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For the year ended December 31, 2022

The Board of Directors of Discount Investment Corporation Ltd. (“DIC” or the “Company”) hereby respectfully submits the Board of Directors' Report as at December 31, 2022, which reviews the Company's principal operations in 2022 (the “Reporting Period”). The report was prepared in accordance with the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

The Board of Directors' Report constitutes an inseparable part of the periodic report for 2022 (the “Periodic Report”), including all of its parts, and the entire periodic report should be read as a single unit.

The Company is a holding company which invests, independently and through investee companies, in companies which are engaged in various sectors of the Israeli economy (the “Group”).

The Company concentrates its operations through consolidated companies¹, associate companies², and other investee companies over which the Company does not have significant influence.

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

The numerical data are presented as rounded figures.

The Company is a company without a controlling shareholder (according to the definition of the term “control” in the Securities Law, 5728-1968), and is not considered a first tier company (as this term is defined in the Law to Promote Competition and Reduce Concentration, 5774-2013 (the “Concentration Law”)), and accordingly, the companies under its control which are reporting corporations according to the Securities Law are no longer subject to restrictions by virtue of the Concentration Law, in connection with the ability of the aforementioned companies to directly hold control of other tier companies.

Proximate to the publication date of the financial statements, Mega Or Holdings Ltd. holds approximately 29.9% of the Company's issued and paid-up capital, and Elco Ltd. holds approximately 29.8% of the Company's issued and paid-up capital.

In March 2022, Property & Building (which is held by the Company at a rate of 63.18%) completed a special tender offer which was published, for the acquisition of the control of Gav-Yam Bayside Land Corporation Ltd. (“Gav Yam”) (acquisition of approximately 5% of Gav-Yam's issued and paid-up capital). In June 2022, Property & Building completed a transaction for the acquisition of additional shares of Gav-Yam, which constitute approximately 37.22% of Gav-Yam's issued and paid-up capital, and Property & Building's stake increased to approximately 86.7% of Gav-Yam's issued and paid-up capital. For additional details, see Note 3.G.1.A. to the financial statements.

As at December 31, 2022, the main consolidated companies which are directly held by the Company include Property & Building (63.2%), Cellcom (35.7% in capital, 37.7% in voting rights), Elron (60.1%) and Mehadrin (44.5%).

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.)

1.3 Results of the Company's Directly Held Investee Companies and Their Contribution to the Company's Results⁴

	Holding rate in capital as at December 31, 2022	Profit (loss) on the level of the Company			Data on the level of the investee company ⁵		
		Contribution to profit (loss) in			Profit (loss) in		
		2022	2021	2020	2022	2021	2020
		NIS millions					
Property & Building ⁶	63.2%	577 ^{7, 8, 9 10, 11 12}	380 ^{10, 8, 13}	(270) ^{10, 8}	914	579	(419)
Cellcom ¹⁴	35.7%	65	12	(78)	157	27	(170)
Mehadrin	44.5%	(39) ¹⁵	62 ¹⁵	6	(87)	140	3
Elron ¹⁶	60.1%	146 ¹⁷	11	(37)	243	18	(61)
Shufersal ¹⁸	-	-	-	83			
Others		(11)	44	(5)			
Total		738	509	(301)			
Administrative and finance expenses, net, in DIC headquarters (see section 1.4 below):							
Management expenses		(23)	(28)	(55)			
Finance expenses, net		(195)	(215)	(199)			
Net income (loss)		520	266	(555)			

⁴ The Company's results as presented in the Board of Directors' Report refer to the part of the results which is attributable to the owners of the Company, 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 the cancellation of transactions between the companies and between the segments.

⁶ The Company's share in the results of Property & Building includes income from the increase in fair value of investment property, net (mostly with respect to Gav-Yam). For additional details, see section 1.12.1 below.

⁷ Includes the Company's share in profit with respect to the revaluation of the investment in Gav-Yam at fair value on the date of rise to control of Gav-Yam (in March 2022), in the amount of NIS 538 million. For additional details, see Note 3.G.1.A.2.A. to the financial statements.

⁸ Includes the Company's share in the update to the value of the Tivoli project in Las Vegas and the impact of the sale agreement, profit in the amount of NIS 76 million, and loss in the amount of NIS 39 million and NIS 35 million in the years 2022, 2021 and 2020, respectively. For additional details, see Note 12.A.4. to the financial statements.

⁹ Includes loss due to the carrying of negative translation reserves to the statement of income due to the realization of assets of IDBG in the amount of NIS 99 million. For additional details, see Note 12.A.4. to the financial statements.

¹⁰ Includes the Company's share in net losses from the update to the value of the HSBC Tower, in the amount of NIS 178 million, NIS 61 million and NIS 130 million, in the years 2022, 2021 and 2020, respectively. For additional details, see Note 12.B.1.C. to the financial statements.

¹¹ Includes the Company's share in the profit from the sale of land located near Mandarin hotel in the amount of NIS 170 million. For additional details, see Note 12.A.5.A. to the financial statements.

¹² Includes the Company's share in impairment loss of goodwill attributed to Gav-Yam in the amount of NIS 257 million. For additional details, see Note 3.F.1.A. to the financial statements.

¹³ Includes the Company's share in profit from the sale of Nechasim House and Romano House in the amount of NIS 178 million and NIS 99 million, respectively. For additional details, see Note 12.A. to the financial statements.

¹⁴ Cellcom's results are presented in the financial statements under discontinued operations. For additional details, see Note 12.B.2. to the financial statements.

¹⁵ Includes the Company's share in net profit with respect to the land restoration agreement in Mehadrin in 2022, in the amount of NIS 12 million, with respect to the sale of the option to acquire lease rights in 2021, in the amount of NIS 58 million. For additional details, see Note 3.F.3. to the financial statements.

¹⁶ 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.

¹⁷ Includes the Company's share in Elron's profit from the sale of Cartiheal in the amount of NIS 193 million. For additional details, see Note 3.G.4.A. to the financial statements.

¹⁸ Presented in the statements of income under discontinued operations. In light of DIC's sale of its entire stake in Shufersal, data regarding Shufersal for the years 2020-2022 was not presented.

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

1.4 Administrative and finance expenses, net, in DIC headquarters

	For the year ended December 31			The Company's remarks
	2022	2021	2020	
	NIS millions			
Management expenses, net	(23)	(28)	(55)	<p>The decrease in management expenses, net, in 2022, relative to 2021, was mainly due to:</p> <p>A decrease in payroll expenses in the amount of NIS 6 million, due to the increased efficiency measures which the Company implemented, and on the other hand, an increase in expenses with respect to donations and with respect to share-based payment due to the granting of options to Company officers.</p> <p>The decrease in management expenses, net, in 2021, relative to 2020, was mainly due to:</p> <ol style="list-style-type: none"> In 2020, expenses were recorded with respect to the provision for doubtful debts in the amount of NIS 7 million, with respect to the balance of IDB Development's unsecured debt towards the Company; A decrease in insurance expenses in the amount of NIS 10 million relative to 2020, due to an insurance payment in 2020 with respect to the extension of the run-off period and the increase of tariffs in officers' liability insurance; A decrease in payroll, consulting and legal expenses in the amount of NIS 10 million, mostly due to: <ul style="list-style-type: none"> Recording of share-based payment expenses in 2020 in the amount of NIS 3 million, mostly due to the accelerated vesting of options which were granted to the Company's outgoing General Manager. Increased efficiency measures which were implemented by the Company. <p>For details regarding the consolidation of functions in DIC and in Property & Building, and the engagement in a services agreement, see Note 31.B.1. to the financial statements.</p>
Finance expenses, net	(195)	(215)	(199)	<p>The decrease in finance expenses, net, in 2022 as compared with 2021 was mainly due to:</p> <ol style="list-style-type: none"> Net loss in the amount of NIS 22 million in 2022, from the revaluation and interest of the Company's marketable securities and liquid investments, as compared with net profit in the amount of NIS 10 million in the corresponding period last year; An increase in finance expenses, net, in the amount of NIS 17 million, with respect to linkage differentials on the Company's liabilities which are linked to the known CPI, mostly due to the CPI's increase of 5.3% in 2022, as compared with the CPI's decrease of 2.4% in the corresponding period last year; A decrease in net interest expenses in the amount of NIS 36 million, primarily due to the decrease in the Company's debt; A decrease of net finance expenses in the amount of NIS 2 million, with respect to foreign currency differences on asset balances linked to the USD exchange rate, due to the decrease in the balances of assets linked to the USD exchange rate; The increase in finance expenses, net, in the amount of NIS 3 million, due to the recording of interest expenses with respect to the lease liability with respect to the Company's offices which are subleased since January 2022. For additional information, see section 8.F. in the Company's standalone financial information; In 2021, the Company recorded loss in the amount of NIS 38 million with respect to an exchange of debenture series. <p>The increase in finance expenses, net, in 2021, as compared with 2020, was mainly due to:</p> <ol style="list-style-type: none"> In 2021, the Company recorded loss in the amount of NIS 38 million with respect to an exchange of debenture series; In 2020, the Company recorded profit in the amount of NIS 7 million from a buyback of debentures; In 2021, the Company recorded net profit in the amount of NIS 10 million with respect to revaluation and interest from the Company's marketable securities and liquid investments, as compared with loss in the amount of NIS 21 million in 2020, due to the impact of the coronavirus crisis; A decrease in net finance expenses, in the amount of NIS 41 million, with respect to linkage differentials on DIC's liabilities which are linked to the known CPI, mostly due to the CPI's decrease of 2.4% in 2021, as compared with the CPI's decrease of 0.6% in 2020; A decrease of net finance expenses in the amount of NIS 15 million, with respect to foreign currency differences on asset balances linked to the USD exchange rate, due to the decrease of the USD exchange rate in 2021 at a rate of 3.3%, as compared with the decrease of 7.0% in 2020; A decrease in net interest expenses in the amount of NIS 24 million, primarily due to the decrease in the Company's debt;
Total	(218)	(243)	(254)	

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

1.5 **Primary data regarding the Company's primary holdings (direct and indirect)**

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 March 23, 2023¹⁹

Mix of holdings, by primary holdings:

Investee company		% of total holdings
1	Property & Building (real estate)	40%
2	Cellcom (telecommunication)	43%
3	Mehadrin (agriculture)	8%
4	Elron (technology)	7%
All other holdings		2%
Total		100%

1.6 **Summary of main operational holdings**

The Company has material holdings in leading companies in several fields, which constitute the core of its business. Presented below is a summary reference to the Company's main holdings which constitute reportable segments:

1.6.1 **Property & Building** - Property & Building (and its subsidiaries and associates) is engaged in the revenue-generating properties segment, and in the residential construction segment. In 2022, Property & Building acted in accordance with resolutions of Property & Building's board of directors, to focus its activity in the revenue-generating properties segment in Israel by substantiating Property & Building's holdings in Gav-Yam, where in March 2022, Property & Building completed a special tender offer which was published for the purchase of the control of Gav-Yam, and in June 2022, Property & Building completed the purchase of additional Gav-Yam shares which constitute 37.22% of Gav-Yam's issued capital, such that Property & Building's stake in Gav-Yam increased to approximately 86.7% of Gav-Yam's issued and paid-up capital. In parallel, and in accordance with Property & Building's strategy, during 2022 and after the reporting date, Property & Building sold revenue-generating real estate properties which it had owned - Avgad House, Nechasim House, Romano House, and land located near Mandarin hotel. Property & Building also engaged in agreements to sell all of the rights in Nahalat Yehuda project in Rishon Letzion and land located at Mordot HaCarmel in Haifa, and received an irrevocable offer to acquire all of its rights to land in Hadera. Property & Building also sold, in March 2022, its stake in the Tivoli project in Las Vegas, and in land reserves located near the Tivoli project. Property & Building will continue negotiating with relevant entities which are interested in acquiring the HSBC Tower, which is located on Fifth Avenue in Manhattan, New York, USA.

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

1.6 **Summary of main operational holdings (Cont.)**

- 1.6.2 **Cellcom** - Cellcom provides a wide variety of communication services in Israel, in two operating segments - the mobile operating segment, and the landline operating segment. As at December 31, 2022, Cellcom provided mobile services to approximately 3.45 million subscribers. Cellcom also provides its customers with associated services and value added services such as roaming services, information security services and IoT (Internet of Things) services, which allow connecting various end user products to the internet (such as "smart city" solutions), and also offers end user equipment, warranty and repair services, for end user equipment. Cellcom also offers internet (access and infrastructure) services, television over internet services (Cellcom TV), landline telephony services, data communication services for business customers and telecommunication operators, internet telephony services, additional services such as conference call services, server and site hosting services, backup services and IOT solutions. As at December 31, 2022, Cellcom provided television services and internet infrastructure services to approximately 257 thousand subscribers and approximately 323 thousand subscribers, respectively. In order to address the increased competition in the telecommunication market, Cellcom is performing several actions and strategies, including realizing opportunities which maximize its advantages as a telecommunication group, focusing on the offer of service packages, investing in and reinforcing Cellcom's brand value as a customer-focused brand, engaging in a network sharing and hosting agreement, investing in IBC, investing in Cellcom's networks with the aim of guaranteeing the provision of high quality, advanced mobile and landline services (including 5G), increasing the service and sales activity through digital channels, increasing customer satisfaction and cost savings, expanding the variety of products, and developing additional complementary fields of activity.
- 1.6.3 **Mehadrin** - Mehadrin is engaged in various activities in the agricultural sector, including the processing and maintenance of orchards and fruit crops, packaging and marketing fruits in Israel and around the world, exporting and marketing vegetables, and handling and processing of fruit. Mehadrin is also engaged in the segment of refrigeration facilities for fruits, dairy products and frozen products, in the segment of water supply for agricultural irrigation and freshwater pumping, and in the revenue-generating properties segment (holding areas and buildings for rental to various customers, including areas designated for sheds, packaging and storage, offices, and the provision of mobile facilities and antennas).
- 1.6.4 **Elron** - Elron is an operational holding company which is focused on building technology companies. Elron's group of companies includes companies in various stages of development, which are engaged in various fields of technology, mostly including cybersecurity technologies, software for organizations, and medical equipment, and it evaluates investment opportunities mostly in cybersecurity companies and software for organizations. Elron's activity is performed through consolidated companies, associate companies, and other companies over which Elron does not have significant influence. Elron's main goal is to create value for its shareholders by optimizing and realizing its holdings in companies (whether through sale, or offering to the public), while in parallel seeking out new investment opportunities in companies demonstrating significant potential for returns. In order to achieve this goal, Elron strives to secure material holdings in the companies, and works on actively optimizing their value, through involvement in their management and direction.

¹⁹ 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.

1.7 Select data from the financial statements and financing characteristics

1.7.1 Summary balance sheet data

	<u>Company</u>		<u>Consolidated</u>	
	<u>As at December 31</u>			
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	<u>NIS millions</u>			
Current assets	563	776	14,683	8,900
Total assets	5,064	4,376	33,362	18,250
Current liabilities	886	527	11,852	4,963
Total liabilities	2,704	2,858	25,102	13,876
Capital attributed to owners of the Company ²⁰	2,360	1,518	2,360	1,518
Total capital (including non-controlling interests)			8,260	4,374

1.7.2 Liabilities and financing

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

	<u>As at March 23 2023</u>	<u>As at December 31 2022</u>	<u>As at December 31 2021</u>
	<u>NIS millions</u>		
Financial liabilities ²¹	(2,383)	(2,646)	(2,825)
Liquid asset balances ²²	580	827	782
Debt, net	(1,803)	(1,819)	(2,043)
Average lifetime of liabilities	2.2	2.2	3.0

²⁰ See also section 1.7.6 below.

²¹ 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.

²² Includes cash and cash equivalents, and marketable securities.

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

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

1.7.3 The Company's financing sources

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

	For the year ended December 31					
	2022			2021		
	Liquid assets ⁽¹⁾	Financial debt	Financial debt, net	Liquid assets ⁽¹⁾	Financial debt	Financial debt, net
NIS millions						
Balance at beginning of year	782	(2,825)	(2,043)	1,510	(3,258)	(1,748)
Classification of other long term investment under liquid assets	21	-	21	-	-	-
Dividends from investee companies and others (see section 1.7.3.2 below)	80	-	80	11	-	11
Net proceeds from sale of Cellcom shares	311	-	311	-	-	-
Net proceeds from sale of non-current investment	26	-	26	-	-	-
Investment in Elron	-	-	-	(62)	-	(62)
Loan to Bartan	-	-	-	(1)	-	(1)
Repayment of financial debt - principal	(283)	283	-	(510)	510	-
Repayment of financial debt - interest	(77)	77	-	(151)	151	-
Exchange of debenture series	-	-	-	(3)	(38)	(41)
Repayment of MNI loans	1	-	1	2	-	2
Repayment of lease liabilities, net of proceeds from subleases	-	-	-	(2)	-	(2)
Consent fees with respect to investment property	(1)	-	(1)	-	-	-
Foreign currency differences	-	-	-	2	-	2
General and administrative expenses less management fees, taxes and others, net, from change in balance of payables and receivables	(21)	-	(21)	(26)	-	(26)
Financing - interest income, revaluation of current investments, accrual of interest on financial debt and linkage differentials	(12)	(181)	(193)	12	(190)	(178)
Balance as at December 31	827	(2,646)	(1,819)	782	(2,825)	(2,043)

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

⁽²⁾ In February 2023, after the date of the statement of financial position, a transaction involving the sale of the Company's holdings in Epsilon was closed, for a total consideration of approximately NIS 53 million (not including a dividend which was received from Epsilon in January 2023, in the amount of approximately NIS 1 million), and another transaction was closed which involved the acquisition of the Company's share in Epsilon Underwriting, in consideration of a total of approximately NIS 4 million. For additional details, see Note 12.A.6. to the financial statements.

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

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

1.7.3 The Company's financing sources (Cont.)

1.7.3.2 Dividends received

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

	For the year ended December		
	31		
	2022	2021	2020
	NIS millions		
Property & Building	-	-	69
Elron	71	-	-
Shufersal	-	-	21
Epsilon	8 ⁽¹⁾	8	3
Pitango Venture Capital Fund III (Israeli Investors) LP ("Pitango")	1	-	13
Others	-	3	2
Total	80	11	108

⁽¹⁾ Includes the distribution of liquid investments in the amount of NIS 2 million.

1.7.3.3 In accordance with the trust deeds for the Company's debentures (Series J) and (Series K), the Company undertook to fulfill the grounds for adjustment of the interest rate. Additionally, in connection with the debentures (Series K), the Company undertook to fulfill financial covenants which will be evaluated as at the date of the financial statements (quarterly and/or annual). For details regarding the Company's debentures, see Annex A to this Board of Directors' Report.

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

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

1.7.3 The Company's financing sources (Cont.)

Grounds for adjustment of interest rate ⁽¹⁾ / financial covenant	Calculation results	
	As at December 31, 2022	As at March 23, 2023
(A) In case of a reduction in the rating of the debentures by one notch below a rating of i BBB, 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% and 0.75% for the debentures (Series J) and (Series K), respectively, for one year, at the most.	Series J - rating of i BBB (Stable) Series K - rating of i BBB (Stable)	Rating of i BBB (Stable)
(B) In case DIC's net asset value ⁽²⁾ falls below NIS 1.1 billion, and additionally, the ratio between the net financial debt and DIC's asset value exceeds 75% and 70% of the debentures (Series J) and (Series K), respectively, the stated interest rate will increase by 0.25% per year.	Net asset value - NIS 576 million. Ratio between net financial debt and asset value - 76%	Net asset value - NIS 131 million. Ratio between net financial debt and asset value - 93%
(C) In case the ratio between DIC's net financial debt and its asset value exceeds 85% and 82.5% of the debentures (Series J) and (Series K), respectively, the stated interest rate will increase by 0.5% per year.	Ratio between net financial debt and asset value - 76%	Ratio between net financial debt and asset value - 93%
(D) In case the ratio between DIC's capital and DIC's total balance sheet falls below 12.5% or 16% with respect to the debentures (Series J) and (Series K), respectively, the stated interest rate will increase at a rate of 0.25% per year.	Ratio between capital and standalone total balance sheet - 47%	Ratio between capital and standalone total balance sheet - 47%
(E) With respect to the debentures (Series K): the ratio between DIC's capital and DIC's total balance sheet will be no less than 15%, for a period of two consecutive quarters ⁽³⁾ .	Ratio between capital and standalone total balance sheet - 47%	Ratio between capital and standalone total balance sheet - 47%
At all times, DIC will have (on a standalone basis) sufficient liquid resources for the next interest payment with respect to the debentures (Series K).	Liquid resources - NIS 827 million. Next interest payment with respect to debentures (Series K) - NIS 8.5 million.	Liquid resources - NIS 580 million. Next interest payment with respect to debentures (Series K) - NIS 8.8 million.

(1) The additional interest with respect to a deviation from the financial covenants referenced in sections (B)-(D) above will be at a maximum additional interest of 1% per year. It is noted that if and insofar as an adjustment of the interest rate with respect to sections (A)-(D) above is required, in any case, the maximum cumulative rate of the total additional interest will not exceed 1.75% per year beyond the original stated interest rate (4.8% and 3.4% for the debentures (Series J) and (Series K), respectively).

(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.

(3) Failure to fulfill the covenant specified in section (E) will constitute grounds for demanding the immediate repayment of the debentures (Series K).

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

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

1.7.3 The Company's financing sources (Cont.)

- As at December 31, 2022, the Company did not fulfill the covenant specified in section (B) above, with respect to net asset value and the ratio between net financial debt and asset value. Due to the non-fulfillment of the foregoing covenant, the interest rate on the Company's debentures (Series J) and (Series K) will increase, beginning from the publication date of the Company's financial statements for 2022, on March 26, 2023, from a rate of 4.80% to 5.05% and 3.40% to 3.65%, respectively.
- The sharp declines in capital markets, in late 2022 and after the date of the statement of financial position, significantly affect the Company's asset value. As at proximate to the publication date of the financial statements, the ratio between net financial debt and asset value is 93%. If the Company does not fulfill the covenant specified in section (C) above as at March 31, 2023, the interest rate with respect to the debentures (Series J and K) will increase by an additional 0.5%, beginning from the publication date of the Company's financial statements for the first quarter of 2023. If the prices of the securities of the Company's investees on capital markets improve in the coming quarters, the asset value will increase, and the foregoing interest additions may be reversed.
- For additional details regarding the financial covenants which were determined in connection with the Company's debentures (Series J and Series K), see Note 15.C.1. to the financial statements.
- In May 2022, S&P Maalot ratified the rating of the Company's debentures as ilBBB/Stable, stable outlook.

1.7.3.4 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 March 26, 2023 (reference number 2023-01-027556), proximate to the publication of this report.

1.7.3.5 The cash flows of DIC are affected, inter alia, 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.

1.7.3.6 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 December 31, 2022, DIC has a balance of liquid resources in the amount of NIS 827 million. The total repayments of principal and interest with respect to DIC's debt in 2023 and 2024 amount to NIS 980 million and NIS 658 million, respectively.

1.7.4 In accordance with the Company's standalone reports, the Company has negative working capital as at December 31, 2022 in the amount of NIS 323 million (in the consolidated statement of financial position as at December 31, 2022, working capital was positive, in the amount of NIS 2,831 million).

However, on the approval date of the financial statements, the Company's Board of Directors determined that the working capital deficit as at December 31, 2022 does not indicate a liquidity problem in the Company, and that there is no reasonable concern that the Company will not service its current and anticipated liabilities when they come due, for the following reasons:

- The Company's Board of Directors evaluated the Company's cash flows for the twelve months after the date of the financial statements, and determined that the Company does not have a liquidity problem.
- As at December 31, 2022, DIC's balance of liquid resources amounts to NIS 827 million, and as at January 1, 2023 (after the payment of principal and interest on the debentures with respect to 2022), the balance amounted to NIS 532 million.

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

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

1.7.3 **The Company's financing sources (Cont.)**

- DIC's total principal and interest repayments in 2023 (after the repayment of principal and interest with respect to debentures, which was paid in January 1, 2023), amount to NIS 685 million.
- The Company's sources for the foregoing payments, beyond its liquid resources as at January 1, 2023, include, inter alia, proceeds from the sale of the Company's holding in Epsilon in the amount of approximately NIS 50 million, as stated in Note 12.A.6. to the financial statements, additional dividends which may be paid to the Company, and the liquidation of marketable shares, as specified below:
 - Expected dividends from investee companies - in connection with the above, DIC monitors the profitability of investee companies, their available cash flow and their ability to distribute dividends. See also section 1.7.5 below for details regarding the balances of distributable profits in the Company's directly held investee companies. DIC expects that its investee companies will have the option to distribute dividends during the year and in the coming years.
 - Debt restructuring - The Company evaluates, from time to time, the possibility of receiving loans or loans secured by pledges on assets from financial institutions or institutional entities, for an exchange of an existing debenture series, or for an issuance of a new debenture series, or acceptance of lines of credit.
 - Realization of holdings in investees -
DIC is able to realize its holdings in all or some of the listed companies which it holds. As part of the foregoing, as stated in Note 3.F.2. to the financial statements, the Company is evaluating various possibilities for the sale of all or some of its holdings in Cellcom, and in February 2023, after the date of the statement of financial position, approval was received from the Ministry of Communication for the sale of an additional approximately 9.5% of the Company's holdings in Cellcom.
In this regard, it is noted that DIC has control and significant influence of large public companies, which are leaders in their fields, and DIC's holdings therein are free and clear of any charges.
- Capital attributed to the Company's owners as at December 31, 2022, amounted to a total of NIS 2.36 billion, and DIC's net asset value, as at December 31, 2022, and proximate to the publication date of the report (March 23, 2023) (based on the market value of its main investments, according to their average market value during the five trading days preceding the foregoing date) amounted to NIS 576 million and NIS 131 million, respectively.
- Although the sharp declines in capital markets in late 2022 and after the date of the statement of financial position significantly affected the Company's net asset value and the yields of the Company's debentures, the Company believes that the market value of the Company's holdings does not reflect the economic value of its held assets, and the Company's liquid balances, as stated above, give the Company reasonable and adequate room to perform actions to improve the Company's asset value, before having to resort to selling them, in accordance with its needs.

In accordance with the above, the Company did not include a cash flow forecast report in this Board of Directors' Report.

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

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

1.7.5 Retained earnings and negative balances of distributable profits²³

The balance of distributable profits (as this term is defined in section 302 of the Companies Law, 5759-1999 (the "Companies Law"), of the Company and of investee companies directly held by the Company is as follows:

As at December 31, 2022				
Investee companies				
NIS millions				
The Company ²⁴	Property & Building	Cellcom	Elron ²⁵	Mehadrin
786	2,094	1,310	143	543

1.7.6 Presented below is the movement in the capital attributable to the owners of the Company ²⁶

	For the year ended December 31		
	2022	2021	2020
NIS millions			
Balance at beginning of year	1,518	1,231	1,824
<u>Changes during the period</u>			
Net profit (loss) attributable to the Company's owners	520	266	(555)
Reserves from translation differences	199	(20)	(104)
Reserves with respect to transactions with non-controlling interests	117	41	54
Hedging reserves	-	1	1
Revaluation reserves	3	-	5
Capital reserves and other movements, net	3	(1)	6
Balance at end of year	<u>2,360</u>	<u>1,518</u>	<u>1,231</u>

²³ For details regarding restrictions on the distribution of dividends, see sections 8.4, 9.3, 10.4 and 11.12 of Part A of the periodic report and Note 3.G. to the 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.

²⁴ The balance of distributable profits as at December 31, 2022 was calculated based on the net profit (loss) attributable to the owners of the Company, which was accrued in the last eight quarters. The cumulative balance of retained earnings is negative.

²⁵ Data with respect to Elron were translated for convenience purposes according to the exchange rate as at the end of the period.

²⁶ See also section 1.8 below.

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

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

1.7.7 Linkage bases of the Company's assets and liabilities as at December 31, 2022 (including wholly owned and consolidated headquarter companies)

	Linked to the CPI	Linked to foreign currency (mostly the USD)	Unlinked	Non-monetary items	Total
	NIS millions				
Right-of-use assets	-	-	-	18	18
Investment property	-	-	-	28	28
Fixed assets	-	-	-	2	2
Investments in investee companies and other companies (see section 1.7.8)	-	-	-	3,114	3,114
Other receivables and debit balances	-	-	8	2	10
Investments in marketable securities	-	-	-	108	108
Investments in investees classified as held for sale	-	-	-	1,067	1,067
Cash and cash equivalents	-	4	715	-	719
Total assets	-	4	723	4,339	5,066
Debentures (including maturities)	951	-	1,640	-	2,591
Lease liabilities (including maturities)	42	-	-	-	42
Other payables and credit balances	53	-	17	-	70
Current provisions	-	-	3	-	3
Total liabilities	1,046	-	1,660	-	2,706
Net balance as at December 31, 2022	(1,046)	4	(937)	4,339	2,360
Net balance as at December 31, 2021	(887)	6	(1,316)	3,715	1,518

For details regarding the linkage bases of the total assets and total liabilities in the consolidated statement of financial position as at December 31, 2022, see Note 20.E to the financial statements.

1.7.8 Investment in investee companies and others

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

	NIS millions
Balance at beginning of year	3,571
Classification of other long term investment under liquid assets	(21)
The Group's share in the profits of investees accounted by the equity method	741
Dividends from investee companies ⁽¹⁾	(79)
Change in investments due to purchasing of investments ⁽²⁾	77 ⁽²⁾
Change in investments as due to the sale of investments ^{(3),(4)}	(298)
Change in investments carried to capital reserves	198
Repayment of loans	(1)
Other changes (mostly revaluation of companies measured at fair value) ⁽¹⁾	(7)
Balance at end of year	<u>4,181 ⁽⁵⁾</u>

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

⁽²⁾ Including the impact of the purchase of 37.22% of Gav Yam's issued share capital. For details, see Note 3.G.1.A.1. to the financial statements.

⁽³⁾ Including the impact of an issuance of shares to non-controlling interests in a consolidated company.

⁽⁴⁾ Including the sale of 9.9% of Cellcom's issued and paid-up share capital. See Note 12.B.2. to the financial statements.

⁽⁵⁾ Mostly includes investments in Cellcom and Epsilon, which are classified as held for sale. For details, see Notes 12.B.2. and 12.A.6. to the financial statements.

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

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

1.7.8 Investment in investee companies and others (Cont.)

1.7.8.2 Presented below are the balances of investments in investee companies and others, the net asset value²⁷ and the leverage ratio²⁸ as at December 31, 2022:

<u>Companies accounted by the equity method</u>	<u>Holding rate</u>	<u>Book value</u>	<u>Asset value²⁹</u>
		<u>NIS millions</u>	
Property & Building	63.2%	2,503	908
Cellcom	35.7%	1,010	1,069
Mehadrin	44.5%	303	178
Elron Ventures Ltd.	60.1%	283	158
Epsilon	67.4%	54	54
EMCO	12.2%	12	12
Microwave Networks, Inc.	99.8%	4	4
Bartan	24.8%	3	3
<u>Companies and funds measured at fair value</u>			
Mustang Mezzanine Fund, LP	23.8%	7	7
Others		2	2
		<u>4,181</u>	<u>2,395</u>
	<u>As at</u>	<u>As at</u>	<u>As at</u>
	<u>March 23</u>	<u>December</u>	<u>December</u>
	<u>2023</u>	<u>31, 2022</u>	<u>31, 2021</u>
		<u>NIS millions</u>	
Asset value ²⁹	<u>1,934</u>	<u>2,395</u>	<u>4,122</u>
Less financial debt, net (section 1.7.2)	<u>(1,803)</u>	<u>(1,819)</u>	<u>(2,043)</u>
Total net asset value [NAV] ²⁷	<u>131</u>	<u>576</u>	<u>2,079</u>
Leverage ratio [LTV] ²⁸	<u>93%</u>	<u>76%</u>	<u>50%</u>

The sharp declines in capital markets in late 2022 and after the date of the statement of financial position significantly affected the Company's net asset value. The Company believes that the market value of the Company's holdings does not reflect the economic values of the assets which the Company holds. The Company's liquid balances, as stated in section 1.7.2 above, give the Company reasonable and adequate room to perform actions to improve the Company's asset value, before having to resort to selling them, in accordance with its needs.

²⁷ 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 December 31, 2022, plus investments which were made and less dividends which were received after December 31, 2022 and until proximate to the publication of the report.

²⁸ 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 LTV is not based on generally accepted accounting principles, and does not constitute an alternative to the information which is included in the financial statements.

²⁹ 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).

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

1.8 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 capital attributable to the Company's shareholders, 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 finance 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 finance 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.

1.9 Condensed comprehensive income (consolidated)

	For the year ended		For the three months ended	
	December 31			
	2022	2021	2022	2021
	NIS millions			
Net profit (loss) for the period	1,450	667	(189)	510
Foreign currency translation differences for foreign operations ⁽¹⁾	153	(58)	(18)	(59)
The Group's share in other comprehensive income (loss) in respect of investee companies accounted by the equity method	172 ⁽²⁾	5	(1)	4
Total net income (loss) for the period	1,783	614	(206)	452
Total net income (loss) attributed to owners of the Company	724	239	(133)	185

⁽¹⁾ Mostly due to changes in the USD exchange rate, see Note 1.E.(1). to the financial statements.

⁽²⁾ Includes other comprehensive income in the amount of NIS 156 million (the Company's share - NIS 99 million), due to the realization of the balance of translation reserves, due to the closing of the transaction for the sale of IDBG's assets, see Note 12.A.4. to the financial statements.

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

1.10 Summary of the Company's results (consolidated)

	<u>For the year ended</u>		<u>For the three months ended</u>	
	<u>December 31</u>			
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	<u>NIS millions</u>			
Net profit (loss) for the period attributable to owners of the Company	520	266	(122)	219
Net profit (loss) for the period attributable to non-controlling interests	930	401	(67)	291
Net profit (loss) attributable to the owners of the Company and to non-controlling interests	<u>1,450</u>	<u>667</u>	<u>(189)</u>	<u>510</u>
Profit (loss) from the realization and decrease in value of investments and assets, and dividends, less amortization of investments and assets and decrease in net value (including non-controlling interests)	<u>632⁽¹⁾</u>	<u>134⁽²⁾</u>	<u>(497)</u>	<u>40⁽²⁾</u>
Profit (loss) from discontinued operations, after tax	<u>19</u>	<u>(69)⁽²⁾</u>	<u>73</u>	<u>(127)⁽²⁾</u>
Basic and diluted earnings (loss) per share - in NIS	<u>3.7</u>	<u>1.9</u>	<u>(0.8)</u>	<u>1.5</u>

(1) Includes profit due to the revaluation of the investment in Gav-Yam to fair value on the date of rise to control of Gav-Yam, in the amount of NIS 851 million. The Company's share in the profit was NIS 538 million. See Note 3.G.1.A.2.A. to the financial statements; Impairment loss of goodwill attributed to Gav-Yam in the amount of NIS 469 million. The Company's share in the loss amounted to NIS 257 million. See Note 9.D to the financial statements; and profit from the sale of Cartiheal, in the amount of NIS 322 million. The Company's share in the profit was NIS 193 million. See Note 3.G.4.A. to the financial statements;

(2) Restated due to the presentation of the Cellcom operation as a discontinued operation, see Note 12.B.2. to the financial statements.

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

1.11 **Details regarding main one-time events**

1.11.1 **Details regarding main non-recurring profits (losses)**

	For the year ended	
	December 31	
	2022	2021
	NIS millions	
Involving cash flows -		
Gain on revaluation of investment property with respect to Nechasim House	-	178
Gain on revaluation of investment property with respect to Romano House	-	99
Profit from the sale of land located near Mandarin hotel	170	-
Net profit from the buyer's deposit due to the non-closing of the transaction for the sale of HSBC Tower	51	-
Profit from sale of Elron investee companies	193	40
Profit from sale of option and land restoration in Mehadrin	12	58
Not involving cash flows³⁰ -		
Loss from exchange of debenture series	-	(38)
Reversal of provision with respect to claim in DIC	-	7
Update to the value of the HSBC Tower, net	(178)	(61)
Increase in value of investment property, net (mostly with respect to Gav-Yam)	295	209
Gain on revaluation of investment in Gav-Yam shares on the date of rise to control of Gav-Yam	538	-
Impairment of goodwill attributed to Gav-Yam	(257)	-
Carrying of negative translation reserves to the statement of income due to the sale of IDBG's assets	(99)	-
Update to the value of the Tivoli project in Las Vegas (including the impact of the sale agreement)	76	(39)
Profit from decrease in Cellcom's stake in IBC	-	5
Provision with respect to claim in Cellcom	3	(11)

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

- In June 2022, Property & Building closed a transaction to acquire 37.22% of Gav-Yam's issued and paid-up share capital, for a total consideration of NIS 3.026 billion. In August 2022 Property & Building also transferred to the seller an additional amount of NIS 6.6 million, with respect to the addition of FFO differences, for the period from April 2022 until the transaction closing date. As a result of the above, DIC recorded, in 2022, an increase in capital attributed to owners in the amount of NIS 76 million. For additional details, see Note 3.G.1.A.1. to the financial statements.
- In August 2022, the Company sold, in over the counter transactions, to several entities which are unaffiliated with the Company, Cellcom shares which constitute approximately 9.9% of Cellcom's issued and paid-up share capital, For a net consideration (net, after deducting fees) in the amount of NIS 311 million. Due to the sale, the Company recorded, in 2022, an increase in capital attributed to the Company's owners in the amount of NIS 37 million. For additional details, see Note 12.B.2.B. to the financial statements.

³⁰ Includes profit from the increase (decrease) in the fair value of investment property, which is in the ordinary course of business of companies engaged in real estate.

1. **Board of Directors' Remarks Regarding the State of the Company's Affairs (Cont.)**
- 1.12 **Contribution to the business results of the Company and its investee companies, by operating segments**
- 1.12.1 **Property & Building segment**

DIC's share in the results of the Property & Building segment in 2022 amounted to profit of NIS 577 million, as compared with profit of NIS 380 million in 2021.

The Company's share in the results for 2022 include: profit with respect to the revaluation of the investment in Gav-Yam at fair value, on the date of rise to control of Gav-Yam, in the amount of NIS 538 million; Impairment loss of goodwill attributed to Gav-Yam in the amount of NIS 257 million; Profit from realization of the Tivoli project in Las Vegas, in the amount of NIS 76 million; Loss due to the carrying of negative translation reserves to the statement of income due to the realization of assets of IDBG in the amount of NIS 99 million. Net loss from revaluation of the HSBC Tower, in the amount of NIS 178 million; Net profit in the amount of NIS 51 million from the buyer's deposit, which was kept by Property & Building, due to the non-closing of the transaction for the sale of HSBC Tower; Profit in the amount of NIS 170 million, due to the sale of land located near Mandarin hotel.

The Company's share in the results for 2021 include net loss from revaluation of the HSBC Tower, in the amount of NIS 61 million; Net loss due to the revaluation of the Tivoli project in Las Vegas, in accordance with the sale agreement, in the amount of NIS 39 million; Net profit with respect to the agreement for the sale of Nechasim House in the amount of NIS 178 million; And net profit from the sale of Romano House in the amount of NIS 99 million.

In light of the processes involving the realization of revenue-generating real estate in Israel and the HSBC Tower, which are held by Property & Building, as stated in Note 12.A.4. and 12.B.1. to the financial statements, the foregoing operations are presented in Property & Building's statements of income as discontinued operations.

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

Summary of the business results of Property & Building³¹

	For the year		Increase (Decrease)	For the year 2020	Explanation
	2022	2021			
	NIS millions		%	NIS millions	
Profit from rise to control of Gav-Yam	851	-			See Note 3.G.1.A.2.A. to the financial statements.
Loss from impairment of assets and investments	469	-			See Note 9.D. to the financial statements.
Property & Building's share in the profits of investee companies, net	58	446	(87.0)	110	The decrease in Property & Building's share in the net profits of investees in 2022, as compared with the corresponding periods last year, was mostly due to Property & Building's share in the results of Gav-Yam until the date of consolidation, in the amount of approximately NIS 46 million, as compared with a total of NIS 444 million in 2021. After the consolidation date, Gav-Yam's results are consolidated in the statements of income.
Increase in fair value of investment property, net	1,115	-			The data for 2022 include the consolidation of Gav-Yam.
Revenues from property rentals	533	-			For details regarding the main impact of the change in the value of investment real estate properties on Property & Building's share, see section 2.5 below and Note 6 to the financial statements.
NOI ³²	455	-			
Revenue from apartment sales, construction services and land	464	44	954.5	109	The increase in 2022 was mostly due to the sale of land in a subsidiary of Property & Building in the amount of NIS 358 million.
EBITDA ³³ - Continuing operations	923	66	1,298.5	58	The increase in 2022 was due to the consolidation of Gav-Yam's results, beginning from the date of rise to control.
EBITDA ⁽³³⁾ - Discontinued operations	127	137	(7.3)	197	In 2022, this item included the real estate activity abroad in the amount of NIS 126 million, and the activity of revenue-generating properties in Israel in the amount of NIS 1 million. In 2021, this item included the real estate activity abroad in the amount of NIS 127 million, and the commercial activity in Israel, in the amount of NIS 10 million.
Total EBITDA	1,050	203	417.2	255	
Profit (loss) from continuing operations	1,508	266	466.9	(238)	

³¹ The data were presented according to the presentation in Property & Building's financial statements for 2022.

³² Revenue from property rentals less property maintenance, it is clarified that NOI is not based on generally accepted accounting principles, and does not constitute an alternative to the information which is included in the financial statements.

³³ 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.

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

	For the year			For the year	Explanation
	2022	2021	Increase	2020	
	NIS millions		%	NIS millions	
Profit (loss) from discontinued operations, after tax	(109)	376	Transition to loss	138	The decrease in the results of Property & Building's discontinued operations in 2022, as compared with the corresponding periods last year, was mostly due to the recording of net amortization for impairment of the investment in the HSBC Tower in New York, in the amount of NIS 282 million, after offsetting net income from the forfeiture of the deposit, due to the non-completion of the sale of the HSBC Tower, in the amount of NIS 80 million; the recording of a deferred tax asset in the amount of NIS 60 million, due to the liquidation of Traders House Ltd.; and loss in the amount of NIS 36 million, due to the update to the value of the Tivoli project in Las Vegas, and the impact of the sale. For additional details, see Note 12.A.4. to the financial statements.
Finance expenses, net	397	146	171.9	288	<p><u>The change in finance expenses in 2022 as compared with 2021 was mainly due to:</u></p> <ol style="list-style-type: none"> 1. Net finance expenses in the amount of NIS 164 million, due to the initial consolidation of Gav-Yam, beginning on March 8, 2022; 2. Interest expenses in the amount of NIS 201 million, as compared with a total of NIS 167 million in the corresponding period last year; 3. Expenses due to CPI linkage differentials in the amount of NIS 74 million, as compared with expenses of NIS 43 million in the corresponding period last year. In 2022, the known index increased by approximately 5.3%, as compared with an increase of 2.4% in 2021; 4. Loss from net hedging transactions on the CPI and the USD in the amount of NIS 6 million, as compared with income in the amount of NIS 60 million in 2021; 5. Profit from exchange differences in the amount of NIS 33 million, as compared with loss in the amount of NIS 17 million in the corresponding period last year. 6. In 2021, included profit from securities in the amount of NIS 19 million. 7. Finance income from banks and others in the amount of NIS 13 million, as compared with finance income in the amount of NIS 2 million in the corresponding period last year. <p><u>The decrease in finance expenses in 2021, as compared with 2020, was mainly due to:</u></p> <ol style="list-style-type: none"> 1. Interest expenses in the amount of NIS 167 million, as compared with a total of NIS 188 million in the corresponding period last year, mostly due to the decrease in the Company's gross debt. 2. Expenses due to CPI linkage differentials in the amount of NIS 43 million, as compared with income of NIS 13 million in the corresponding period last year. In 2021, the known index increased by approximately 2.4%, as compared with the decrease of 0.6% in the corresponding period last year; 3. Profit from CPI hedging transactions in the amount of NIS 60 million, as compared with loss in the amount of NIS 13 million in the corresponding period last year. 4. Profit from securities in the amount of NIS 19 million, as compared with loss from securities in the amount of NIS 15 million in the corresponding period last year. 5. Expenses due to foreign currency differences in the amount of NIS 17 million, as compared with expenses in the amount of NIS 90 million, due to the 3.3% decrease of the USD exchange rate, as compared with the decrease of 6.9% in the corresponding period last year.
Income tax expenses	374	19	1,763.2	11	In 2022, mostly includes tax expenses from the consolidation of Gav-Yam in the amount of NIS 260 million, tax in the amount of NIS 77 million from the realization of land (see above), and tax expenses in the amount of NIS 9 million, due to a buyback of Property & Building's securities.
Net profit (loss) attributed to owners of Property & Building	914	579	57.9	(380)	

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

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

1.12 Contribution to the business results of the Company and of investee companies, by operating segment (Cont.)

1.12.2 Cellcom segment

DIC's share in the results of the Cellcom segment in 2022 amounted to profit of NIS 65 million, as compared with profit of NIS 12 million in 2021. The Company's share in the results for 2021 included a net expense in the amount of NIS 11 million with respect to a legal claim, in which a ruling against Cellcom was given. (Cellcom filed an appeal with the Supreme Court, and in 2022, it recorded net income with respect to a settlement agreement which was approved by the Supreme Court. The Company's share in the net income amounted to NIS 3 million), and profit from the closing of the Hot-IBC transaction. Israel Broadband Company (2013) Ltd. ("IBC"), in light of the decrease in Cellcom's stake in IBC, in the amount of NIS 5 million.

In light of the Company's intention to sell additional Cellcom shares which it holds, which involves the loss of control of Cellcom, Cellcom's results are presented in the financial statements under discontinued operations. For details, see Note 12.B.2. to the financial statements.

Summary of the business results of the Cellcom segment:

	For the year		Increase	For the year	Explanation
	2022	2021	(Decrease)	2020	
	NIS millions		%	NIS millions	
Revenue from services	3,111	2,939	5.9%	2,798	The increase in 2022, relative to 2021, was mostly due to the increase in revenue from mobile packages and roaming services, and from the increase in revenue from the landline segment (internet and television services). The increase in 2021, as compared with 2020, was mostly due to the revenues of Golan, whose results were initially consolidated beginning in September 2020, and the increase of revenue from roaming services.
Revenues from end user equipment	1,189	1,161	2.4%	878	The increase in 2022, as compared with 2021, was mainly due to the increase in revenues from end user equipment in the mobile segment and in the landline segment. The increase in 2021, as compared with 2020, was mainly due to the increase in revenues from end user equipment in the mobile segment, and the increase in revenues from end user equipment in the landline segment.
Total revenues	4,300	4,100	4.9%	3,676	
Cost of sales and services	(3,034)	(2,963)	2.4%	(2,800)	The increase in 2022, as compared with 2021, was mostly due to the increase in purchasing costs of internet services from infrastructure providers, the increase in roaming services costs due to the growth of the activity, and the increase in end user equipment costs, due to the increase in sales of end user equipment. The increase in 2021, relative to 2020, was mostly due to the cost of sales of end user equipment in the mobile segment and to the results of Golan, which were initially consolidated beginning in September 2020.
Gross profit	1,266	1,137	11.3%	876	
Rate of gross profit from total revenues	29.4%	27.7%		23.8%	
Selling, marketing, general and administrative expenses, and credit losses	(952)	(972)	(2.1%)	(937)	The decrease in 2022, relative to 2020, was mostly due to the decrease in depreciation expenses, inter alia, due to the change in the estimated useful lifetime of trade receivables in the mobile segment and landline segment. The increase in 2021 relative to 2020 was mostly due to the initial consolidation of Golan's results beginning in September 2020, which were partly offset by the decrease in increased efficiency expenses and the decrease in credit losses.
Other income, net	44	44		38	In 2022, other income arose mostly with respect to the execution of contract works involving the distribution of optical fibers in the amount of NIS 15 million, revenue from maintenance works for IBC in the amount of NIS 7 million, a decrease of the provision for claims in the amount of NIS 10 million, and interest income with respect to the sale of end user equipment on credit in the amount of NIS 11 million. In 2021, other income arose mostly with respect to the execution of contract works involving the distribution of optical fibers, in the amount of NIS 39 million. In 2020, other income arose with respect to interest from the sale of end user equipment on credit, and other income from the execution of contract works involving the distribution of the fiber optic network.
Operating profit (loss)	358	209	71.3%	(23)	

1. Board of Directors' Remarks Regarding the State of the Company's Affairs (Cont.)
1.12 Contribution to the business results of the Company and of investee companies, by operating segment (Cont.)
1.12.2 Cellcom Segment (Cont.)

Summary of the business results of the Cellcom segment: (Cont.)

	For the year		Increase (Decrease)	For the year 2020	Explanation
	2022	2021			
	NIS millions		%	NIS millions	
Adjusted EBITDA ³⁴	1,197	1,133	5.6%	918	The increase in 2022 as compared with 2021 was mostly due to the increase in income and increased operational efficiency. The increase in 2021 as compared with 2020 was mostly due to the increase in operating profit, due to the above.
Rate of EBITDA from total revenues	27.8%	27.6%		25.0%	
Finance expenses, net	(155)	(165)	(6.1%)	(172)	The decrease in 2022, relative to 2021, was mostly due to the decrease in interest expenses, due to the decrease in average debt, after offsetting the increase in linkage differential expenses on CPI-linked debentures. The decrease in 2021, relative to 2020, was mostly due to financing losses which were recorded in Cellcom's current investment portfolio in 2020, due to the impact of the coronavirus crisis, which was partly offset by the increase in financing costs, due to the increase of the CPI in 2021.
Tax income (expenses)	(45)	(12)	275.0%	39	The change in tax income (expenses) in 2022 as compared with 2021, and in 2021 as compared with 2020, was mostly due to the changes in profit (loss) before tax.
Net profit (loss) attributed to owners of Cellcom	157	27	481.5%	(170)	

Cellcom's main operational indicators:

	For the year		% of change
	2022	2021	Increase (decrease)
In the mobile segment:			
Number of Cellcom subscribers at end of period (in thousands)	3,452	3,275	5.4%
Churn rate	28.9%	31.0%	(6.8%)
Monthly average revenue per user (ARPU) (in NIS) ³⁵	48.9	48.0	1.9%
In the landline segment:			
Number of subscribers (households) at end of period in the television segment (in thousands)	257	252	2.0%
Number of subscribers (households) at end of period in the internet infrastructure segment (in thousands)	323	305	5.9%

For details regarding the primary changes in the holdings in the Cellcom segment during the reporting period, see Note 12.B.2. to the financial statements.

³⁴ Adjusted EBITDA - A standard metric in the communications sector, defined as earnings before net finance 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.

³⁵ 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.)

1.12 Contribution to the business results of the Company and of investee companies, by operating segment (Cont.)

1.12.3 Mehadrin segment

DIC's share in the results of the Mehadrin segment in 2022 amounted to loss of NIS 39 million, including net profit in the amount of NIS 12 million due to the land restoration agreement in Ashkelon, as compared with profit of NIS 62 million in 2021, which includes net profit in the amount of NIS 58 million from the sale of an option to acquire leasing rights with respect to land in Mehadrin.

Summary of the business results of Mehadrin:

	For the year		Increase (Decrease)	For the year 2020	Explanation
	2022	2021			
	NIS millions		%	NIS millions	
Total revenues	1,021	1,041	(2.0)	1,175	The decrease in revenue in 2022, as compared with 2021, was mostly due to the decrease in sales of citrus fruits, which was due to the decrease in sale prices, due to the excess supply vs. low demand. The decrease in income in 2021, as compared with 2020, was mostly due to the decrease in fruit sales of approximately 45 thousand tons, and the average decrease of approximately 5% in avocado prices, mostly in exports. The decrease in fruit quantities was due to the heat wave which occurred in May of last year, and due to the termination of an agreement vis-à-vis one of the avocado suppliers with whom Mehadrin worked.
Gross profit (loss)	(85)	51	Transition to loss	41	The decrease in gross profit and in the rate of gross profit in 2022, as compared with 2021, was mostly due to the greater supply than demand of fruit, the increase of the NIS vs. the EUR and the GBP, and the increase in input prices, mostly in the costs of transportation and packaging materials. The improvement in gross profit and in the rate of gross profit in 2021, as compared with 2020, was mostly due to the decrease in fixed costs, the improvement in fruit purchasing costs, and the increase in water costs.
Rate of gross profit (loss) from total revenues	(8.3%)	4.9%		3.5%	
Selling, marketing, general and administrative expenses	(29)	(27)	10.0%	(25)	The increase in expenses in 2022, as compared with 2021, was mostly due to the initial consolidation of a subsidiary, beginning in October 2021.
Increase in fair value of investment property, net	1	5	(76.1)	-	The revenues in the years 2022 and 2021 were due to the revaluation of investment property which was performed by Mehadrin.
Other income, net	37	160	(77.0)	4	In 2022, mostly includes revenue from the marketing of an option with respect to land in Netanya, and the return of land to the ILA. In 2021, mostly included profit from the sale of an option to acquire land rights in the amount of NIS 173 million.
Operating profit (loss)	(76)	189	Transition to loss	20	
EBITDA, including other income, net	(27)	240	Transition to loss	74	See above for details regarding other income, and below for details regarding the change in EBITDA without other income.
EBITDA, excluding other income, net	(64)	81	Transition to loss	70	The decrease of EBITDA in 2022, as compared with 2021, was mostly due to the decrease in gross profit, as stated above. The increase of EBITDA in 2021, as compared with 2020, was mostly due to the increase in gross profit, as stated above.
EBITDA, excluding other income, net of total income	(6.2%)	7.7%		5.9%	
Mehadrin's share in the net profit (loss) of equity accounted investee companies	(5)	(2)	137.0	5	The decrease in profit in 2022, as compared with 2021, was mostly due to the decrease in the partnership's profits, due to the increase in inputs and fruit purchasing costs, and the increase in finance expenses due to the increase of the USD exchange rate. The decrease in profit in 2021, as compared with 2020, was mostly due to the decrease in the profits of partnerships, mostly due to the late start of the 2021/2022 season, and the increase of expense prices, mostly water.
Finance expenses, net	(12)	(8)	59.9	(21)	The increase in finance expenses in 2022, as compared with 2021, was mainly due to the impact of the increase in the Prime interest rate. The decrease in finance expenses in 2021, as compared with 2020, was mostly due to the decrease in interest expenses, mostly due to the interest rate reduction on the credit which is raised by Mehadrin, the decrease in credit bearing high interest, vs. the use of lower interest, and also due to foreign currency differences.
Tax income (expenses)	7	(38)		(1)	The changes in taxes in the years 2022 and 2021, relative to the corresponding periods, were mostly due to the change in pre-tax profit (loss).
Net profit (loss) attributed to owners of Mehadrin	(87)	140	Transition to loss	3	

For details regarding the primary changes in the holdings in the Mehadrin segment during the reporting period, see Note 3.G.3. to the financial statements.

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

1.12 Contribution to the business results of the Company and of investee companies, by operating segment (Cont.)

1.12.4 Elron segment

DIC's share in the results of the Elron segment in 2022 amounted to profit of NIS 146 million, which includes net profit in the amount of NIS 193 million due to the Cartiheal sale agreement, as compared with profit of NIS 18 million in 2021, which includes net profit in the amount of NIS 40 million from the sale of Alcide, Securedtouch and Ironscales (as stated in Notes 3.G.4.C-E to the financial statements for 2021).

Summary of the business results of Elron:

	For the year		Increase	For 2020	Explanation
	2022	2021	(Decrease)		
	USD millions		%	USD millions	
Profit from sale, revaluation, realization of activity and change in holding rate of investee companies, net	84	37	125.1	4	The profit in 2022 was mostly due to profit in the amount of USD 92.5 million due to the sale of Cartiheal (see Note 3.G.4.A. to the financial statements), which was offset by losses from the decrease in value of investments in other companies. Profit in 2021 was mostly due to profit in the amount of USD 13 million from the sale of the shares of Ironscales Ltd., and the measurement of the balance of the investment at fair value, instead of the equity method, profit in the amount of USD 11.3 million from the sale of Alcide Ltd., profit in the amount of USD 10.5 million from the sale of Securedtouch Ltd., profit in the amount of USD 4.9 million from the sale of Imvision Ltd., and profit from investments in other companies. The profit was partly offset by losses with respect to investments in other companies. The profit in 2020 was mostly due to profit in the amount of USD 4.6 million from the sale of some of the shares of Ironscales Ltd., and profit in the amount of NIS 2.7 million due to loss of control of Pocared. The profit was partly offset by losses with respect to investments in other companies.
Operating expenses	(8)	(7)	13.2	(11)	The increase in 2022, as compared with 2021, was mostly due to share-based payment expenses in 2022 in Elron, and the growth of the activity involving the evaluation and identification of new projects and investment by RDC. The decrease in 2021, as compared with 2020, was mostly due to the decrease in share-based payment expenses and the deconsolidation of Pocared (a subsidiary of Elron), in August 2020.
Elron's share in the losses of associate companies, net	(22)	(12)	77.2	(15)	The increase in loss in 2022, as compared with 2021, was mostly due to the increase in investments in new companies and investments during the years 2021 and 2022, and Elron's recognition of its share in the losses of those companies (most of the investee companies are companies whose activities have not yet produced significant revenue, if any, and which invest significant resources in research, development and marketing activities) after offsetting the decrease in its share in the losses of companies which were realized in 2021. The decrease in 2021, as compared with 2020, was mostly due to the decrease in Elron's share in the losses of companies which were sold during 2021, after offsetting the increase in loss due to Pocared, which was classified as an associate company only beginning from August 2020.
Finance income (expenses), net	5	-		(1)	Finance income in 2022 was mostly due to interest income with respect to the deferred consideration from the sale of Cartiheal, in the amount of approximately USD 4 million.
Tax income (expenses)	(1)	(4)	(77.4)	1	Tax expenses in 2021 were mostly due to the sale of shares of Elron' investees.
Net profit (loss) attributed to owners of Elron	70	5	1,167.8	(18)	

For details regarding the primary changes in the holdings in the Elron segment during the reporting period, see Note 3.G.4. to the financial statements.

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

1.13 Analysis of quarterly business results

In the fourth quarter of 2022, the Company recorded net loss in the amount of NIS 122 million, as compared with profit in the amount of NIS 219 million in the corresponding quarter of 2021.

The results in the fourth quarter of 2022 included the Company's share in: the increase in value of net investment property (mostly with respect to Gav-Yam) in the amount of NIS 47 million; Profit from the sale of land located near Mandarin hotel in the amount of NIS 170 million; And impairment loss of goodwill attributed to Gav-Yam in the amount of NIS 257 million.

The results in the fourth quarter of 2021 included the Company's share in: the increase in value of net investment property (mostly with respect to Gav-Yam) in the amount of NIS 89 million; Net loss from revaluation of the HSBC Tower, in the amount of NIS 68 million; Net loss from update to the value of the Tivoli project in Las Vegas, in the amount of NIS 39 million; Net profit from the sale of Nechasim House in the amount of NIS 178 million; Net profit from the sale of Romano House in the amount of NIS 99 million; and net profit from the sale of an option to acquire leasing rights with respect to land in Mehadrin, in the amount of NIS 58 million.

1.13.1 The Company's operating results on a quarterly basis for the years 2022 and 2021:

Main items in the statement of income

	Total 2022	2022			
		Q4	Q3 ⁽¹⁾	Q2 ⁽¹⁾	Q1 ⁽¹⁾
NIS millions					
Sales and services	2,176	854	380	469	473
The Group's share in the profit (loss) of investee companies accounted by the equity method, net	(31)	(19)	(36)	(21)	45
Profit (loss) from the realization of investments and assets and dividends, net	632	(497)	316	(5)	818
Increase in fair value of investment property, net	1,096	112	262	685	37
Finance expenses, net	(594)	(137)	(154)	(202)	(101)
Profit (loss) from discontinued operations, after tax	19	73	(6)	(93)	45
Net profit (loss) for the period attributable to owners of the Company	520	(122)	156	(60)	546
	Total 2021 ⁽¹⁾	2021 ⁽¹⁾			
		Q4	Q3	Q2	Q1
NIS millions					
Sales and services	1,270	298	204	290	478
The Group's share in the profit of investee companies accounted by the equity method, net	344	94	92	93	65
Profit (loss) from the realization of investments and assets and dividends, net	134	40	(6)	59	41
Increase in fair value of investment property, net	592	568	15	-	9
Finance expenses, net	(362)	(91)	(130)	(137)	(4)
Profit (loss) from discontinued operations, after tax	(69)	(127)	30	8	20
Net profit (loss) for the period attributable to owners of the Company	266	219	(43)	(3)	93

(1) Restated due to the presentation of the Cellcom operation as a discontinued operation, see Note 12.B to the financial statements.

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

1.13 Analysis of the business results on a quarterly basis (Cont.)

1.13.2 Results of the Company's Directly Held Investee Companies and Their Contribution to the Company's Results

	For the three months ended	
	December 31	
	2022	2021
	NIS millions	
Property & Building	(53)	209
Cellcom	18	9
Mehadrin	(23)	55
Elron	(13)	5
Epsilon	-	2
Others	(7)	(14)
Total	(78)	266
Administrative and finance expenses, net (see also section 1.13.2.2 below)		
Management expenses	(6)	(8)
Finance expenses, net	(38)	(39)
Net income (loss)	(122)	219

1.13.2.1 **Presented below are the changes in the results of investee companies from the fourth quarter of 2022 to the fourth quarter of 2021:**

Property & Building - Property & Building's loss in the fourth quarter of 2022 was mostly due to the impairment loss of goodwill attributed to Gav-Yam in the amount of NIS 406 million, after offsetting its share in the revaluation gains with respect to Gav Yam's investment property in the amount of NIS 74 million, and the revaluation of Property & Building's real estate properties, mostly due to the agreement for the sale of land located near Mandarin hotel - net profit in the amount of NIS 269 million, as compared with the fourth quarter of 2021, which included, inter alia, the sale of Nechasim House - net profit in the amount of NIS 282 million; Sale of Romano House - net profit in the amount of NIS 157 million; HSBC Tower - net loss in the amount of NIS 108 million, and the Tivoli project in Las Vegas - net loss in the amount of NIS 62 million. Additionally, Property & Building's net finance expenses increased in the fourth quarter of 2022, as compared with the corresponding quarter last year, in the amount of NIS 44 million, mostly due to the consolidation of Gav-Yam beginning in March 2022, and the increase in Property & Building's balance of debt.

Cellcom - The improvement in Cellcom's results in the fourth quarter of 2022, relative to the corresponding quarter last year, was mostly due to the increase in Cellcom's operating profit. Cellcom reported a decrease in its revenues in the fourth quarter of 2022, from a total of NIS 1,070 million in the fourth quarter of 2021, to a total of NIS 1,061 million, due to the decrease in revenues from the sale of equipment in the mobile segment, which was due, inter alia, to the difference in timing of new mobile phone launches, and the decrease in equipment sales in the landline segment, after offsetting the increase in income from mobile packages and roaming services in the mobile segment, and the increase in income from internet and television services in the landline segment. Additionally, in the fourth quarter of 2022, there was a decrease of NIS 19 million in the cost of Cellcom's sales and services relative to the corresponding quarter last year, mostly due to the decrease in cost of sales with respect to equipment, as a result of the decrease in sales of end user equipment. Cellcom's selling, marketing, general and administrative expenses in the fourth quarter decreased by NIS 2 million relative to the corresponding quarter last year, mostly due to the decrease in depreciation expenses, which were partly offset by the increase in other operating expenses. As a result of the above, Cellcom's operating profit increased to NIS 95 million, as compared with operating profit in the amount of NIS 68 million in the corresponding quarter last year.

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

1.13 **Analysis of the business results on a quarterly basis (Cont.)**

1.13.2 **Results of the Company's Directly Held Investee Companies and Their Contribution to the Company's Results (Cont.)**

1.13.2.1 **Presented below are the changes in the results of investee companies from the fourth quarter of 2022 to the fourth quarter of 2021: (Cont.)**

Mehadrin - Mehadrin's net loss in the fourth quarter of 2022 amounted to a total of NIS 52 million, as compared with profit of NIS 125 million in the corresponding quarter last year. Mehadrin's transition to loss was mostly due to the decrease in gross profit, from profit in the amount of NIS 16 million at a rate of 6.6% in the fourth quarter of 2021, to loss in the amount of NIS 29 million at a rate of 12.0% of sales in the corresponding quarter last year, which was due to the decrease in sale prices, and which also caused a decrease in sales at profit. The fourth quarter of 2021 also included net profit from the sale of an option to acquire land leasing rights in the amount of NIS 130 million.

Elron - Elron's loss in the fourth quarter of 2022 amounted to a total of USD 6 million, as compared with profit of USD 3 million in the corresponding quarter last year. Elron's transition to loss was mostly due to Elron's share in the operating results of its investee companies, which included loss in the amount of USD 3 million, as compared with the corresponding quarter last year, which included loss in the amount of USD 2 million. The fourth quarter of 2021 also included profit from the sale of Imvision Ltd. in the amount of USD 5 million, and profit from the sale of some of the Company's shares in Ironscales Ltd., in the amount of USD 3 million.

1.13.2.2 **Presented below are the changes in the Company's administration and finance expenses, net, between the fourth quarter of 2022 and the fourth quarter of 2021:**

	Fourth quarter of		Explanation of change
	<u>2022</u>	<u>2021</u>	
	NIS millions		
Management expenses, net	(6)	(8)	The decrease in expenses in the fourth quarter of 2022, as compared with the fourth quarter of 2021, was mainly due to the decrease in payroll expenses, due to the increased efficiency measures which the Company implemented.
Finance expenses, net	(38)	(39)	The decrease in finance expenses, net, in the fourth quarter of 2022, as compared with the fourth quarter of 2021, was mainly due to: <ol style="list-style-type: none"> 1. Net loss from revaluation and interest with respect to the Company's marketable securities and liquid investments in the amount of NIS 2 million in the fourth quarter of 2022, as compared with net profit in the amount of NIS 3 million in the corresponding quarter last year; 2. An increase in net finance income, in the amount of NIS 6 million, with respect to linkage differentials on DIC's liabilities which are linked to the known CPI, mostly due to the CPI's increase by 0.8% in the fourth quarter of 2022, as compared with the CPI's increase by 0.2% in the corresponding period last year; 3. A decrease in net interest expenses in the amount of NIS 11 million, primarily due to the decrease in the Company's debt; 4. The increase in finance expenses, net, in the amount of NIS 1 million, due to the recording of interest expenses due to the lease liability with respect to the Company's offices which are subleased since January 2022. For additional information, see section 8.F. in the Company's standalone financial information.
Total	(44)	(47)	

2. **Exposure to and Management of Market Risks**

2.1 The reporting in this section refers to DIC. For details regarding the market risks to which DIC is exposed and methods for the management thereof, see Note 20.A, Note 20.C and Note 20.E to the financial statements. The individual responsible for managing market risks in the Company is Mr. Baruch Itzhak, the Company's CFO. For details regarding Mr. Itzhak, see Regulation 26A in Part D of the Periodic Report.

2.2 **Company policy regarding the management of market risks**

Company policy regarding risk management is implemented only for the Company itself and its wholly owned subsidiaries. The Company does not establish a policy and does not manage the risks of its investee companies. The policies of the investee companies are determined directly by the companies themselves. Additionally, the Company does not take any actions to hedge market risks arising from the activity of its investee companies, and from the activities of investee companies which are held by them. Furthermore, the Company does not manage the aggregate risks of its investee companies and/or of investee companies which are held by them. For details regarding the Company's policy regarding the management of market risks, see Note 20.A., Note 20.C., and Note 20.E. to the financial statements.

2.3 **Means of supervision and implementation of policy**

In general, the oversight with respect to the implementation of the policy and the provision of a response to extraordinary developments in the various markets is available to the Company's Chief Risk Officer. Oversight regarding the fulfillment of the Company's policy is implemented through periodic reports of the Chief Risk Officer to the Company's Board of Directors and its committees.

2.4 **Linkage balance sheet**

2.4.1 For details regarding the Company's consolidated balance sheet and positions in derivatives in the consolidated report, see Note 20.C and Note 20.E to the financial statements.

2.4.2 For details regarding the linkage balance sheet of the Company and its wholly owned subsidiaries, see section 1.7.7 above.

2.5 Further to that stated in section 1.1 above, regarding the trend of global price increases, the increase of the consumer price index, interest rate hikes by central banks in Israel and in the United States, and the increase of the USD exchange rate, presented below is a summary of the effects on capital and profit (loss) attributable to the Company's owners as at December 31, 2022, and sensitivity analyses of a 1% change in the index and interest rates, and a 5% change of the USD exchange rate:

Summary effects on the Company's capital and results ⁽¹⁾

	For the year ended December 31, 2022	
	Capital ⁽²⁾	Profit (loss)
	NIS millions	
<u>Due to change in:</u>		
Consumer price index	(138)	(138)
USD	113	14

(1) The analysis was performed with respect to financial instruments only.

(2) Analyzing the impact on capital includes the impact of foreign currency translation differences for foreign operations.

2. Exposure to and Management of Market Risks (Cont.)

2.5. (Cont.)

Effects on investment property:

Further to that stated in Note 3.A.1.A.5. to the financial statements, in connection with changes in the values of revenue-generating properties and land in Gav-Yam, presented below are the effects of the main changes on the Company's share:

	For the year ended December 31, 2022	
	Increase in fair value of investment property (gross)	Share attributed to the Company's shareholders (net of tax)
	NIS millions	
With respect to increase in fair value ⁽¹⁾	725	179
With respect to the change in capitalization rates	107	19
Increase of the consumer price index	388	97
	<u>1,220</u>	<u>295</u>

(1) The increase in value of investment property (gross), and the part attributed to the Company's shareholders (net of tax), for the three month period ended December 31, 2022, amounted to NIS 112 million and NIS 47 million, respectively.

Sensitivity analyses ⁽¹⁾

Changes in the USD exchange rate, in interest rates and the consumer price index as at December 31, 2022 would have increased (decreased) capital and profit or loss attributed to the Company's owners in the amounts presented below. This analysis was performed assuming that all other variables remained fixed. The analysis includes effects with respect to assets and liabilities of disposal groups held for sale.

	Change	As at December 31, 2022 ⁽³⁾	
		Capital ⁽²⁾	Profit (loss)
		NIS millions	
Consumer price index	1%	(50)	(50)
Bank of Israel interest rate	1%	(9)	(9)
USD	5%	49	3
Consumer price index	(1%)	50	50
Bank of Israel interest rate	(1%)	8	8
USD	(5%)	(49)	(3)

(1) The analysis was performed with respect to financial instruments only.

(2) Analyzing the impact on capital includes the impact of foreign currency translation differences for foreign operations.

(3) The impact due to the change in interest rates was calculated for a twelve month period.

3. Corporate Governance Aspects**3.1 General**

- 3.1.1 On March 20, 2022, the Company's Board of Directors resolved to appoint Ms. Nataly Mishan-Zakai as the Company's General Manager, beginning on July 1, 2022, and to appoint Mr. Doron Cohen, who served at that time as the Company's General Manager, as the position of the Company's Chairman of the Board, from that date onwards. This resolution was further to the resolution of Property & Building's board of directors to appoint Ms. Mishan-Zakai as the General Manager of Property & Building, and to appoint Mr. Doron Cohen, who had served, on the foregoing date, as the General Manager of Property & Building and as director, as Property & Building's Chairman of the Board. Mishan-Zakai's scope of employment in the Company is in accordance with the service allocation ratio (currently 50%), as determined in the cost distribution agreement (services agreement) between the Company and Property & Building, by virtue of which the Company provides services to Property & Building, as specified in Note 31.B.1.(B) to the financial statements.
- 3.1.2 On March 21, 2022 and March 22, 2022, the Company's Compensation Committee and Board of Directors, respectively, approved the terms of tenure and employment of Ms. Mishan-Zakai. On March 22, 2022, Property & Building's Compensation Committee and Board of Directors approved the terms of tenure and employment, including the payment, by the Company and Property & Building, of the proportional part of the compensation cost with respect to the employment of Ms. Mishan-Zakai (as at the present date - 50%), in accordance with the aforementioned services agreement, and including the granting of share options of the Company and of Property & Building to the General Manager of the Company and of Property & Building. In April 2022, the general meetings of the Company and of Property & Building approved their terms of tenure and employment. On June 28, 2022, the Company's Board of Directors and Property & Building's Board of Directors approved an update to the option exercise price, further to the approval of the audit committees of the Company and of Property & Building, respectively. In August 2022, the general meetings of the Company and of Property & Building approved an update to the option exercise price. For additional details, see Note 31.B.3. to the financial statements.
- 3.1.3 On June 30, 2022, Mr. Doron Cohen notified the Company's Chairman of the Board that in light of the resolution of the Company's Board of Directors to evaluate the disposal of its holdings in Cellcom, Mr. Cohen is considering to lead a group, to participate, or to be involved, in one way or another, in the purchase process. Accordingly, Mr. Cohen announced, before the conclusion of his position as General Manager of the Company and as General Manager of Property & Building, which was planned to take place concurrently with his appointment as the Chairman of the Board of the Company and as the Chairman of the Board of Property & Building, on July 1, 2022, that he requested not to be appointed as the Chairman of the Board of the Company and of Property & Building.

3. Corporate Governance Aspects (Cont.)**3.2 Directors with accounting and financial expertise**

The Company's Board of Directors determined, on May 22, 2014, that in accordance with the provisions of section 92(a)(12) of the Companies Law, the minimum number of directors with accounting and financial expertise which is appropriate for the Company is two directors (including outside directors who have such expertise), in consideration of the duties and responsibilities of the Board of Directors by law, including its responsibility regarding the preparation and approval of the financial statements; regarding the nature of the accounting and financial issues which arise in the preparation of the Company's financial statements, in light of the Company's operating segments, size and complexity; and in consideration of the composition of the Company's Board of Directors in its entirety, which includes directors with business, managerial and professional experience which allows them to handle the tasks involved with the management of the Company, including the reporting tasks.

According to the assessment of the Board of Directors, and after having taking into consideration all of declarations made by the directors, in which the directors specified their education, experience and knowledge in the relevant fields, in order to evaluate the fulfillment of the conditions and tests in accordance with the accounting and financial expertise regulations, the members of the Company's board who old office as at the reporting date and who have accounting and financial expertise are Messrs. Lili Eilon (independent director), Meir Jacobson (outside director), Ronit Noam (outside director), and Tal Yaron Eldar (independent director). For additional details regarding the figures by virtue of which the aforementioned directors may be considered as such, see the details provided in accordance with Regulation 26 in Part D of this report.

3.3 Independent directors

During 2021, due to a process which was held in the Company's Audit Committee, regarding adjustments to the operating methods of the Company and of its organs, concerning aspects of corporate governance, in light of the Company becoming a company without a controlling shareholder, inter alia, the Company's articles of association were amended it in order for the Company's Board of Directors to include an independent majority, as this term is defined in the Company's articles of association. Therefore, an appointment committee was appointed, which recommended to the Company's Board of Directors candidates for tenure as directors in the Company, and the appointment of an (additional) independent director in the Company. On December 29, 2022, the Company's general meeting approved the re-appointment, for an additional term, of directors serving in the Company (who are not outside directors), including Ms. Yaron Eldar and Ms. Eilon, and the composition of the Company's Board of Directors therefore includes an independent majority, in accordance with the Company's articles of association.

As at the reporting date, two outside directors are serving in the Company: Messrs. Meir Jacobson and Ronit Noam, as well as two independent directors, as stated above, as this term is defined in the Companies Law: Messrs. Lili Eilon and Tal Yaron Eldar.

3. Corporate Governance Aspects (Cont.)

3.4. Donations and Assistance to the Community

The Company views donation and assistance to the community in Israel as a component which should be included among its activities, and accordingly, the Company adopted a donations policy.

In 2022, the Company donated a total of NIS 725 million. In 2022, the scope of donations to any particular entity did not exceed NIS 50 thousand, except for donations which were given to 2 associations, as specified below: one of the two associations has no ties to the Company, or to any director, the General Manager, the Company's controlling shareholder, or any relative of his, and regarding the second association, an independent director in the Company serves as a member of that association's managing board, without payment. It is noted that in accordance with an evaluation which was conducted on the matter, and for which disclosure was given in the Company's audit committee and board of directors, the foregoing ties between the entity which received the donation, and the independent director, do not constitute prohibited ties.

3.5. Details regarding internal auditing in the Company

Details regarding the internal auditor and compliance with requirements

Name of auditor	Yitzchak Ravid, CPA
Commencement of tenure	April 1, 2005.
Qualifications for the position	BA in Accounting and Economics, Tel Aviv University; Around 30 years of experience; Managing partner in the accounting firm Raveh Ravid & Co.; highly experienced in internal auditing. The internal auditor complies with the provisions of section 146(b) of the Companies Law, and with the provisions of section 8 of the Internal Audit Law, 5752-1992 (the "Internal Audit Law"). The internal auditor is not an interested party of the Company, an executive officer of the Company (other than its internal auditor) or a relative of any of theirs, and is also not the independent auditor or anyone acting on behalf of the independent auditor. The internal auditor does not fulfill any additional position in the corporation other than internal auditing, save for the handling of complaints by Company employees in connection with the management of its business affairs, in accordance with the decision of the Company's Audit Committee. To the best of the Company's knowledge, the internal auditor does not fulfill any position outside of the Company that creates or may create a conflict of interests with his position as internal auditor.
Holding of securities; Material ties	To the best of the Company's knowledge, the internal auditor does not hold any securities of the Company or of any related entity thereof, and the internal auditor does not have any material business ties or other material ties with the Company or with any related entity thereof.
Employment status	External service provider.
Other responsibilities	To the best of the Company's knowledge, the internal auditor is a senior partner of the accounting firm Raveh Ravid & Co.; Also serves as the internal auditor of Cellcom and Elron.
Appointment of internal auditor	The appointment of the internal auditor was approved by the Audit Committee and Board of Directors in their meetings on November 28, 2004, after taking into consideration the internal auditor's education, skills and experience in internal auditing, and the type, extent and complexity of the Company's business.
Identity of the internal auditor's supervisor	Chairman of the Board
The internal auditor's work plan	The work plan is annual and pertains to the Company and its headquarter companies. The considerations for determining the work plan are the nature of the Company's business operations, the probability of there being mishaps and exposures in the business operations, based, inter alia, on a risk assessment survey in the Company, and the desire to audit material issues regarding the Company's operations at least once every four/five years. The parties involved in determining the work plan are the internal auditor, the Company's management and the Audit Committee, which approves the plan. The internal auditor has the discretion to deviate from the work plan, subject to reporting to the Audit Committee and receiving its approval to the proposed change.
Material transactions	Material transactions are evaluated by the internal auditor as part of his annual work plan.
Audits abroad or of investee corporations	The Company and its headquarter companies have no foreign operations other than holdings in certain companies outside of Israel. The annual internal audit plan includes reference to the fact that an internal audit is performed in the material investee companies of the Company, but does not refer to their activity in or outside of Israel. Material investee companies of the Company (Cellcom, Property & Building, Shufersal and Elron) have their own internal auditors, due to their status as reporting corporations.

3. Corporate Governance Aspects (Cont.)

3.5. Details regarding internal auditing in the Company (Cont.)

Details regarding the internal auditor and compliance with requirements (Cont.)

<p>Scope of the transaction</p>	<p>In 2022, the internal auditor dedicated approximately 459 work hours to internal audit work in the Company. The Company's Board of Directors believes that the internal auditor's work plan, and the scope of employment which was determined for the realization of this plan, corresponds to the Company's needs. If necessary, the Company has the possibility of expanding the aforementioned scope of engagement.</p> <p>The scope of internal auditing work in the Company's material investee companies in 2022 was as follows:</p> <table data-bbox="539 658 1295 976"> <thead> <tr> <th style="text-align: left;"><u>Name of company</u></th> <th style="text-align: right;"><u>Annual work hours</u></th> </tr> </thead> <tbody> <tr> <td>Cellcom and its material investee companies</td> <td style="text-align: right;">Approximately 5,900</td> </tr> <tr> <td>Property & Building and its material investee companies</td> <td style="text-align: right;">Approximately 914</td> </tr> <tr> <td>Mehadrin and its material investee companies</td> <td style="text-align: right;">Approximately 575</td> </tr> <tr> <td>Elron and its material investee companies</td> <td style="text-align: right;">Approximately 535</td> </tr> </tbody> </table>	<u>Name of company</u>	<u>Annual work hours</u>	Cellcom and its material investee companies	Approximately 5,900	Property & Building and its material investee companies	Approximately 914	Mehadrin and its material investee companies	Approximately 575	Elron and its material investee companies	Approximately 535
<u>Name of company</u>	<u>Annual work hours</u>										
Cellcom and its material investee companies	Approximately 5,900										
Property & Building and its material investee companies	Approximately 914										
Mehadrin and its material investee companies	Approximately 575										
Elron and its material investee companies	Approximately 535										
<p>Conducting the internal audit</p>	<p>According to an announcement submitted by the internal auditor, the internal audit work is conducted by him in accordance with generally accepted professional standards, as prescribed in section 4(b) of the Internal Audit Law.</p>										
<p>Access to information</p>	<p>The internal auditor and his employees have access to information as stated in Section 9 of the Internal Audit Law, including continuous and unrestricted access to the information systems of the Company and its headquarter companies.</p>										
<p>Reports of the internal auditor</p>	<p>The reports of the internal auditor are submitted in writing. As part of the internal auditor's work plan for 2022, audit reports were prepared and submitted, which were discussed in three meetings of the Audit Committee, which took place on March 15, 2022, August 18, 2022 and November 22, 2022. The internal audit reports are provided on a regular basis to the Chairman of the Board of Directors, the Chairman and members of the Audit Committee, and Company management.</p>										
<p>Assessment of the Board of Directors</p>	<p>In the opinion of the Board of Directors, the scope, nature and continuity of the internal auditor's work and his work plan are reasonable under the circumstances of the matter and are sufficient to achieve the objectives of the internal audit in the Company.</p>										
<p>Compensation</p>	<p>The internal auditor is compensated based on his actual work hours. In 2022, the internal auditor was paid a total amount of approximately NIS 166 thousand, before VAT, for his work.</p>										

3.6 Code of ethics

The Company has an ethical code of conduct (which was approved by the Company's Board of Directors), which sets forth the basic values which guide the Company's activities, among others. The code of ethics includes norms of conduct that are required of the Company's office holders, management and employees, and are to be followed along with the relevant laws and the Company's procedures. The foregoing, amongst others, includes the following matters: affinity to Israel and assistance and contribution to the community, preventing conflicts of interests, fairness, equality, prohibiting exploitation of the Company's business opportunities, prohibiting giving and taking of benefits in inappropriate ways, retention of records and maintaining confidentiality.

3.7 Disclosure regarding the auditor's fees

For details regarding the auditor's fees, see Annex B below.

4. Disclosure Requirements Regarding the Corporation's Financial Report

4.1 Major events after the date of the statement of financial position

For details regarding major events after the date of the statement of financial position, see Note 34 to the financial statements.

4.2 Critical accounting estimates

The preparation of the financial statements of the Company and its consolidated companies, in accordance with international accounting principles, requires the management of those companies to make assumptions and to prepare estimates which affect the amounts that are presented in the financial statements. These include estimates which require the exercise of judgment in an uncertain environment, and which have a significant impact on the presentation of the data in the financial statements.

For details regarding the critical accounting estimates which are used in the preparation of financial statements, see Note 1.E.(3) to the financial statements, which, at the time of their formulation, required making assumptions with respect to circumstances and events involving significant uncertainty. In its discretion regarding the determination of the estimates, the Company or the investee company, as applicable rely on past experience, various facts, external factors and reasonable assumptions in accordance with the appropriate circumstances for each estimate. Actual results may differ from these estimates.

4.3 Specific disclosure for the debenture holders

See Annex A to the Board of Directors' Report.

Tzachi Nachmias
Chairman of the
Board

Nataly Mishan-Zakai
General Manager

Tel Aviv, March 26, 2023

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

Series	Original issuance date	Par value on the issuance date	Interest rate on the issuance date (fixed)	31.12.2022						Data as at March 26, 2023			Principal payment dates ⁽³⁾		Interest payment dates	Linkage terms	Trust company - Name of supervisor, address and telephone number
				Outstanding par value balance	Outstanding linked par value balance	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) ⁽⁹⁾	From	To			
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%	734	956	47	(5)	998	1,005	550	725	4.95%	31.12.17	31.12.25	December 31 ⁽³⁾	CPI-linked	Hermetic Trust (1975) Ltd. 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%	1,134	1,134	-	9	1,143	1,053	1,134	1,134	5.05% ⁽⁹⁾	30.12.21	30.12.26	June 30, December 30 ⁽⁷⁾	Unlinked	Strauss Lazar Trust Company (1992) Ltd. Person in charge: Uri Lazar, CPA, 17 Yitzchak Sadeh St., Tel Aviv 6777517, Tel: 03-6237777
K ⁽⁶⁾	6.9.21	500	3.40%	500	500	9	(3)	506	429	500	500	3.65% ⁽⁹⁾	31.12.23 ⁽⁸⁾	31.12.27 ⁽⁸⁾	June 30, December 31 ⁽⁷⁾	Unlinked	Reznik Paz Trusts Ltd. Person in charge: Yossi Reznik, CPA, 14 Yad Harutzim St., Tel Aviv 6770007, Tel: 03-6389200
Total		6,787		2,368	2,590	56	1	2,647	2,487	2,184	2,359						

Notes:

- (1) To the best of the Company's knowledge, as at the reporting date and during the period which is included in the accompanying financial statements, the Company is fulfilling all of the conditions and undertakings in accordance with the trust deeds for the debentures which it issued, except for the non-fulfillment specified in section 1.7.3.3 above, and to the best of its knowledge, no grounds for demanding the immediate repayment of the debentures, or default events, have been fulfilled. Additionally, no changes were made to the terms of the debentures in 2022. The Company did not provide any collateral or guarantees in favor of the debenture holders. The credit is of the recourse type. The debentures are non-convertible. For details regarding the update to the interest rate of the debentures (Series J and K), see section 9 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 standalone financial report. No financial covenants have been established.
- (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 standalone financial report. financial covenants were established.

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- (6) The debentures (Series K) are a material series of debentures which constitutes 5% or more of the corporation's total liabilities, as presented in the standalone financial report. financial covenants were established.
- (7) Semi-annual payments.
- (8) With respect to the debentures (Series K), 10% of the principal will be paid on each of the following dates: December 31, 2023, December 31, 2024, December 31, 2025 and December 31, 2026, and the balance of principal (60%) will be paid on December 31, 2027.
- (9) Due to the non-fulfillment of a financial covenant as at December 31, 2022, as stated in section 1.7.3.3 above, beginning from the publication date of the Company's financial statements for 2022 on March 26, 2023, the interest rate on the debentures (Series J) increased from a rate of 4.8% to -5.05%, and of the debentures (Series K) from a rate of 3.4% to a rate of 3.65%.

* 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 on the series issuance date	Rating as at December 31, 2022	Rating as at March 26, 2023	Date of rating issuance as at March 26, 2023	Additional ratings during the period between the date of the original issuance and the current rating As at March 26, 2022	
						Date	Rating
F	S&P Maalot	AA	BBB (Stable)	BBB (Stable)	5/2022	11/2008 07/2009 01/2011 10/2011 11/2011 05/2012 09/2012 08/2013 03/2014 12/2014 02/2015 12/2015 07/2016 02/2017 08/2017 03/2018 08/2018 04/2019 07/2019 04/2020 8/2020 05/2021	AA A+ A+ A- A- A- BBB BBB BBB+ BBB BBB- BBB- BBB- BBB BBB BBB+ BBB+ BBB+ BBB BBB- BBB- BBB-
J	S&P Maalot	BBB	BBB (Stable)	BBB (Stable)	5/2022	03/2018 08/2018 04/2019 07/2019 04/2020 08/2020	BBB+ BBB+ BBB+ BBB BBB- BBB-
K	S&P Maalot	BBB	BBB (Stable)	BBB (Stable)	5/2022		

- (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 on May 19, 2022 (reference number 2022-15-049653).
- (2) To the best of Company management’s knowledge, S&P Maalot is expected to evaluate the Company’s situation in the near future. For details regarding the Company’s net asset value (NAV) as at March 23, 2023, see section 1.7.3.3 above.

Annex B - Disclosure Regarding the Auditor's Fees

Name of company and of auditors	2022			2021		
	Professional fees (NIS thousands) ⁽¹⁾			Professional fees (NIS thousands) ⁽¹⁾		
	Audit and tax services	Other services	Total	Audit and tax services	Other services	Total
DIC and its wholly owned headquarter companies						
Kesselman & Kesselman	676	6	682	688	34	722
Material subsidiaries						
Property & Building and its material consolidated companies						
Kesselman & Kesselman	1,245	291	1,536	1,391	68	1,459
Somekh Chaikin	-	-	-	-	81	81
Gav-Yam and its material consolidated companies						
Kesselman & Kesselman	592	73	665	592	106	698
Somekh Chaikin	48	364	412	48	373	421
Cellcom Israel Ltd. and its material subsidiaries						
Kesselman & Kesselman	2,300	400	2,700	2,200	200	2,400
Mehadrin and its material consolidated companies						
Somekh Chaikin	577	74	651	756	31	787
Elron and its material consolidated companies ⁽¹⁾						
Kesselman & Kesselman	208	33	241	228	-	228

⁽¹⁾ The figures regarding Elron's professional fees are presented in thousands of USD.

The fee of the Company's auditors for their audit services to the Company is determined on the basis of their actual amount of work and is approved by the Board of Directors. In 2022 and 2021, the general meeting approved the appointment of Kesselman & Kesselman accountancy firm as the Company's auditor.

**Details on economic papers and
valuations in accordance with
Regulation 8B of the Securities
Regulations (Periodic and Immediate
Reports), 5730-1970**

Details regarding an economic paper on the attribution of the purchase price allocation (PPA) of the shares of Gav-Yam, as at March 8, 2022 [Regulation 8B of the Reporting Regulations]:

The aforementioned economic paper as at March 8, 2022 was included in the Company's financial statements by way of reference to the aforementioned paper, which is attached to Property & Building's financial statements as at December 31, 2022, which it reported and published on March 26, 2023 (reference number 2023-01-027655). See also Note 9.C. to the financial statements.

Subject of the paper	Purchase price allocation of Gav-Yam - valuation of Gav-Yam's assets and liabilities. On March 8, 2022, a special tender offer to purchase 5% of Gav-Yam's issued share capital was accepted, and Property & Building's stake in Gav Yam's issued share capital increased to approximately 49.51%.
Date of the paper	March 8, 2022
Consideration paid	NIS 440 million.
Identity and characteristics of the valuer	The valuation was performed by BDO Consulting and Management Ltd., a member of the global BDO network. The paper was prepared by a team led by Moti Dattelkremer, C.P.A., a managing partner who holds a B.A. in Economics and Computer Science, with over 17 years of experience in consulting for businesses. The team specializes in valuation papers, purchase price allocation (PPA's), due diligence, impairment testing, and other fields. There is no dependence between the valuer and the work orderer. The valuer received a letter of indemnity with respect to payments which the valuer may incur due to legal proceedings which may be conducted against it, if any, in connection with this economic paper, beyond an amount equal to three times the professional fees, except if the valuer acted maliciously in connection with the opinion.
Valuation model used by the valuer	<p>Marketable debentures - the purchase price allocation was estimated based on the difference between the fair value (price on the stock exchange) of the financial liabilities, to their book values on the transaction date.</p> <p>Non-marketable debentures - The fair value was estimated by discounting the cash flows using a normative discount factor, in accordance with the terms of the debentures, and the credit rating of the debentures.</p> <p>Additional real estate inventory - Property & Building hired an external independent valuer to determine the value.</p> <p>Intangible assets - Were not estimated separately from goodwill, both because they were not identified, and because they are immaterial.</p>

Economic paper as at December 31, 2022 in connection with an impairment test of the goodwill attributed to Gav-Yam, in accordance with Regulation 8B of the Securities Regulations [Regulation 8B of the Reporting Regulations]:

The aforementioned economic paper as at December 31, 2022 was included in the Company's financial statements by way of reference to the aforementioned paper, which is attached to Property & Building's financial statements as at December 31, 2022, which it reported and published on March 26, 2023 (reference number 2023-01- 027655). See also Note 9.D. to the financial statements.

Presented below are the main data specified in the aforementioned economic paper:

Date of the valuation	December 31, 2022
Subject of the paper	Gav-Yam's value in use (for the purpose of testing for impairment the goodwill attributed to Gav-Yam in Property & Building's financial statements).
Value of goodwill in Property & Building's books before the recording of impairment	NIS 4,849 million
Value of goodwill in Property & Building's books after the recording of impairment ⁽¹⁾	NIS 4,380 million
Total impairment (100%)	NIS 469 million
Part of Property & Building's shareholders in amortization for impairment (86.69%)	NIS 407 million
Part of the Company's shareholders in amortization for impairment	NIS 257 million
Identity and characteristics of the valuer -	Fair Value Ltd. (for additional details, see the annexes to the attached economic paper). There is no dependence between the valuer and the work orderer. The valuer received a letter of indemnity with respect to payments which the valuer may incur due to legal proceedings which may be conducted against it, if any, in connection with these economic papers, beyond an amount equal to three times the professional fees, except if the valuer acted maliciously in connection with the opinion.
Valuation model used by the valuer	Discounted cash flow (DCF) method.
<u>Assumptions used in the preparation of the paper:</u>	
Real annual discount rate before tax	6.1%
Real annual discount rate after tax	5.15%
Long term growth rate	1.0%

(1) The impairment test was calculated based on the recoverable amount which was determined in the economic paper, for the value of assets attributed to the activity of Gav-Yam, after deducting the attributed liabilities.