)
Sales of Mehadrin	428	-	317	-	-
Other adjustments	103	[1] (201)	45	(95)[1]	286
	(6,889)	(6,779)	(3,327)	(3,524)	(13,074)

(1) Restated due to the presentation of the Gav-Yam operation under discontinued operations, see Note 3.A.1.I. above.

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
	2020	2019	2020	2019	2019
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
Inclusion of the results of DIC headquarters (primarily general and administrative, financing and taxes) *	(131)	(126)	(32)	(84)	(161)
Mehadrin's contribution to the Company's results	13	-	(8)	-	-
Other adjustments	(5)	(10)	(2)	7	65
	(123)	(136)	(42)	(77)	(96)

<u>Note 8 - Operating Segments</u> (Cont.)

B. Segmental assets

	Cellcom	Property & Building	Shufersal	Other (Elron)	Adjustments for the consolidation	Consolidated
	NIS millions					
As at June 30, 2020 (unaudited)	6,782	8,876	12,568	333	(8,414)	20,145
As at June 30, 2019 (unaudited)	7,096	16,404	11,763	452	(7,804)	27,911
As at December 31, 2019 (Audited)	7,162	9,405	11,954	393	(8,805)	20,109

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

	As at June 30		For the year ended December 31
	2020	2019	2019
	(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)	(11,763)	(11,954)
Inclusion of the investment amount in associate companies based on their book value, as included in the financial statements	1,403	1,360	1,598
Inclusion of adjustments to fair value of assets of subsidiaries and goodwill with respect to them in DIC	613	560	491
Inclusion of other assets of DIC headquarters	734	1,864	888
Inclusion of Mehadrin’s assets	1,235	-	-
Other adjustments	169	175	172
	(8,414)	(7,804)	(8,805)

Note 8 - Operating Segments (Cont.)

C. Segmental liabilities

	Cellcom	Property & Building	Shufersal	Other (Elron)	Adjustments for the consolidation	Consolidated
	NIS millions					
As at June 30, 2020 (unaudited)	4,908	6,844	10,569	31	(5,993)	16,359
As at June 30, 2019 (unaudited)	5,468	12,784	10,001	36	(5,387)	22,902
As at December 31, 2019 (Audited)	5,275	7,067	10,040	38	(6,202)	16,218

Composition of adjustments to segmental liabilities in the consolidated report:

	As at June 30 2020	As at June 30 2019	As at December 31 2019
	(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)	(10,001)	(10,040)
Inclusion of the liabilities of DIC headquarters	3,722	4,466	3,695
Inclusion of adjustments to the fair value of liabilities of subsidiaries in DIC	91	53	54
Inclusion of Mehadrin's liabilities	674	-	-
Other adjustments	89	95	89
	(5,993)	(5,387)	(6,202)

Note 9 - Events After the Date of the Statement of Financial Position

A. In July 2020, DIC acquired 1.4% of Property & Building's share capital, for a total cost of approximately NIS 18 million. As a result of the acquisition, DIC is expected to record, in the third quarter of 2020, an increase in capital attributed to the Company's owners in the amount of NIS 10 million. The aforementioned estimated increase in capital is based on Property & Building's capital as at June 30, 2020, and is subject to changes in the capital of Property & Building from the foregoing date until the acquisition date.

B. For details regarding the adjustment of the interest rate applicable to the Company's debentures (Series J), beginning on the publication date of the financial statements, from 5.80% to 5.30%. See Note 4.B. above.

C. On July 26, 2020, DIC sold its entire stake in Shufersal, of approximately 26%, for a total net consideration of NIS 1,450 million. as a result of the sale, DIC is expected to record, in the third quarter of 2020, profit in the amount of NIS 49 million. The foregoing profit estimate is based on Shufersal's capital as at June 30, 2020, and is subject to changes in Shufersal's capital from the foregoing date until the sale date.

<u>Note 9 - Events After the Date of the Statement of Financial Position</u> (Cont.)

D. In August 2020, Gav Yam issued debentures by expanding its Series H and Series I debentures for a total gross consideration of NIS 906 million.

E. Cartiheal (2009) Ltd. ("Cartiheal") is a company developing an implant to treat cartilage and bone injuries at weight bearing joints, such as the knee. As of the reporting date, Cartiheal was held by Elron at a rate of approximately 29% of its issued share capital, and the investment therein is accounted by the equity method.

In July 2020, Cartiheal and its shareholders, including Elron, signed binding agreements (the "Agreements") with Bioventus LLC ("Bioventus"), which is a current shareholder in Cartiheal, regarding the investment in and sale option of Cartiheal, in which the following points were agreed upon:

1. Bioventus will invest in Cartiheal a total of up to USD 20 million. As a result of the aforementioned investment, Elron's stake in Cartiheal's issued share capital decreased to approximately 27% and approximately 25% on a fully diluted basis.
2. Bioventus was given an exclusive option to acquire 100% of Cartiheal's share capital (the "Call Option"), and Cartiheal was given the exclusive option to sell 100% of its share capital to Bioventus (the "Put Option"). The call option is exercisable from the date of the investment, while the put option will be exercisable subject to the success of the pivotal clinical trial, including success on certain secondary trial goals, and subject to the receipt of FDA approval for Cartiheal's Agili-C device, as defined in the agreements. The call option and put option will expire 45 days after FDA approval is received and standard closing terms have been met.

   In case the call option or put option are exercised, Elron's expected share in the total consideration from the sale of Cartiheal will amount to a total sum of approximately USD 126 million, comprised of (1) a total of approximately USD 90 million, which will be paid on the closing date of the acquisition; and (2) a total of approximately USD 36 million, which will be paid on the date when sales of Agili-C, and other income from the technologies of other Cartiheal technologies, generate revenue of at least USD 100 million, during a period of 12 consecutive months.

   There is no certainty regarding the exercise of the call option or put option, or the timing thereof. The investment is Cartiheal is continuing to be accounted by the equity method. As of June 30 2020, the balance of the investment is NIS 6 million.

   In accordance with the provisions of IFRS 9, the call option and put option constitute a financial instrument at fair value through profit and loss, whose value when the agreements were signed is immaterial and whose value upon initial measurement is not expected to have a net effect on the Group's profit and loss.

F. Pocared Diagnostics Ltd. (hereafter – "Pocared") is a subsidiary of Elron, which develops a real-time and automated system for infectious diseases diagnosis using optical technology. Pocared was held by Elron and RDC Rafael Development Corporation Ltd. (hereafter – "RDC"), an Elron subsidiary in which Elron holds 50.1%). Elron and RDC hold app. 45% and app. 26%, respectively of Pocared issued share capital.

In August 2020, Elron and RDC entered into an agreement with some of Pocared's shareholders (hereafter – the "Buyers"), in which the following was agreed (hereafter – the "Transaction"):

The Buyers undertook to fund Pocared's current activity and its continued efforts to obtain external funding. Elron and RDC will jointly invest in Pocared $ 100 thousand; subsequent to this investment Elron and RDC will have no obligation to make any further investments in Pocared.

Elron and RDC will transfer to the Buyer most of their holding in Pocared and most of the balance of the loans, which they previously extended to Pocared (hereafter jointly – the "Securities"), such that Elron's consolidated holding rate in Pocared will decreased from app. 71% before the Transaction (including 26% through RDC) to app. 10% of Pocared's issued share capital (4% held by Elron and app. 6% held by RDC). In addition to the rights conferred upon them by virtue of their remaining direct holdings in Pocared, Elron and RDC shall be entitled to 64% of any future consideration to be received by the Buyers as a result of holding the Securities which were transferred.

Note 9 - Events After the Date of the Statement of Financial Position (Cont.)

F. (Cont)

Elron and RDC shall have generally accepted minority rights in Pocared, including the right to appoint a director in Pocared Board of Directors, which will comprise up to five board members. As a result of the above, as from August 2020, Pocared shall no longer be an Elron subsidiary, and starting with the third quarter of 2020 it will be accounted for by the equity method.

Elron is assessing other accounting consequences of the Transaction, which will be reflected in the financial statements for the third quarter of 2020 and thereafter, including a potential effect on profit or loss.

G. Further to what is stated in Note 3.F.4. to the annual financial statements regarding the mandatory requirement whereby at least 5% of Cellcom's issued share capital and other means of control shall be held by an Israeli entity, in July 2020 the Ministry of Communication decided to amend Cellcom's license such that the requirements that at least 5% of its issued share capital and each of the other means of control of the license owner will be held by Israeli entities (Israeli citizens and residents) among Cellcom's founding shareholders or their approved transferees, and that at least 10% of Cellcom's directors will be appointed by Israeli citizens or residents among its founding shareholders, shall be cancelled upon the license owner's being issued with other directives by the Israeli Security Agency. Close to the date of publication of these financial statements, Cellcom has not yet been issued with such directives.

H. Further to what is stated in Note 31.B.2.(A) to the annual financial statements in connection with office holders' professional liability insurance (the 2019-2020 policy), to the effect that the Company engaged in professional liability insurance policies for its office holders including office holders who are controlling shareholders in the Company (as they shall be from time to time) and/or their relatives for the period from April 1 2019 through July 31 2020 (hereafter – the "Existing Policies"), on August 13 2020 the Company's Board of Directors approved the following decisions in accordance with Regulations 1(4) and 1.B.1 to the Companies Regulations (Reliefs for Transactions with Related Parties), 2000 (after receiving the approval of the Company's Compensation Committee, the Audit Committee and Board of Directors): (1) To approve (and ratify) the extension of the Existing Policies by further 14 days through August 14 2020 (instead of July 31 2020), without any change to the terms of the policy and in consideration with an additional proportional premium (in accordance with the premium set in the Existing Policies) of app. $ 22.7 thousand; (2) to approve the exercise of the Company's right under the Existing Policies, and in accordance with the Company's Compensation Policy, and approve the purchase of insurance coverage whereby starting from the end of the insurance period of the Company's Existing Policies (i.e., as from August 15 2020), the Existing Policies shall be extended such that they will include a disclosure period and provide insurance coverage for an additional disclosure period of seven years in connection with claims that will be filed for the first time during the said disclosure period in respect of acts carried out prior to the effective date. That is to say – turning the Existing Policies to a type of Run-Off policies through August 14 2020, under the same liability limits that applied to the Existing Policies that ended on August 14 20202 as aforesaid (including the 7-year disclosure period (hereafter – the "Extended Disclosure Period". The premium to be paid in respect of the extended disclosure period is app. $ 1.3 million (one-off payment). In respect of Shufersal Ltd.'s share (which does not participate in the activation of the Extended Disclosure Period), the Company, DIC and Property & Building shall pay a pro-rata premium; (3) to approve the Company's engagement in professional liability insurance policies for its office holders including office holders who are controlling shareholders in the Company (as they shall be from time to time) and/or their relatives with Clal Insurance and a group of insurers in the international insurance market, for the period from August 15 2020 through August 14 2021 (the "New Insurance Period"). The engagement will be in the framework of a basic office holders insurance policy, which is joint to the Company and its fully-owned companies, with a liability limit of $ 20 million per claim and on an accumulated basis (hereafter – the "New Basic Policy"), plus reasonable defense costs that may extend beyond the said liability limit, in the event that the total loss including the said defense costs exceeds the said liability limit amount.

Note 9 - Events After the Date of the Statement of Financial Position (Cont.)

H. (cont)

The New Basic Policy shall be taken out in parallel to basic and separate insurance policies to be taken out by IDB Development and its fully-owned companies and by Property & Building and some of its investees, under similar terms. The Basic Insurance Policy (and each of the basic policies of IDB Development and Property & Building) sets a condition whereby the insurer's liability in respect of a claim which is filed jointly in respect of two or more of the said policies shall not exceed the said liability limit, i.e., $ 20 million. The excess amount in respect of each claim under the New Basic Policy is $ 150 thousand (except for a claim filed in the USA or Canada in connection with the Securities Law, in which case the excess amount will be $ 500 thousand; or $ 350 thousand, in the event that the relevant claim is another claim filed in the USA or Canada). The insurance fees to be paid by the Company in respect of the New Basic Policy for the New Insurance Period with a liability limit of NIS 20 million amount to app. $ 1.2 million (including 10% fronting fees of Clal Insurance in relation to 60% of the overall premium). The premium and the excess amounts set in the New Basic Policy are higher than the maximum premium and excess amount set in the Company's Compensation policy. Therefore, the Company engaged in the Basic Insurance Policy as aforesaid at the approval of the Company's Compensation Committee, Audit Committee and Board of Directors, and will work, at the same time and as soon as possible, to convene a general meeting of the Company's shareholders, whose agenda will include the revision of the Company's Compensation Policy; (4) To vest in Company's management the power to take action in order to increase the liability limit of the New Basic Policy to a total of up to $ 50 million (including the existing $ 20 million as described above), in consideration for an additional premium, such that the total annual premium in respect of the New Basic Policy will be app. $ 2.1 million.

I. On August 20 2020, DIC's Board of Directors approved a buyback plan for the purchase of Series F and Series J DIC debentures through December 31 2021 at a total cost of up to NIS 300 million. The purchase of the debentures as aforesaid shall be carried out in accordance with market opportunities, on dates, prices and scope to be determined by DIC's management.

J. For details regarding claims lodged against investees subsequent to the statement of financial position date, and changes that have taken place after the said date in claims outstanding as of the statement of financial position date, see Note 5.B. above.

DIC

Discount Investment Corporation Ltd

Financial statements
of a material associated comapny

IDB GROUP USA INVESTMENTS INC.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020

UNAUDITED

IN U.S DOLLARS

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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, 2020 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".

Haifa, Israel	Kesselman & Kesselman
August 19, 2020	Certified Public Accountants (Isr.)
	A member firm of PricewaterhouseCoopers International Limited

Kesselman & Kesselman, Building 25, MATAM, P.O BOX 15084 Haifa, 3190500, Israel
Telephone: +972 -4- 8605000, Fax:+972 -4- 8605001, www.pwc.com/il

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

U.S. dollars in thousands

	June 30		December 31
	2020	2019	2019
	Unaudited		Audited
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	**3,947**	3,828	3,567
Restricted cash	**1,200**	-	-
Receivables and prepayments	**1,596**	1,402	1,638
Land held for sale	**15,000**	18,000	15,600
Total current assets	**21,743**	23,230	20,805
NON-CURRENT ASSETS:			
Restricted cash	**6,420**	10,331	9,274
Investment property	**218,148**	230,058	221,599
Land inventory	**12,000**	14,000	12,500
Other assets	**2,089**	1,786	2,133
Total non-current assets	**238,657**	256,175	245,506
Total assets	**260,400**	279,405	266,311
LIABILITIES			
CURRENT LIABILITIES:			
Loan from a financial institution	**44,163**	42,818	44,235
Loans from shareholder	**-**	66,760	-
Related parties	**4,977**	4,200	4,200
Accounts payable and accrued liabilities	**2,855**	2,723	3,680
Total current liabilities	**51,995**	116,501	52,115
NON-CURRENT LIABILITIES:			
Loans from shareholders	**138,745**	93,471	144,649
Loans from bank and financial institution	**69,660**	69,433	69,547
Total non-current liabilities	**208,405**	162,904	214,196
Total liabilities	**260,400**	279,405	266,311
Equity attributable to equity owners of the Company			
Paid-in capital	**88,000**	88,000	88,000
Capital reserve from transaction with controlling shareholders	**1,837,311**	1,837,311	1,837,311
Capital reserve from transaction with non-controlling interest	**(190)**	(190)	(190)
Accumulated deficit	**(1,925,121)**	(1,925,121)	(1,925,121)
Total equity	**-**	-	-
Total liabilities and equity	**260,400**	279,405	266,311

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

August 19, 2020		
Date of approval of the financial statements	ELI ELEFANT Director	AARON KAUFMAN 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,
	2020	**2019**	**2020**	**2019**	**2019**
	Unaudited				**Audited**
REVENUES					
Rental revenue	**6,335**	6,115	**3,243**	3,314	12,568
EXPENSES					
Rental property expenses	**2,299**	2,924	**998**	1,436	6,016
General and administrative expenses	**1,435**	643	**477**	131	1,894
Valuation loss on investment property and land inventory	**4,613**	1,782	**-**	-	14,260
Financing income	**(12)**	(60)	**(4)**	(32)	(86)
Financing expenses on shareholders loans	**569**	6,627	**-**	1,567	9,914
Revaluation of shareholders loans measured in fair value	**(6,355)**	(6,702)	**(1,436)**	(2,310)	(25,683)
Financing expenses to others	**3,786**	5,224	**3,208**	2,522	10,576
Total expenses	**6,335**	10,438	**3,243**	3,314	16,891
Loss and total comprehensive loss for the period attributable to equity owners of the Company	**-**	(4,323)	**-**	-	(4,323)

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, 2020 (unaudited)					
Balance as of January 1, 2020 (audited)	**88,000**	**1,837,311**	**(190)**	**(1,925,121)**	**-**
Total comprehensive loss for the period	-	-	-	-	-
Balance as of June 30, 2020 (unaudited)	**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 six months ended June 30, 2019 (unaudited)					
Balance as of January 1, 2019 (audited)	88,000	1,764,086	(190)	(1,920,798)	(68,902)
Capital reserve from transactions with controlling shareholders - see Note 5	-	73,225	-	-	73,225
Total comprehensive loss for the period	-	-	-	(4,323)	(4,323)
Balance as of June 30, 2019 (unaudited)	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, 2020 (unaudited)					
Balance as of April 1, 2020 (unaudited)	**88,000**	**1,837,311**	**(190)**	**(1,925,121)**	**-**
Total comprehensive loss for the period	-	-	-	-	-
Balance as of June 30, 2020 (unaudited)	**88,000**	**1,837,311**	**(190)**	**(1,925,121)**	**-**

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, 2019 (unaudited)					
Balance as of April 1, 2019 (unaudited)	88,000	1,837,311	(190)	(1,925,121)	-
Total comprehensive income for the period	-	-	-	-	-
Balance as of June 30, 2019 (unaudited)	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, 2019 (audited)	88,000	1,764,086	(190)	(1,920,798)	(68,902)
Capital reserve from transactions with controlling shareholders (audited) - see note 6	-	73,225	-	-	73,225
Total comprehensive loss for the year (audited)	-	-	-	(4,323)	(4,323)
Balance as of December 31, 2019 (audited)	88,000	1,837,311	(190)	(1,925,121)	-

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,
	2020	**2019**	**2020**	**2019**	**2019**
	Unaudited				Audited
Cash flows from operating activities:					
Loss	**-**	(4,323)	**-**	-	(4,323)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:					
Depreciation and amortization	**56**	45	**31**	23	91
Provision for doubtful accounts and bad debt expense	**904**	34	**228**	-	568
Valuation losses	**4,613**	1,782	**-**	-	14,260
Financing expense (income), net	**(2,012)**	5,089	**1,768**	1,747	(5,279)
Changes in operating assets and liabilities:					
Change in deferred rent receivable	**556**	223	**348**	48	2
Tenant receivables	**(1,281)**	(127)	**(849)**	(242)	(597)
Accounts payable and accrued liabilities	**(1,193)**	(4,925)	**(333)**	(3,909)	(4,454)
Other assets	**419**	119	**349**	349	(183)
Net cash provided by (used in) operating activities	**2,062**	(2,083)	**1,542**	(1,984)	85
Cash flows from investing activities					
Investment in real estate and other assets	**(612)**	(414)	**(270)**	(106)	(542)
Net cash used in investing activities	**(612)**	(414)	**(270)**	(106)	(542)
Cash flows from financing activities					
Payment of interest	**(3,745)**	(3,397)	**(1,855)**	(1,606)	(7,068)
Decrease (increase) in restricted cash	**1,655**	870	**1,663**	(16)	2,127
Loans from related parties	**1,020**	4,200	**1,020**	3,400	4,313
Net cash provided by (used in) financing activities	**(1,070)**	1,673	**828**	1,778	(628)
Net change in cash and cash equivalents	**380**	(824)	**2,100**	(312)	(1,085)
Cash and cash equivalents, beginning of period	**3,567**	4,652	**1,847**	4,140	4,652
Cash and cash equivalents, end of period	**3,947**	3,828	**3,947**	3,828	3,567
Supplemental noncash disclosures					
Capital reserve from transactions with shareholders	**-**	73,225	**-**	-	73,225

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL

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) below.

These financial statements have been prepared in a condensed format as of June 30, 2020 and for the six and three month 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, 2019 and for the year then ended and the accompanying notes ("annual financial statements").

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. The COVID-19 pandemic continues to adversely impact economic activity in retail real estate. The impact of the pandemic has been rapidly evolving and, as cases of the virus have continued to be identified, governments and other authorities, have imposed measures intended to control its spread, including restrictions on freedom of movement, group gatherings and business operations such as travel bans, border closings, business closures, quarantines, stay-at-home, shelter-in-place orders, density limitations and social distancing measures.

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.). This reduction led to a saving of 36% in the current operating expenses of the center during the applicable period.
In accordance with the instructions of the authorities, from May 9, 2020, and following adjustments and arrangements the mall reopened on May 15, 2020, subject to constraints set by the authorities.

The occupancy rate in the project prior to the outbreak of COVID-19 was 73%. 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. Lease payments for March 2020 were collected without any material difference compared with previous months. In April-May 2020 and in June, approximately 70% and 82% respectively, of lease payments have so far been collected for the office tenants and for the retail and restaurant tenants. To date management has not established a policy for rent relief and all discussions are being handled on a case-by-case basis. To date limited number of tenants have been granted concessionsof 60 to 90 days in return for an extension of the lease period by a similar period. The concession balance is not material for the Company's operation. The Company will continue working to complete the collection for the period.

NOTE 1:- GENERAL (cont'd)

Management continues to negotiate leases for additional space in the project. The assets lender, Bank of Nevada, continues to cooperate with management during this period and has approved the Company to finance the payments of interest due in May-July 2020 in the total balance of $1.0 million from its existing restricted TI and LC reserve and not from cash flow, as required in the loan agreement.

At this time, the Company can't reasonably estimate the adverse impact of the COVID-19 pandemic will have on its operating results in 2020; That said, at this stage the company estimates that despite the expected decline in NOI, the project's current cash flow, together with streamlining steps taken, will allow the project to remain cash flow positive this year.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. The interim consolidated financial statements for the six and three months periods ended June 30, 2020 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

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, 2020 is 73%. The rest of the Project remains under planning for development with no construction date specified at this date.

NOTE 3:- INVESTMENT PROPERTY (cont'd)

The Company obtained an independent third-party appraisal of its investment property in the six month ended June 30, 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 March 31, 2020 to be $233 million. (September 30, 2019 - $237 million), including $15.0 million in respect of a parcel of land adjacent to the Project which was classified as held for sale.

Due to the change in fair value, the Company incurred a loss of approximately $4 million for the six months period ended June 30, 2020 (June 30, 2019 – $2 million).

Investment property is under level 3 fair value hierarchy.

Movement:

	U.S. dollars in thousands
Balance as of January 1, 2020	237,199
Investments	62
Fair value adjustments (unrealized loss)	(4,113)
Balance as of June 30, 2020	233,148

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 incurred a loss from reduction in net realizable value of $0.5 million for the six months ended June 30, 2020. The loss is included in "the valuation loss on investment property and land inventory" item.

NOTE 5:- LOANS FROM BANK AND FINANCIAL INSTITUTION

a. Loan from bank

GW has a loan from a local bank in the USA, Bank of Nevada ("Lender"), whose balance as of the reporting date is USD 70 million. The 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 a contract with the Company in addition to the loan agreement detailed below. The project is fully pledged in favour of the Lender with a first lien. Upon the closing, lender funded proceeds in the amount of $10 million into a block accounted maintained by the Company to be used for TI needs. The TI balance as of June 30, 2020 is in the amount of $6.4 million.
In May 2020 the Lender approved the company to fund the interest payment for the months May, June and July from the TI reserve account.

NOTE 5:- LOANS FROM BANK AND FINANCIAL INSTITUTION(cont'd)

a. Loan from bank (cont'd)

In connection with the loan, the Company has undertaken to comply with a covenant of LTV (as defined) of no more than 40%, based on an appraisal acceptable to the Lender in Lender's sole and absolute discretion. The calculated LTV as of June 30, 2020, based on the Company's appraisal, is 30%.

The loan agreement includes a test mechanism in which the borrower undertook that throughout the loan period the DSCR (Debt Service Coverage Ratio) of the property will not be less than a ratio of 1.3. The DSCR test will begin on December 31, 2020 according to the 12 months preceding the test day. If the ratio falls below 1.3, then subject to the lender's demands, the borrower will immediately demand to partially repay the balance of the loan, to a balance that will allow the borrower to meet the aforementioned criterion.

The loan agreement includes a limited guarantee that was provided by the Company, as indicated in the loan agreement.

b. Loan from Israeli financial institution

IDBG obtained a loan from an Israeli financing institution ("the Lender") ("Loan Agreement"), as detailed below.

The Loan Agreement

1. The loan fund, which will be repaid in a single bullet payment at the end of 24 months (January 2021), stands at NIS 153 million ($44.2 million), with fixed interest rate of 5.93% ("Loan Interest") or at a fixed interest rate of 7.93% as long as a default event occurs as set out later in this section, which will be paid every three months; the loan 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.

2. Collateral provided to the Lender is as follows: a single first degree lien on all the rights of the Company in GW; a first mortgage on the Company'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 the Company currently has and that it will have in the future; a lien on the rights of the Company to the Company bank account; joint and several guarantees to be posted by PBC and IDBD on the full secured amounts ("the Collateral"), accompanied by commitments by PBC and IDBD not transfer their holdings in the Company to third parties in a manner not in accordance with the provisions of the Loan Agreement. In case of default, the Lender is entitled to realize any of the Collateral in the order it determines.

3. The Loan Agreement includes standard representations sections, causes for immediate repayment, provisions for early repayment and indemnification sections in favor of the Lender, as is usual in transactions of this type.

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

NOTE 5:- LOANS FROM BANK AND OTHERS (cont’d)

b. Loan from Israeli financial institution (cont'd)

The Guarantors

1. Each of the guarantors, jointly and severally, will provide the Lender a continuous guarantee to assure payment of all amounts to which the Lender is and/or will be entitled from the Company in respect of the Loan Agreement, and which shall remain valid until payment of all the loan amounts or until confirmation by the Lender of the letter of guarantee.

2. The Lender will be entitled to make a demand for payment of the Collateral in each of the following cases: (1) if the Company does not make full and exact payment of any of the payments under the Loan Agreement on due date; and/or (2) in the event that the loan must be repaid immediately in accordance with the causes and terms prescribed within the Loan Agreement (see below).

Indemnification agreement

1. PBC and IDBD have entered into an automatic indemnification agreement that provides that in the event that Collateral will be realized unequally (namely, the Lender will collect from one of the parties an amount greater than its proportional share in the Company), the party that paid more than its proportional share in realization of the Collateral will be entitled to recourse to the other party and preference in receiving the balance from IDBG receipts, so that it will be compensated for any aforementioned overpayment, such that the Collateral liability of each of IDBD and PBC according to the guarantees shall be limited to the share of each in the Company ("the Indemnification Agreement").

2. In the event that one of the parties will in practice pay a greater proportion to the Lender than its share in the said Collateral ("the Surplus Amount"), the party that paid the amount that is lower than its share will indemnify the first party in the Surplus Amount, within seven (7) days from the date of first demand by the first party, and for any damages or expense that will be caused through payment of the Surplus Amount. From the date of creation of the Surplus Amount until its full payment, the Surplus Amount will bear annual interest at the interest rate of the Loan plus 3%.

3. In addition, in the event of a distribution or repayment of shareholders' loans (or any other debt) that the Company will make to its shareholders, the party that bore the Surplus Amount will have preferential benefit, such that the payments to the party that did not pay its share will be less than the payments to the party that did pay its share, up to the amount of the share of the party that had not paid it.

In connection with the loan, the Company has undertaken to comply with a covenant of LTV (as defined) of no more than 50%. The calculated LTV as of June 30, 2020 is 49%.

On June 27, 2019, Maalot downgraded the debentures (series I) of IDBD, which is a guarantor, jointly and severally together with PBC, from a BB rating to a CC rating. In accordance with the loan agreement, the said downgrading enabled the lender to call for immediate repayment of the loan and also led to an increase in the interest rate to 7.93%. The Company's position, based on consulting with the Company’s legal counsel, is that as at the report date, IDBG has good defense arguments against calling for immediate repayment of the loan, if such measures are taken.

NOTE 6:- LOANS FROM SHAREHOLDERS

a. PBC and IDBD provided 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 loans, excluding a loan principal balance of approximately $100 million ("the adjusted principal").
The difference between the book value of the loan 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 loans as a liability measured through profit and loss.

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

b. Credit Facility Granted by PBC:

Further to what is stated in note 8(b) to the annual financial statements, with respect to the loan maturity date, On September 20, 2019, the conversion mechanism prescribed in the agreement was implemented, according to which the loan was converted into shares of the Company and to right to repay loans from shareholders (in terms as described in section a above) according to the rates of equity holdings. During the period up until actually carrying out the conversion, the loan continued to accumulate interest in accordance with the provisions of the credit facility. On February 17, 2020 the conversion took place. The ratio by which the conversion took place was set according to the average of three valuations carried out by external, independent appraisers, whereby it was determined that following the conversion, PBC's rights in the share capital of the Company would stand at 74.18% and the rights of IDBD in the share capital of the Company would stand at 25.82%. The rights of PBC and of IDBD for the return of shareholders' loans to the Company would be based on the up to date proportion of holdings in the said share capital, and will have the same terms as detailed in section a above, including designation as a liability measured through profit and loss.

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DIC

Discount Investment Corporation Ltd

Interim Financial Statements June 30, 2020

Part 4 - Data from the Interim Consolidated Financial Statements Attributed to the Company Itself

Discount Investment Corporation Ltd.

Condensed Interim Separate Financial Information of the Company

As at June 30, 2020

(Unaudited)

Financial Data from the Consolidated Interim Financial Statements Attributed to the Company itself

[Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970]

Discount Investment Corporation Ltd.

Part D - Condensed Interim Separate Financial Information of the Company

Attn.:
Shareholders of
Discount Investment Corporation Ltd.
ToHa Building, 114 Yigal Alon St., 27th floor
Tel Aviv

Dear Sir / Madam,

Re: Auditors' Special Report Regarding the Separate Interim Financial Information in Accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970

Introduction

We have reviewed the separate interim financial information which is presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, of Discount Investment Corporation Ltd. (hereinafter: the "Company"), as at June 30, 2020, and for the six and three month periods then ended. The Company's Board of Directors and management are responsible for the separate interim financial information. Our responsibility is to express a conclusion regarding the separate interim financial information for these interim periods, based on our review.

We have not reviewed the separate interim financial information from the financial statements of investee companies, whose total assets less total liabilities, net, amounted to a total of NIS 163 million as at June 30, 2020, and where the Company's share in the losses of those investee companies amounted to a total of NIS 10 million and NIS 2 million, respectively, for the six and three month periods then ended. The financial statements of those companies were reviewed by other auditors, whose reports were presented to us, and our conclusion, insofar as it refers to the financial statements of those companies, is based on the review reports provided by the other auditors.

Scope of the Review

We have conducted our review according to Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel, "Review of Financial Information for Interim Periods Prepared by the Entity's Auditor." A review of financial information for interim periods consists of inquiries, mainly with the people responsible for financial and accounting matters, and of the application of analytical and other review procedures. review 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 be 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 separate interim financial information has not been prepared, in all material respects, in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

Tel Aviv,
August 20, 2020

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

Condensed Interim Data Regarding Financial Position Attributed to the Company Itself as at

	Additional Information	June 30 2020 (Unaudited)	June 30 2019 (Unaudited)	December 31 2019 (Audited)
		NIS millions		
Non-current assets				
Investment in investee companies	2	4,562	4,030	4,671
Other investments		39	40	41
Sublease receivables - related parties		6	-	7
Right-of-use assets		13	1	13
Fixed assets		1	-	-
		4,621	4,071	4,732
Current assets				
Current investments		182	595	533
Other receivables and debit balances		13	6	20
Cash and cash equivalents		447	1,015	224
		642	1,616	777
Total assets		5,263	5,687	5,509
Capital				
Share capital		810	810	810
Capital reserves		4,148	4,192	4,118
Accumulated losses		(3,406)	(3,770)	(3,104)
Total capital attributable to the Company's owners		1,552	1,232	1,824
Non-current liabilities				
Debentures		3,362	4,109	3,373
Lease liabilities		17	1	18
Employee benefits		-	1	-
		3,379	4,111	3,391
Current liabilities				
Current maturities of debentures		276	280	277
Other payables and credit balances		54	64	15
Lease liabilities		2	-	2
		332	344	294
Total capital and liabilities		5,263	5,687	5,509

Eduardo Elsztain	Doron Cohen	Haim Tabouch
Chairman of the Board	General Manager	VP Accounting

Approval date of the separate financial information:
August 20, 2020

The additional information accompanying the separate interim financial information is an integral part hereof.

Condensed Interim Data Regarding Profit and Loss and Other Comprehensive Income Attributed to the Company Itself

Profit and loss:

	For the six months ended June 30		For the three months ended June 30		For the year ended December 31
	2020	2019	2020	2019	2019
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
Revenues					
Company's share in the net profit of investee companies, net	-	-	-	-	166
Profit from realization and increase in the value of investments, assets and dividends	-	2	-	1	4
Other income	-	-	-	-	1
Financing income	-	52	22	13	128
	-	54	22	14	299
Expenses					
Company's share in the loss of investee companies, net	170	511	71	516	-
Loss from realization and increase in the value of investments, assets and dividends	1	-	1	-	-
General and administrative expenses	15	18	7	9	35
Financing expenses	116	158	47	91	250
	302	687	126	616	285
Net income (loss) for the period attributable to owners of the Company	(302)	(633)	(104)	(602)	14

Comprehensive income and loss:

	For the six months ended June 30		For the three months ended June 30		For the year ended December 31
	2020	2019	2020	2019	2019
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
Net income (loss) for the period attributable to owners of the Company	(302)	(633)	(104)	(602)	14
Components of other comprehensive income					
Components of other comprehensive income (loss) which will not be transferred to profit and loss, net of tax					
Other comprehensive loss with respect to investee companies	-	(4)	(3)	(4)	(10)
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					
Other comprehensive income (loss) with respect to investee companies	3	(77)	(36)	(29)	(129)
Other comprehensive income (loss) for the period, net of tax	3	(81)	(39)	(33)	(139)
Total comprehensive loss for the period attributed to Company shareholders	(299)	(714)	(143)	(635)	(125)

The additional information accompanying the separate interim financial information is an integral part hereof.

Condensed Interim Data Regarding Cash Flows Attributed to the Company Itself

	For the six months ended June 30		For the three months ended June 30		For the year ended December 31
	2020	2019	2020	2019	2019
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
Cash flows from operating activities					
Net profit (loss) for the period attributable to owners of the Company	(302)	(633)	(104)	(602)	14
Adjustments:					
Company's share in the profit (loss) of investee companies, net	170	511	71	516	(166)
Received dividends (including from other investments)	91	122	90	121	126
Loss (profit) from realization and increase in the value of investments, assets and dividends, net	1	(2)	1	(1)	(4)
Financing expenses, net	116	106	25	78	122
Share-based payment expenses (income)	-	1	-	-	(1)
	378	738	187	714	77
Changes in other balance sheet items					
Decrease (increase) in other receivables and debit balances	7	-	-	-	(13)
Decrease in other payables, credit balances and others	(3)	(6)	(4)	(8)	(7)
Depreciation and amortization	1	-	1	-	-
Decrease in provisions and employee benefits	-	-	-	-	(1)
	5	(6)	(3)	(8)	(21)
Net cash from operating activities	81	99	80	104	70
Cash flows from investing activities					
Current investments, net	315	(10)	227	(15)	65
Acquisition of shares of an associate company and rise to control	(39)	-	-	-	-
Investments in fixed assets	(1)	-	-	-	-
Non-current investments	(1)	-	-	-	-
Receipts from realization of non-current investments	1	-	1	-	-
Acquisition of shares in a subsidiary from a wholly owned company	-	(46)	-	(46)	(46)
Investment in wholly owned subsidiary	(19)	-	(19)	-	(20)
Interest received	2	12	-	6	23
Net cash from (used in) investing activities	258	(44)	209	(55)	22
Cash flows for financing activities					
Interest paid	(48)	(61)	(48)	(61)	(205)
Dividend paid	-	(40)	-	-	(40)
Acquisition of treasury shares	-	(96)	-	-	(96)
Repayment of debentures	-	(187)	-	(78)	(860)
Acquisition of shares in subsidiaries from non-controlling interests	(63)	(75)	(63)	(49)	(75)
Repayment of lease liabilities	(1)	-	(1)	-	(1)
Net cash used in financing activities from continuing financing activities	(112)	(459)	(112)	(188)	(1,277)
Increase (decrease) in cash and cash equivalents	227	(404)	177	(139)	(1,185)
Effects of fluctuations in exchange rates on balances of cash and cash equivalents	(4)	(27)	(4)	(8)	(37)
Balance of cash and cash equivalents at start of period	224	1,446	274	1,162	1,446
Balance of cash and cash equivalents at end of period	447	1,015	447	1,015	224

The additional information accompanying the separate interim financial information is an integral part hereof.

Additional Information

1. Method used to prepare the additional information

The following separate financial information is presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970. The separate interim financial information should be read together with the Company's interim consolidated financial statements as at June 30, 2020 (the "Financial Statements"), and together with the Company's consolidated financial statements and separate financial information as at and for the year ended December 31, 2019, which are presented in Part C and Part D of the Company's periodic report for 2019, which was approved by the Company's Board of Directors on March 31, 2020.

For the purpose of presenting the following data and information, the significant accounting policies specified in Note 2 to the financial statements have been implemented, including the method used to classify the financial data in the financial statements, subject to the changes required according to the provisions of the aforementioned Regulation.

In this section - "investee companies" means as defined in Note 1.C. to the Company's financial statements for the year ended December 31, 2019, which were approved on March 31, 2020 (the "Annual Financial Statements").

Presentation of transactions which were canceled in the consolidated statements

Mutual balances, transactions and cash flows between the Company and its subsidiaries were canceled as part of the preparation of the Company's financial statements, whereas, in the Company's interim separate financial information, the aforementioned transactions were not canceled, and therefore:

- The data regarding financial position include balances with respect to the Company's subsidiaries, which were canceled in the financial statements.
- Profit and loss data include the Company's income (expenses) which were derived from transactions with subsidiaries of the Company, which were canceled in the financial statements;
- Data regarding cash flows include cash flows between the Company and subsidiaries, which were canceled in the financial statements.

2. Investments in Investee Companies

A. In the second quarter of 2020, the Company acquired approximately 3.6% of Property & Building's issued share capital, at a total cost of NIS 51 million. As a result of the acquisition, the Company recorded, in the second quarter of 2020, an increase in capital attributed to the Company's owners in the amount of NIS 19 million. For additional details, see Note 3.A.1.A. to the financial statements. For details regarding acquisitions after the date of the statement of financial position, see the additional information in section 5 below.

B. In the first quarter of 2020, the Company acquired approximately 8.8% of Mehadrin's issued share capital, for a total cost of NIS 39 million, such that its holding rate in Mehadrin increased from 31.4% to 40.2%. The aforementioned acquisitions of Mehadrin shares resulted in DIC gaining control of Mehadrin on March 9, 2020. For additional details, see Note 3.B.3. to the financial statements.

C. In the second quarter of 2020, the Company purchased approximately 3.5% of the issued share capital of Mehadrin, at a total cost of NIS 14 million, such that the Company's holding rate in Mehadrin increased to approximately 43.7%. As a result of the aforementioned acquisition, the Company recorded, in the second quarter of 2020, an increase in capital attributed to the Company's owners in the amount of NIS 9 million.

D. In June 2020, Koor Industries Ltd., a wholly owned subsidiary of the Company, issued a capital note to the Company in consideration of a total of NIS 19 million. The capital note does not bear interest or linkage, and its repayment date will be no earlier than five years after its issuance date.

E. In June 2020, Koor Industries Ltd., a wholly owned subsidiary of the Company ("Koor") exercised 3.8 million Cellcom options (Series 3), at a total cost of approximately NIS 33 million. Due to the above, and due to the exercise of additional option instruments of Cellcom by parties other than Koor, Koor's stake in Cellcom's issued share capital increased to approximately 46.2%, and the Company recorded, in the first half of 2020, an increase in capital attributed to the Company's owners in the amount of NIS 5 million. For additional details, see Note 3.A.2. to the financial statements.

Additional Information (Cont.)

2. Investments in Investee Companies (Cont.)

F. Presented below are details regarding cash dividend distributions which the Company received from investee companies:

	For the six months ended June 30		For the three months ended June 30		For the year ended December 31
	2020	2019	2020	2019	2019
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
Shufersal Ltd.	21	42	21	42	42
Property & Building Ltd.	69	78	69	78	78
Epsilon Investment House Ltd.	1	-	-	-	3
	91	120	90	120	123

G. For details regarding the Company's sale of its entire stake in Shufersal, of approximately 26%, after the date of the statement of financial position, see the additional information in section 5.C. below.

H. For details regarding the book value in the Company's books, and the market value of the principal investee companies, see the additional information in 3.B. to the financial statements.

I. For details regarding additional changes which took place in investee companies, see the additional information in Note 3 to the financial statements.

3. Claims and Contingent Liabilities

For details regarding changes which have occurred in claims against the Company and its investee companies and in contingent liabilities, see Note 5 to the financial statements.

4. Events During the Reporting Period

A. In March 2020, the Company's Board of Directors approved the appointment of Mr. Doron Cohen as the Company's General Manager, beginning on March 15, 2020. In April and June 2020, the Company's Board of Directors and the Company's general meeting, respectively, approved the terms of tenure and employment of the Company's General Manager. For additional details, see Note 4.A to the financial statements.

B. The coronavirus pandemic (COVID-19, the "Coronavirus") is having a significant impact on capital markets, and the market value of the Company's holdings declined significantly during the reporting period. For details regarding the market value of the Company's main investments, see Note 3.B. to the financial statements.

C. Due to the declines which were recorded in stock markets, the Company recorded, in the first half of 2020, loss attributable to owners with respect to net change in the fair value of financial assets in the amount of NIS 34 million. In the second quarter of 2020, the Group recorded profit attributable to owners with respect to net change in the fair value of financial assets in the amount of NIS 21 million.

D. Further to that stated in Note 4.C. to the financial statements regarding the cost allocation agreement (the services agreement) and the agreement for the distribution of the uses and office expenses, the balance of IDB Development's current debt to the Company as at June 30, 2020 and proximate to the approval date of the financial statements amounted to a total of approximately NIS 10 million and approximately NIS 11 million, respectively.

E. For details regarding the Company's engagement with IDB Development in cost allocation agreement (the services agreement) and the agreement for the distribution of the uses and office expenses, in effect starting July 1 2020 through June 30 2023, See Note 4.C. to the financial statements. A revision of the terms of the said engagement is expected to increase the Company's annual general and administrative expenses by app. NIS 5 million in the first year.

<u>Additional Information</u> (Cont.)

4. Events During the Reporting Period (Cont)

F. On April 7, 2020, S&P Maalot reduced the rating of the Company's debentures from il/BBB (Negative) to il/BBB- (Negative). Following the rating reduction, the interest rate applicable to the Company's debentures (Series J) was increased, beginning on April 7, 2020, from 4.80% to 5.05%. As of March 31, 2020, the Company's net asset value and the ratio of net financial debt to asset value amounted to NIS 157 million and 95%, respectively. Following the non-fulfillment of financial covenants as at March 31, 2020, the interest rate applicable to the Company's debentures (Series J) was increased, beginning on June 30, 2020, from 5.05% to 5.80%. As of June 30, 2020, the ratio between net financial debt and asset value amounted to 81%, due to the fulfillment of the financial covenant as of June 30, 2020, which the Company did not fulfill as of March 31, 2020, which will lead to the reduction of the interest rate, beginning from the publication date of the financial statements for the second quarter of 2020, from 5.80% to 5.30%. 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.

5. Events Subsequent to the Reporting Period

A. In July 2020, the Company acquired 1.4% of Property & Building's share capital, for a total cost of approximately NIS 18 million. As a result of the acquisition, the Company is expected to record, in the third quarter of 2020, an increase in capital attributed to the Company's owners ("Capital") in the amount of NIS 10 million. The aforementioned estimated increase in capital is based on Property & Building's capital as at June 30, 2020, and is subject to changes in the capital of Property & Building from the foregoing date until the acquisition date.

B. For details regarding the adjustment of the interest rate applicable to the Company's debentures (Series J), beginning from the publication of the financial statements, from 5.80% to 5.30%. See Additional Information in Note 4.B. above.

C. On July 26, 2020, the Company sold its entire stake in Shufersal, of approximately 26%, for a total net consideration of NIS 1,450 million. as a result of the sale, DIC is expected to record, in the third quarter of 2020, profit in the amount of NIS 49 million. The foregoing profit estimate is based on Shufersal's capital attributed to owners as at June 30, 2020, and is subject to changes in Shufersal's capital from the foregoing date until the sale date.

D. On August 20 2020, the Company's Board of Directors approved a buyback plan for the purchase of Series F and Series J Company debentures through December 31 2021 at a total cost of up to NIS 300 million. The purchase of the debentures as aforesaid shall be carried out in accordance with market opportunities, on dates, prices and scope to be determined by Company's management.