2021
INTERIM FINANCIAL STATEMENTS

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MARCH 31, 2021

DIC | DISCOUNT INVESTMENT CORPORATION

Discount Investment Corporation Ltd.

Financial Statements

March 31, 2021
(Unaudited)

* **The English version of this information as at March 31, 2021 is a translation of the Hebrew version of the financial statements of Discount Investment Corporation Ltd., and is presented solely for convenience purposes. Please note that the Hebrew version constitutes the binding version.**

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

DIC

Discount Investment Corporation Ltd

Interim Financial Statements March 31, 2021

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

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

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Report for the First Quarter of 2021

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

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

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

Further to that stated in Note 1.A to the Company's annual financial statements, regarding the process of receivership of the Company's shares, and regarding the approval which was given by the District Court of Tel Aviv-Yafo for the sale of the Company's shares to Mega Or Holdings Ltd. ("Mega Or") and a group of investors led by it, in accordance with its offers (the "Sale Transactions"), and regarding the Ministry of Communication's approval for the transfer of Cellcom's means of control and control (as these terms are defined in the Communications Law (Telecommunications and Broadcasting) 5742-1982), and regarding the Competition Commissioner's conditional approval of the merger between Mega Or and DIC, on March 25, 2021, the first stage of the sale transaction was completed, which involved the transfer of approximately 35.2 million shares of DIC, which constitute approximately 24.9% of its issued capital, to Mega Or, while approximately 31.9 million shares of DIC, which constitute approximately 22.5% of its issued capital, were transferred to other buyers. On April 20, 2021, after the date of the statement of financial position, another approximately 7.0 million Company shares, which constitute approximately 5.0% of its issued capital, were transferred to Mega Or, such that Mega Or's stake in the Company's issued capital after the transfer amounted to 29.9%.
Following the completion of the transfer of the Company's shares, as stated above, and from that date onwards, the Company is a company without a controlling shareholder (according to the definition of the term "control" in the Securities Law, 5728-1968), and no longer constitutes a "tier company" (as this term is defined in the Law to Promote Competition and Reduce Concentration, 5774-2013), 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.
On April 13, 2021, after the date of the statement of financial position, the Company received the Commissioner's notice of the cancellation of the conditions for the merger between the Company and Mega Or.
On April 21, 2021, Elco Ltd. ("Elco") received the decision of the Competition Commissioner which approved the merger between Elco and DIC. The acquisition of the Company's shares by Elco is subject to approval from the Ministry of Communication, which as at the reporting date has not yet been received.
For additional details, see Note 10.B. to the financial statements.

1 Companies which are held by the Company, directly or indirectly, at a rate exceeding 50% of voting rights, as well as companies over which effective control is held.
2 Companies over which the Company has significant influence, including entities under joint control, and which are included in the financial statements according to the equity method.

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

1.1 General

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

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

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

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

  The Group’s member companies evaluate, each on its own level, the value of the assets held by them, as well as the attributed and unattributed excess cost included in their reports. The Group’s investments in investee companies accounted by the equity method are evaluated for each holding company, on the level of its entire investment. For details regarding the book value of the main investments in investee companies as at March 31, 2021, as compared with market value, are presented in Note 3.B. to the financial statements.

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

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

1.1 <u>General</u> (Cont.)

- Market instability and economic downturn - Conditions of instability in capital markets around the world may occur due to a wide variety of local and global factors, such as economic crisis, political uncertainty, epidemics, emergency situations and inter-country conflicts. Such instability may be expressed in strong volatility of securities prices, and may result in an economic downturn, financial crisis and reduced ability to raise financing sources. A global economic downturn could also have a significantly adverse impact on the income and operating results of the Group's member companies.
- **<u>Disclosure regarding the coronavirus crisis</u>** - Further to that stated in Note 1.B. to the annual financial statements regarding the coronavirus pandemic (COVID-19) (the "**Coronavirus**"), which has spread throughout the world and has caused concern and uncertainty – due to the decreased coronavirus infection rates and the vaccination program, and in accordance with the government's decision, some of the restrictions which had been imposed in accordance with the issued directives were lifted. Directives issued by the Ministry of Health and the scope of the restrictions or concessions, as applicable, depending on the infection rate and the rate of progress on the vaccination campaign.

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

<u>Presented below are the effects of the coronavirus pandemic on the Company's primary holdings:</u>

<u>Cellcom</u> - Further to Note 1.B to the annual financial statements, during the first quarter of 2021 Cellcom's revenue from roaming services of outbound tourism and inbound tourism continued to decline significantly, due to the only partial resumption of outbound and inbound tourism. Cellcom estimates that the significantly negative effect caused by roaming services on its operating results is expected to continue in the near future, insofar as the restrictions on inbound and outbound traffic to/from Israel continue (see also section 1.10.1 below).

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

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

<u>Property & Building</u> - All of the office tenants in the HSBC Tower paid their obligations in full in the first quarter of 2021 and in 2020, in accordance with the lease agreements.

Tivoli project in Las Vegas - The occupancy rate in the Tivoli project as at the end of March 2021 amounted to 76% (the occupancy rate before the coronavirus crisis was 73%). With respect to the first quarter of 2021, approximately 94% of billed rent has been collected to date. The management of the Tivoli project is working to complete the collection for the period.

<u>Gav-Yam</u> - The fair value of Gav-Yam's revenue-generating real estate is affected by two critical estimates - appropriate rent and capitalization rate. As at the date of the financial statements, and based on the information which is available to it, in light of the distribution of lessees and the fact that most of the properties are leased for hi-tech, offices, industry and logistics uses, Gav-Yam estimates that the adverse effects on rent in the short term, if any, will be relatively low. Gav-Yam believes, including based on the opinion of the external appraisers with whom Gav-Yam works, that the capitalization rates which were used to appraise its properties are appropriate as at the date of the financial statements.

<u>Mehadrin</u> - During the first quarter of 2021, a shortage in packaging and harvesting workforce was recorded; however, Mehadrin was able to recruit alternative harvesting workers and external packaging plants. An increase in the prices of packaging, sorting and transportation to end customers was also recorded, although the increase was minor. Therefore, impact of 2021 as well the coronavirus pandemic had an insignificant effect on Mehadrin's operations, including until the approval date of the financial statements.

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

1.1 General (Cont.)

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

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

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

Additional events during the first quarter of 2021 and after the date of the statement of financial position:

- Realization of Ispro - Further to that stated in Note 3.G.2.E. to the annual financial statements, regarding Property & Building's engagement in an agreement with Messrs. Kidan Dahari and Yaron Adiv, third parties which are unrelated to Property & Building (the "Buyers"), for the sale of Property & Building's entire stake in Ispro, which constitutes 100% of Ispro's issued capital, and rights by virtue of shareholder loans which it provided to Ispro (the "Sale Agreement"), on March 24, 2021 the foregoing transaction was completed, and Property & Building transferred all of its rights in Ispro to the buyers, and received the balance of consideration, in the amount of NIS 650 million, gross (in addition to a total of NIS 150 million which was received in 2020), and Property & Building also received a total of NIS 18 million, additional consideration which was calculated according to the cash flows from the Ispro operation, without non-recurring effects (FFO, as defined in the agreement) until the end of 2020, as a dividend which was distributed by Ispro, upon the completion of the transaction. For additional details, see Note 3.A.1.A. to the financial statements.
- Acquisition of Gav-Yam shares - On April 18, 2021, after the date of the statement of financial position, Property & Building engaged with three institutional entities (the "Sellers") in agreements for the acquisition of Gav-Yam shares. Within the framework of the transaction, which was completed on April 27, 2021, Property & Building acquired, in total, from the three sellers, approximately 14.61% of Gav-Yam's issued share capital, in consideration of a cash payment of approximately NIS 937 million (subject to certain adjustments which were determined with respect to the share price, in connection with certain additional acquisitions of Gav-Yam shares, if any, during the 6 month period after the signing date of the agreements). In parallel, Property & Building issued to the sellers Property & Building shares which constituted (after their allocation) approximately 14.7% of Property & Building's capital, in consideration of a cash payment in the amount of approximately NIS 353 million (while the fair value of the issued shares on the issuance date was NIS 400 million). Property & Building also sold to one of the sellers, in consideration of a cash payment in the amount of approximately NIS 80 million, all of the securities of Sela Capital Real Estate Ltd. which were owned by Property & Building.

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

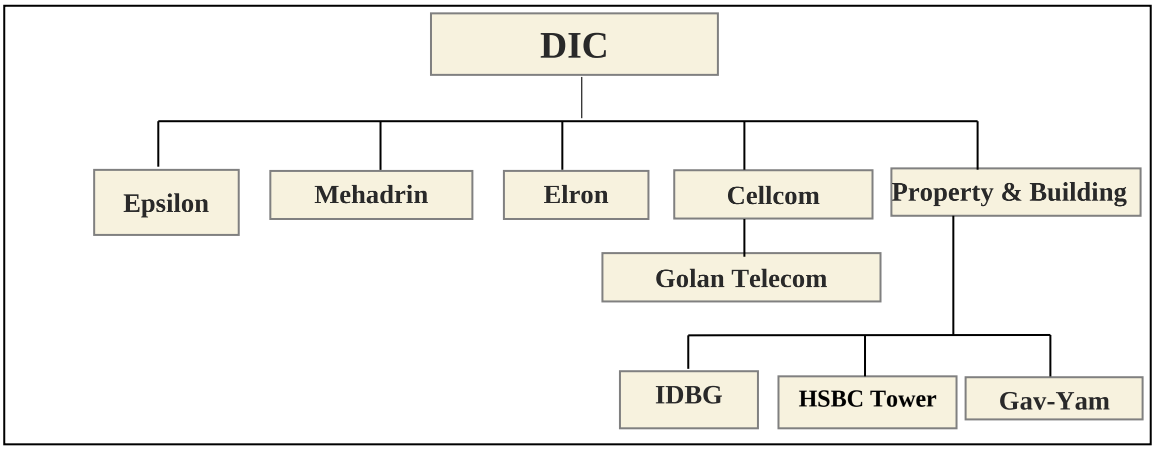
  After the completion of the foregoing transactions, Property & Building holds approximately 44.66% of Gav-Yam's issued capital, and DIC's stake in Property & Building decreased to approximately 63.2%. For additional details, see Note 10.C. to the financial statements.
- Issuance of Elron shares - In April 2021, after the date of the statement of financial position, Elron issued approximately 8.9 million ordinary shares for a total consideration, net of issuance costs, in the amount of NIS 110 million. In the issuance, DIC acquired 4.9 million shares at a cost of NIS 62 million. as a result of the above, DIC's stake in Elron's issued share capital decreased by approximately 1.0%, to approximately 60.1%. For additional details, see Note 10.D to the financial statements.

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

1.1 General (Cont.)

As at March 31, 2021, the main consolidated companies which are directly held by the Company include Property & Building (74.1%), Cellcom (46.1% in capital, 48.2% in voting rights), Elron (61.1%) and Mehadrin (44.5%).

Presented below is a diagram specifying the primary companies, for the purpose of this report, which are held by the Company as at March 31, 2021[3]



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

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

1.2 Results in the first quarter of 2021

The Company finished the first quarter of 2021 with net profit of NIS 93 million, as compared with loss of NIS 198 million in the corresponding period last year, and loss of NIS 555 million in 2020.
For details regarding the main non-recurring profits (losses), see section 1.9.1 below.

1.3 Results of the Company's directly held investee companies and their contribution to the Company's results[4]

	Stake in capital as at March 31, 2021	Data on the level of the Company			Data on the level of the investee company [5]		
		Profit (loss) For the three months ended March 31		Profit (loss) for	Profit (loss) For the three months ended March 31		Profit (loss) for
		2021	2020	2020	2021	2020	2020
		NIS millions					
Cellcom	46.1%	3	(20)	(78)	7	(43)	(170)
Property & Building	74.1%	89	[6] (99)	[6] (270)	120	(144)	(419)
Shufersal [7]	-	-	20	83	[8] -	90	[8] -
Elron[9]	61.1%	16	(18)	(37)	27	(29)	(61)
Mehadrin	44.5%	21	21	6	48	27	3
Others		3	(3)	(5)			
Total		132	(99)	(301)			
Administrative and financing, net (see section 1.4 below)		(39)	(99)	(254)			
Net income (loss)		93	(198)	(555)			

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

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

6 Including loss from impairment of the HSBC Tower, net, and from the Tivoli project in Las Vegas in 2020, in the amount of NIS 130 million and NIS 35 million, and in the first quarter of 2020 in the amount of NIS 56 million and NIS 8 million, respectively.

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

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

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

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

1.4 Administrative and financing expenses, net

	First quarter of 2021	First quarter of 2020	Explanation of change
	NIS millions		
Management expenses, net	(7)	(8)	The decrease in the first quarter of 2021, as compared with the corresponding quarter last year, was mainly due to the decrease in payroll expenses, due to the increased efficiency measures implemented by the Company, and the decrease in consulting and legal fees.
Financing expenses, net	(32)	(91)	The decrease in the first quarter of 2021, as compared with the corresponding quarter last year, was mainly due to: 1. In the first quarter of 2021, the Company recorded net profit in the amount of NIS 4 million with respect to revaluation of the Company's liquid investments, as compared with profit of NIS 56 million in the corresponding period last year, due to the effects of the coronavirus crisis; 2. The increase in net financing expenses, in the amount of NIS 10 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 0.1% in the first quarter of 2021, as compared with the CPI's decrease by 0.5% in the corresponding period last year; 3. The increase in financing expenses, net, in the amount of NIS 4 million, with respect to foreign currency differences on the balance of assets linked to the USD exchange rate, due to the increase of 3.7% in the USD exchange rate in the first quarter of 2021, as compared with the increase of 3.2% in the USD exchange rate in the corresponding period last year; 4. A decrease in net interest expenses in the amount of NIS 5 million, due to the decrease in the Company's debt.
Total	**(39)**	**(99)**	

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

1.5 Main 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 May 25, 2021: [10]

Mix of holdings, by primary holdings:

Investee company		% of total holdings
1	Property & Building (real estate)	53%
2	Cellcom (telecommunication)	26%
3	Elron (technology)	11%
4	Mehadrin (agriculture)	6%
All other holdings		4%
Total		**100%**

1.6 Select data from the financial statements and financing characteristics

1.6.1 Summary balance sheet data

	Company		Consolidated	
	As at March 31			
	2021	2020	2021	2020
	NIS millions			
Current assets	1,506	765	7,574	7,944
Total assets	4,700	5,385	18,807	20,723
Current liabilities	642	338	3,850	3,892
Total liabilities	3,335	3,721	15,273	16,662
Capital attributed to owners of the Company [11]	1,365	1,664	1,365	1,664
Total capital (including non-controlling interests)			3,534	4,061

1.6.2 Liabilities and financing

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

	As at May 25	As at March 31		As at December 31
	2021	2021	2020	2020
	NIS millions			
Financial liabilities[12]	(3,336)	(3,300)	(3,679)	(3,258)
Liquid asset balances[13]	1,447	1,509	675	1,510
Debt, net	(1,889)	(1,791)	(3,004)	(1,748)
Average lifetime of liabilities	2.7	2.9	3.2	3.1

[10] 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.

[11] See also section 1.6.5 below.

[12] 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.

[13] Includes cash and cash equivalents, and marketable securities.

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

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

1.6.3 The Company's financing sources

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

	First quarter of					
	2021			2020		
	Liquid assets (1)	Financial debt	Financial debt, net	Liquid assets (1)	Financial debt	Financial debt, net
	NIS millions					
Balance at start of period	1,510	(3,258)	(1,748)	767	(3,643)	(2,876)
Dividends from investee companies and others (see also section 1.6.3.2 below)	2	-	2	3	-	3
Investment in Mehadrin	-	-	-	(39)	-	(39)
Repayment of lease liabilities	(1)	-	(1)	-	-	-
Investment in fixed assets	-	-	-	(1)	-	(1)
General and administrative expenses less management fees and others, net, from change in balance of payables and receivables	(10)	-	(10)	-	-	-
Foreign currency differences	4	-	4	-	-	-
Financing - interest income, revaluation of current investments, accrual of interest on financial debt and linkage differentials	4	(42)	(38)	(55)	(36)	(91)
Balance at end of period	1,509	(3,300)	(1,791)	675	(3,679)	(3,004)

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

1.6.3.2 Dividends received:

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

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

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

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

1.6.3 The Company's financing sources (Cont.)

1.6.3.3 In connection with the Company's debentures (Series J), the Company undertook, in accordance with the deed of trust, to fulfill, during the entire period of the debentures, the grounds for adjustment of the interest rate and the financial covenants, which will be evaluated as at the date of the financial statements. As at March 31, 2021, the Company is fulfilling all of the financial covenants in connection with the debentures (Series J), as follows:

Grounds for adjustment of interest rate (1) / financial covenant	Calculation results	
	As at March 31, 2021	As at May 25, 2021
(A) In case of a reduction in the rating of the debentures by one or more notches below a rating of ilBBB, the stated interest rate will increase at a rate of 0.25% per year, and at a rate of 0.25% per year with respect to each additional decrease in rating, up to a maximum cumulative interest addition of 1% per year.	ilBBB- Rating (Negative)	ilBBB Rating (Stable)
(B) In case DIC's net asset value(2) falls below NIS 1.1 billion, and additionally, the ratio between the net financial debt and DIC's asset value exceeds 75%, the stated interest rate will increase by 0.25% per year.	Net asset value - NIS 1.25 billion. Ratio between net financial debt and asset value - 59%	Net asset value - NIS 1.70 billion. Ratio between net financial debt and asset value - 53%
(C) In case the ratio between DIC's net financial debt and its asset value exceeds 85%, the stated interest rate will increase by 0.5% per year.	Ratio between net financial debt and asset value - 59%	Ratio between net financial debt and asset value - 53%
(D) In case the ratio between DIC's capital and DIC's total balance sheet falls below 12.5%, the stated interest rate will increase at a rate of 0.25% per year.	Ratio between capital and total solo balance sheet - 29%	Ratio between capital and total solo balance sheet - 29%

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

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

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

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

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

1.6.3 The Company's financing sources (Cont.)

1.6.3.4 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 May 27, 2021 (reference number 2021-01-031621), proximate to the publication of this report.

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

1.6.3.6 DIC's policy is to act to ensure that it will have sufficient liquid resources to service its liabilities in a timely manner. As part of the above, DIC strives to maintain an adequate cash balance. It is noted that as at March 31, 2021, DIC's balance of liquid resources amounts to NIS 1,509 million. Total principal and interest payments with respect to DIC's debt in the remaining three quarters of 2021, and in 2022, amount to NIS 750 million and NIS 719 million, respectively.

1.6.4 Retained earnings and negative balances of distributable profits[14]

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

As at March 31, 2021				
	Investee companies			
NIS millions				
The Company[15]	Property & Building	Cellcom	Elron[16]	Mehadrin
(417)	720	1,101	(91)	531

1.6.5 Presented below is the movement in the capital attributable to the owners of the Company [17]

	For the three months ended March 31 2021	For the three months ended March 31 2020	For the year ended December 31 2020
	NIS millions		
Balance at start of period	1,231	1,824	1,824
Changes during the period			
Net profit (loss) attributable to the Company's owners	93	(198)	(555)
Reserves from translation differences	41	41	(104)
Reserves with respect to transactions with non-controlling interests	-	(4)	54
Hedging reserves	-	(2)	1
Revaluation reserves	-	-	5
Capital reserves and other movements, net	-	3	6
Balance at end of period	1,365	1,664	1,231

14 For details regarding restrictions on the distribution of dividends, see sections 8.4, 9.3 and 10.4 of Part A of the periodic report and Note 3.H to the annual financial statements. In addition, the aforementioned companies, as well as their investee companies, are subject by law to various agreements or permits and restrictions pertaining to the distribution of dividends.

15 The balance of distributable profits as at March 31, 2021 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 was negative.

16 Data with respect to Elron were translated for convenience purposes according to the USD exchange rate as at March 31, 2021.

17 See also section 1.7 below.

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

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

1.6.6 Linkage bases of the Company's assets and liabilities as at March 31, 2021 (including wholly owned headquarter subsidiaries)

	Linked to the CPI	Linked to foreign currency (primarily to the USD)	Unlinked	Non-monetary items	Total
			NIS millions		
Right-of-use assets	-	-	-	15	15
Fixed assets	-	-	-	2	2
Investments in investee companies and other companies (see section 1.6.7)	-	-	-	3,170	3,170
Other receivables and debit balances	-	-	10	2	12
Investments in marketable securities	-	24	30	50	104
Cash and cash equivalents	-	108	1,297	-	1,405
Total assets	**-**	**132**	**1,337**	**3,239**	**4,708**
Debentures (including maturities)	1,293	-	1,973	-	3,266
Lease liabilities (including maturities)	14	-	1	-	15
Other payables and credit balances	21	-	31	-	52
Current provisions	-	-	10	-	10
Total liabilities	**1,328**	**-**	**2,015**	**-**	**3,343**
Net balance as at March 31, 2021	**(1,328)**	**132**	**(678)**	**3,239**	**1,365**
Net balance as at March 31, 2020	**(1,695)**	**151**	**(1,643)**	**4,851**	**1,664**
Net balance as at December 31, 2020	**(1,313)**	**131**	**(651)**	**3,064**	**1,231**

For details regarding the linkage bases of the total assets and total liabilities in the consolidated statement of financial position as at March 31, 2021, see section 2.2 below.

1.6.7 Investment in investee companies and other companies

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

	In the three months ended March 31, 2021
	NIS millions
Balance at start of period	2,997
Group's share in the profits of investees accounted by the equity method	131
Change in investments carried to capital reserves	41
Other changes (mostly revaluation of companies measured at fair value)(1)	1
Balance at end of period	3,170

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

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

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

1.6.7 Investment in investee companies and others (Cont.)

1.6.7.2 Presented below are the balances of investments in investee companies and others, the net asset value and the leverage ratio[18] as at March 31, 2021:

	Holding rate	Book value	Asset value[18]
		NIS millions	
Companies accounted by the equity method			
Cellcom	46.1%	1,208	940
Property & Building	74.1%	1,395	1,437
Elron	61.1%	137	320
Mehadrin	44.5%	301	214
Epsilon	68.8%	61	61
EMCO	12.2%	10	10
Microwave Networks, Inc.	99.8%	9	9
Others		3	3
Companies and funds measured at fair value			
Pitango	27.3%	6	6
Mustang Mezzanine Fund, LP	23.8%	9	9
Brinx	10.0%	27	27
Others		4	4
		3,170	3,040

	As at May 25 2021	As at March 31, 2021	As at December 31, 2020
		NIS millions	
Asset value [18]	3,588	3,040	3,254
Less financial debt, net (section 1.6.2)	(1,889)	(1,791)	(1,748)
Total net asset value [NAV] [19]	1,699	1,249	1,506
Leverage ratio - [LTV] [20]	53%	59%	54%

18 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).

19 NAV - Net Asset Value. Constitutes the Company's net asset value, i.e., the total value of the Company's assets, after deducting its net financial liabilities. NAV is a standard economic indicator for evaluating the economic equity of companies. The main gaps between the Company's NAV and capital attributable to Company's owners as presented in the statement of financial position were mostly due to the measurement of the Company's marketable investments at market value, which differed from the measurement thereof in accordance with generally accepted accounting principles. It is hereby clarified that 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 March 31, 2021, plus investments which were made and less dividends which were received after March 31, 2021 and until proximate to the publication of the report.

20 The LTV (loan to value) ratio is a standard economic indicator used to measure the leverage ratio of companies, and serves as the basis for measuring the ratio (in percent) of net financial debt relative to its asset value. It is hereby clarified that NAV is not based on generally accepted accounting principles, and does not constitute an alternative to the information which is included in the financial statements.

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

1.7 Changes in capital and profit (loss) quality

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

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

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

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

The Company's total comprehensive income in the first quarter of 2021 (including non-controlling interests) amounted to NIS 224 million, as compared with comprehensive loss (including non-controlling interests) of NIS 215 million in the corresponding quarter last year. The aforementioned difference is primarily due to the following factors:

A. Net income in the first quarter of 2021 (including non-controlling interests) amounted to NIS 165 million, as compared with loss in the amount of NIS 280 million in the corresponding quarter last year.

B. In the first quarter of 2021, other comprehensive income (including non-controlling interests) was recorded for foreign currency translation differences with respect to foreign operations in the amount of NIS 50 million, as compared with other comprehensive income in the amount of NIS 55 million in the corresponding quarter last year. The change was mostly due to the increase in the USD exchange rate in the first quarter of 2021 at a rate of 3.7%, as compared with the increase of 3.2% in the corresponding quarter last year.

C. In the first quarter of 2021, other comprehensive income was recorded with respect to investee companies accounted by the equity method, in the amount of NIS 8 million, as compared with other comprehensive income in the amount of NIS 8 million in the corresponding quarter last year.

Comprehensive income attributable to the owners of the Company in the second quarter of 2021 amounted to NIS 134 million, as compared with comprehensive loss in the amount of NIS 156 million in the corresponding quarter last year.

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

1.8 Summary of the Company's results (consolidated)

	For the three months ended March 31		For the year ended December 31
	2021	2020	2020
	NIS millions		
Net profit (loss) for the period attributable to owners of the Company	93	(198)	(555)
Net profit (loss) for the period attributable to non-controlling interests	72	(82)	(242)
Net profit (loss) attributable to the owners of the Company and to non-controlling interests	165	(280)	(797)
Income (loss) from the realization and increase in value of investments and assets, and dividends, less amortization of investments and assets and decrease in net value (including non-controlling interests)	41	(5)	(57)
Profit from discontinued operations, after tax	-	20	83
Comprehensive income (loss) attributable to Company shareholders	134	(156)	(639)
Basic and diluted earnings (loss) per share - in NIS	0.7	(1.4)	(3.9)

1.9 Details regarding main non-recurring events

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

	For the three months ended March 31		For the year ended December 31
	2021	2020	2020
	NIS millions		
Involving cash flows -			
Profit from sale of Shufersal shares	-	-	39
Profit (loss) from the sale of Gav-Yam shares	-	-	(23)
Profit from self-purchase of debentures	-	-	7
profit from realization of Alcide (an investee company of Elron)	18	-	-
Retrospective update of telecommunication tariffs in the wholesale market by the Ministry of Communication	-	13	13
Not involving cash flows -			
Loss due to rise to control of Mehadrin	-	(107)	(100)
Profit from the allocation of negative value to goodwill in Mehadrin	-	119	107
Profit from decrease in Cellcom's stake in IBC	6	-	-
Update to the fair value of Ispro's assets, as part of presentation as held for sale	-	-	(28)
Update to the value of the HSBC Tower, net	-	(56)	(130)
Update of the provision for Rock Real, net, due to the arbitration decision	-	-	29
Update to the value of the Tivoli project and land in Las Vegas, net	-	(8)	(35)

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

1.10 Contribution to the business results of the Company and of investee companies, by operating segment[21]

1.10.1 Cellcom segment

DIC's share in the results of the Cellcom segment in the first quarter of 2021 amounted to profit of NIS 3 million, as compared with loss of NIS 20 million in the first quarter of 2020, and loss of NIS 78 million in 2020.

The actions which were taken by Cellcom in 2020, which included, inter alia, the acquisition of Golan and the adjustment of Cellcom's expense structure, were reflected in the first quarter of 2021, in which Cellcom presented a significant increase in revenue and profitability. However, the first quarter of 2021 included significant one-time profits due to the completion of the transaction between Hot and IBC Israel Broadband Company (2013) Ltd. ("IBC"), decrease in Cellcom's stake in IBC, in the amount of NIS 14 million, with DIC's share in the profit being NIS 6 million. Cellcom also had income in the amount of NIS 13 million with respect to the distribution of fiber for IBC. These income is expected to decrease significantly beginning in the second half of 2021, in light of the completion of the transaction, as stated above.

The coronavirus crisis is continuing to affect Cellcom's activity, and is reflected in income from roaming services in very low amounts relative to 2019, as well as Cellcom's operating environment, which remains highly competitive. However, the figures for the first quarter of 2021 reflect the steps which were taken and are being taken by Cellcom to improve the service experience and service quality, inter alia, by significantly upgrading the mobile and landline infrastructure, which resulted in Cellcom succeeding, for the first time in a long while, in resuming a growth pattern in its list of mobile subscribers, and to continue growing its television, internet and fiber optic subscribers.

Summary of the business results of the Cellcom segment

	First quarter of			
	2021	2020	Increase	
	NIS millions		%	Explanation
Income from services	721	682	5.7	The increase in the first quarter of 2021, as compared with the corresponding period last year, was primarily due to the revenue of Golan, whose results were initially consolidated beginning in September 2020, which was partially offset by the decrease in income from roaming services due to the coronavirus crisis.
Revenues from end user equipment	312	210	48.6	The increase in the first quarter of 2021, as compared with the corresponding period last year, was mostly due to the increase in the scope of sales of end user equipment in the landline segment, and due to the increase in sales of telephones to business customers in the mobile segment.
Total revenues	**1,033**	**892**	**15.8**	
Cost of sales and services	(769)	(644)	19.4	The increase in the first quarter of 2021, relative to the corresponding quarter last year, was mostly due to the increase in sales of end user equipment, as stated above, the initial consolidation of Golan, and the non-recurring credit which was recorded in the corresponding quarter last year, in light of the update to telecommunication tariffs in the wholesale market, which was offset by the decrease in payroll expenses (payroll, content, depreciation, etc.), in light of the increased efficiency measures which were implemented by Cellcom.
Gross profit	264	248	6.5	
Rate of gross profit from total revenues	25.6%	27.8%		

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

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

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

1.10.1 Cellcom Segment (Cont.)

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

	First quarter of 2021	First quarter of 2020	Increase (Decrease)	Explanation
	NIS millions		%	
Selling, marketing, general and administrative expenses and credit losses	(242)	(235)	3.0	The increase in the first quarter of 2021, as compared with the corresponding period last year, was primarily due to the initial consolidation of Golan's results and the increase in advertising expenses, which was partially offset against the decrease in credit loss expenses, due to the improvement of sale processes.
Other income, net	28	5		The increase in the first quarter of 2021, as compared with the corresponding period last year, was mostly due to non-recurring income due to the decrease of the stake in IBC, and profit from the execution of contract works for IBC.
Operating profit	50	18	177.8	
Adjusted EBITDA [22]	271	244	11.1	The increase in the first quarter of 2021, as compared with the corresponding quarter last year, was due to the increase in operating profit, as a result of the above.
Rate of EBITDA from total revenues	26.2%	27.4%		
Financing expenses, net	(38)	(64)	(40.6)	The decrease in the first quarter of 2021, as compared with the corresponding period last year, was primarily due to financing losses which were recorded in Cellcom's current investment portfolio in the first quarter of 2020, due to the effect of the coronavirus crisis.
Tax income (expenses)	(3)	8	Transition to expenses	Tax expenses were recorded in the first quarter of 2021 with respect to pre-tax profit, as compared with the tax benefit which was recorded in the corresponding period last year, due to pre-tax loss.
Net profit (loss) attributed to owners of Cellcom	**7**	**(43)**	Transition to profit	

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

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

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

1.10.1 Cellcom Segment (Cont.)

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

Cellcom's main operational indicators:

	First quarter of 2021	First quarter of 2020	Change in % Increase (decrease)
In the mobile segment:			
Number of Cellcom subscribers at end of period (in thousands)	3,232*	2,747	17.7%
Churn rate	7.8%	8.8%	
Monthly average revenue per user (ARPU) (in NIS) [23]	47.4	48.1	(1.6%)
In the landline segment:			
Number of subscribers (households) at end of period in the television segment (in thousands)	254	246	3.3%
Number of subscribers (households) at end of period in the internet infrastructure segment (in thousands)	297	279	6.5%

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

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

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

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

1.10.2 Property & Building segment

DIC's share in the results of the Property & Building segment in the first quarter of 2021 amounted to income of NIS 89 million, as compared with loss of NIS 99 million in the first quarter of 2020, and loss of NIS 270 million in 2020, which included loss from the impairment of the HSBC Tower, net, in the amount of NIS 56 million and NIS 130 million in the first quarter of 2020 and in 2020, respectively.

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

Summary of the business results of Property & Building[24]

	First quarter of		Increase (Decrease)	Explanation
	2021	2020		
	NIS millions		%	
Revenues from property rentals	66	71	(7.0)	The decrease in the first quarter of 2021, as compared with the corresponding period last year, was primarily due to the decrease in the USD exchange rate, and the realization of assets in the first quarter of 2020.
Revenues from the rental of identical properties[25]after the deduction of holding expenses ("NOI")	36	40	(11.1)	The decrease in the first quarter of 2021, as compared with the corresponding period last year, was primarily due to the decrease in the USD exchange rate.
Revenues from the sale of apartments and real estate	17	35	(51.4)	The decrease in the first quarter of 2021, as compared with the corresponding period last year, was primarily due to the decrease in the scope of active projects.
EBITDA[26]	114	109	4.6	The decrease in the first quarter of 2021, as compared with the corresponding period last year, was primarily due to a dividend from an associate company which was received in March 2021 in the amount of NIS 78 million, as compared with a total of NIS 70 million which was received in the first quarter of 2020.
Increase (decrease) in fair value of investment property, net	9	(122)		The increase in fair value in the first quarter of 2021 was due to the revaluation of properties in Israel. The decrease in fair value in the corresponding quarter last year was mostly due to the decrease in value of the HSBC Tower.
Property & Building's share in the profits of investee companies, net	69	15	360.0	In the first quarter of 2021, this item mostly included Property & Building's share in the profits of Gav-Yam, in the amount of NIS 64 million, as compared with Property & Building's share in the profits of Gav-Yam, in the amount of NIS 29 million in the corresponding quarter last year. The first quarter of 2020 also included Property & Building's share in loss in the amount of NIS 12 million from the decrease in value of the Tivoli project in Las Vegas.

24 The data were presented according to the presentation in the financial statements of Property & Building.
25 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.
26 Operating profit according to the statement of income, after neutralizing the revaluation of investment property, depreciation and others, provision for consulting services and Property & Building's share in the business results of investee companies, plus dividends which were received from associate companies.

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

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

1.10.2 Property & Building segment (Cont.)

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

	First quarter of 2021	First quarter of 2020	Increase	Explanation
	NIS millions		%	
Financing income (expenses), net	15	(80)	Transition to income	The decrease in expenses was due to the increase in the value of Property & Building's securities portfolio in the first quarter of 2021 in the amount of NIS 20 million, as compared with decrease in the amount of NIS 52 million in the corresponding quarter last year; The decrease in expenses between reporting periods in the amount of NIS 9 million due to the decrease in the balance of Property & Building's debt, due to repayments of bonds and loans; Profit from hedging transactions in the first quarter of 2021 in the amount of NIS 27 million, which was partly offset by the CPI's 0.1% increase in the first quarter of 2021 (which contributed to expenses in the amount of NIS 2 million, as compared with the decrease of 0.5% in the corresponding period last year, which contributed income in the amount of NIS 11 million).
Income (expenses) Taxes	(2)	29	Transition to expenses	The recording of tax income in the first quarter of 2020 was due, inter alia, to the recording of pre-tax loss and the expected usage of the losses for tax purposes, mostly due to loss from impairment of the HSBC Tower.
Loss from discontinued operations, after tax, attributable to the Company's owners	-	(28)		The loss from discontinued operations in the first quarter of 2020 included the results of Property & Building's commercial segment (Ispro).
Net profit (loss) attributed to owners of Property & Building	**120**	**(144)**		

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

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

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

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

1.10.3 Mehadrin segment

DIC's share in the results of the Mehadrin segment in the first quarter of 2021 amounted to profit of NIS 21 million, as compared with profit of NIS 21 million in the first quarter of 2020, and profit of NIS 6 million in 2020.

Summary of the business results of Mehadrin:

	First quarter of 2021	First quarter of 2020	Increase (Decrease)	
	NIS millions		%	Explanation
Total revenues	411	463	(11.2)	The decrease in income in the first quarter of 2021, relative to the corresponding period last year, was mostly due to the decrease in quantities of citrus fruits and avocados in the scope of approximately 16 thousand tons, mostly due to the heat wave which took place in May of last year, and due to the termination of the agreement with one of the avocado suppliers with whom Mehadrin had been engaged. A part of the decrease with respect to the foregoing agreement was compensated for by the purchasing of avocados in Israel and abroad. Against the aforementioned decrease in quantity, selling prices increased by an average of approximately 9% relative to the corresponding period last year.
Gross profit	58	48	20.2	The increase in gross profit and in the rate of gross profit in the first quarter of 2021, relative to the corresponding quarter last year, was mostly due to the decrease in fixed expenses in the amount of NIS 8 million, the decrease in fixed expenses in the amount of NIS 12 million, the improvement exchange rates vs. those in the corresponding quarter last year, mostly the EUR and the GBP, which were partly offset by the increase in processing expenses due to the progress of the season.
Rate of gross profit from total revenues	14.0%	10.3%		
General and administrative expenses	(6)	(6)	-	
Operating profit	52	42	23.2	
EBITDA	65	56	14.8	The increase in EBITDA and in the rate of EBITDA in the first quarter of 2021, as compared with the corresponding quarter last year, was mainly due to the increase in gross profit and in the rate of gross profit, as stated above.
Rate of EBITDA to total revenue	15.7%	12.1%		
Mehadrin's share in the net profits of investee companies accounted by the equity method	4	5	(6.5)	
Financing expenses, net	(1)	(9)	(94.0)	The decrease in financing expenses in the first quarter of 2021, relative to the corresponding period last year, was mostly due to the decrease in interest expenses to the bank in the amount of NIS 3 million, which were recorded in the corresponding quarter last year due to prepayment, and due to financing income, as a result of the improvement in the EUR and GBP exchange rates.
Tax expenses	(7)	(10)	(19.8)	
Net profit attributed to owners of Mehadrin	**48**	**28**	**68.8**	

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

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

2.2 Linkage bases of the total assets and total liabilities in the consolidated statement of financial position as at March 31, 2021:

	Linked to the CPI	Linked to the USD	Linked to other currencies (mostly to the EUR)	Unlinked	Non-monetary items	Total
	NIS millions					
Total assets	53	1,236	174	5,535	11,809	18,807
Total liabilities	4,598	1,671	117	8,246	641	15,273
Net balance as at March 31, 2021	**(4,545)**	**(435)**	**57**	**(2,711)**	**11,168**	**3,534**
Net balance as at March 31, 2020	**(5,029)**	**(484)**	**80**	**(3,917)**	**13,411**	**4,061**
Net balance as at December 31, 2020	**(4,550)**	**(166)**	**6**	**(3,652)**	**11,672**	**3,310**

2.3 <u>Investee companies</u>

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

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

3.1 **<u>Major Events After the Date of the Statement of Financial Position</u>**

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

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

See Annex A to the Board of Directors' Report.

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Tzachi Nachmias
Chairman of the Board of Directors

____
Doron Cohen
General Manager

Tel Aviv, May 27, 2021

DIC

Discount Investment Corporation Ltd

Interim Financial Statements March 31, 2021

Annexes to the Directors' Report

Annex A - Financial Position and Sources of Financing

Information regarding the Company's debentures

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

Summary of data regarding debentures(1), NIS millions

				March 31, 2021							Data as at May 27, 2021			Principal payment dates (3)				
Series	**Original issuance date**	**Par value on the issuance date**	**Interest rate on the issuance date (fixed)**	**Outstanding par value balance**	**Outstanding linked par value balance**	**Interest rate (fixed)**	**Amount of interest accrued in the books**	**Balance of premium (discount), net, in the books**	**Book value of the balance of debentures(2)**	**Market value**	**Outstanding par value balance**	**Outstanding linked par value balance**	**Interest rate (fixed)**	**From**	**To**	**Interest payment dates**	**Linkage terms**	**Trust company - Name of supervisor, address and telephone number**
F (4)	28.12.06 1.4.07* 28.6.07* 7.7.13 to 15.12.13* 14.1.14* 3.8.16* 2.4.17*	3,705	4.95%	1,079	1,304	4.95%	16	(11)	1,309	1,447	1,079	1,316	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%	1,955	1,955	5.05%	25	18	1,998	2,098	1,955	1,955	4.80%(7)	30.12.21	30.12.26	June 30, December 30 (6)	Unlinked	**Strauss Lazar Trust Company (1992) Ltd.** Person in charge: Uri Lazar, CPA, 17 Yitzchak Sadeh St. Tel Aviv 6777517, Tel: 03-6237777
Total		**6,287**		**3,034**	**3,259**		**41**	**7**	**3,307**	**3,545**	**3,034**	**3,271**						

Notes:

(1) The Company is fulfilling all of the conditions and undertakings in accordance with the deed of trust.
(2) Including interest accrued in the books and net premiums.
(3) Annual payments.
(4) The debentures (Series F) are a material series of debentures which constitutes 5% or more of the corporation's total liabilities, as presented in the separate financial report. With respect to this debenture series - no securities or collateral were provided to the lender; the credit is of the recourse type; no financial covenants have been established; no breach events have taken place or are currently taking place; the debentures do not confer the right of early repayment; and no material changes were made to the terms of the debentures in 2021.
(5) The debentures (Series J) are a material series of debentures which constitutes 5% or more of the corporation's total liabilities, as presented in the separate financial report. With respect to this debenture series - no securities or collateral were provided to the lender; the credit is of the recourse type; financial covenants were established; no breach events took place or are currently taking place; the debenture does not confer upon the Company the right of early repayment; and no material changes were made to the terms of the debentures in 2021. See section 7 below.
(6) Semi-annual payments.
(7) Following the increase of rating of the Company's debentures on May 10, 2021, from il/BBB- (Negative) to il/BBB (Stable), the interest rate applicable to the debentures (Series J) was decreased, beginning on May 10, 2021, from 5.05% to 4.80%. For additional details, see section 1.6.3.3 above.

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

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

Details regarding debenture ratings

Series	Name of rating company	Rating as at March 31, 2021	Rating as at May 27, 2021 (1)	Rating on the series issuance date	Date of rating issuance as at May 27, 2021	Additional ratings during the period between the date of the original issuance and the current rating as at May 27, 2021	
						Date	Rating
F	S&P Maalot	BBB- (Negative)	BBB (Stable)	AA	5/2021	4/2007, 6/2007, 11/2008, 7/2009, 1/2011, 10/2011, 11/2011, 1/2012, 5/2012, 9/2012, 7/2013, 8/2013, 12/2013, 3/2014, 12/2014, 2/2015, 3/2016, 7/2016, 2/2017, 3/2017, 8/2017, 9/2017, 12/2017, 3/2018, 8/2018, 4/2019, 7/2019, 4/2020, 8/2020	AA, A+, A- BBB+, BBB, BBB-
J	S&P Maalot	BBB- (Negative)	BBB (Stable)	BBB	5/2021	9/2017 ,12/2017 ,3/2018, 8/2018, 4/2019, 7/2019, 4/2020, 8/2020	BBB, BBB+ BBB-

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

DIC

Discount Investment Corporation Ltd

Interim Financial Statements March 31, 2021

Part 3 - Condensed Consolidated Interim Financial Statements

DIC | Q1 2021

Discount Investment Corporation Ltd.

Condensed Consolidated Interim Financial Statements As at March 31, 2021

(Unaudited)

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

Introduction
We have reviewed the attached financial information of Discount Investment Corporation Ltd. and its consolidated companies (hereinafter: the "Group"), including the condensed consolidated interim statements of financial position as at March 31, 2021, as well as the condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended. The Board of Directors and management are responsible for preparing and presenting the financial information for these interim periods in accordance with IAS 34, "Interim Financial Reporting", and are also responsible for compiling the financial information for these interim periods in accordance with Chapter IV of the Securities Regulations (Periodic and Immediate Reports), 5730-1970. Our responsibility is to express a conclusion regarding the financial information for these interim periods, based on our review.

We have not reviewed the condensed interim financial information of consolidated companies, whose assets as included in the consolidation constitute approximately 10% of total consolidated assets as at March 31, 2021, and whose income as included in the consolidation constitutes approximately 39% of total consolidated income from sales and services, in the three month period then ended. We have also not reviewed the condensed interim financial information of investee companies accounted by the equity method, the investment in which totaled approximately NIS 307 million as at March 31, 2021, and where the Group's share in their losses amounted to approximately NIS 3 million in the three month period then ended.
The condensed interim financial information of those companies was reviewed by other auditors, whose review reports were presented to us, and our conclusion, insofar as it refers to the financial information with respect to those companies, is based on the review reports provided by the other auditors.

Scope of the Review
We have conducted our review according to Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel, "Review of Financial Information for Interim Periods Prepared by the Entity's Auditor." A review of financial information for interim periods consists of inquiries, mainly with the people responsible for financial and accounting matters, and of the application of analytical and other review procedures. review A review is significantly limited in scope compared to an audit prepared according to generally accepted auditing standards in Israel, and therefore does not allow us to achieve certainty that we have become aware of all material issues that may have be identified in an audit. Accordingly, we do not express an audit opinion.

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

In addition to that stated in the previous paragraph, based on our review and on the review reports prepared by other auditors, we have not become aware of any information which would cause us to believe that the aforementioned financial information is not compliant, in all material respects, with the disclosure provisions of Chapter IV of the Securities Law Regulations (Periodic and Immediate Statements), 5730-1970.

We also reviewed the Group's pro forma financial information in connection with the transaction involving the acquisition of Golan Telecom, which is included in Note 9 to the condensed consolidated financial statements, which includes the pro forma data for the three month period ended March 31, 2020.
The Board of Directors and management are responsible for preparing and presenting the pro forma financial information for this interim period in accordance with the guidelines specified in Note 9.B., and are also responsible for compiling the pro forma financial information for this interim period in accordance with Regulation 38B of the Securities Regulations (Periodic and Immediate Reports), 5730-1970. Our responsibility is to express a conclusion regarding the pro forma financial information for this interim period, based on our review.

We have not reviewed the condensed interim pro forma financial information of consolidated companies, whose income as included in the consolidation constitutes approximately 23% of total consolidated income in the three month period ended March 31, 2020. We have also not reviewed the condensed interim pro forma financial information of investee companies accounted by the equity method, where the Group's share in their losses as included in the pro forma financial information amounted to approximately NIS 18 million in the three month periods ended March 31, 2020. The condensed interim financial information of those companies was reviewed by other auditors, whose review reports were presented to us, and our conclusion, insofar as it refers to the financial information with respect to those companies, is based on the review reports provided by the other auditors.

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

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

Tel Aviv,
May 27, 2021

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

Condensed Consolidated Interim Statements of Financial Position as of

	March 31 2021[(1)] (Unaudited)	March 31 2020 (Unaudited)	December 31 2020[(1)] (Audited)
		NIS millions	
Non-current assets			
Investments in investee companies accounted by the equity method	1,932	3,529[(2)]	1,918
Financial assets measured at fair value through profit or loss	146	157	124
Loans, deposits, restricted deposits and debit balances	219	402	220
Right-of-use asset	859	925[(3)]	882
Fixed assets	1,722	1,778	1,760
Investment property	3,034	3,380	2,926
Long term trade receivables	162	275	176
Inventory of real estate	66	52	69
Deferred expenses	417	428	414
Deferred tax assets	-	8	5
Intangible assets	2,676	1,845	2,693
	11,233	12,779	11,187
Current assets			
Financial assets measured at fair value through profit or loss	401	1,587	296
Deposits and pledged and restricted deposits	561	202	558
Other receivables and debit balances	353	328	366
Current tax assets	18	9	16
Trade receivables and other income receivable	1,197	1,310	1,103
Inventory	274	227	219
Inventory of buildings for sale	55	92	50
Assets classified as held for sale	8	1,321	1,268
Cash and cash equivalents	4,707	2,868	3,921
	7,574	7,944	7,797
Total assets	18,807	20,723	18,984

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

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

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

	March 31 2021[1]	March 31 2020	December 31 2020[1]
	(Unaudited)	(Unaudited)	(Audited)
		NIS millions	
Capital			
Share capital	810	810	810
Capital reserves	4,048	4,153	4,075
Accumulated losses	(3,493)	(3,299)	(3,654)
Capital attributable to owners of the Company	1,365	1,664	1,231
Non-controlling interests	2,169	2,397	2,079
	3,534	4,061	3,310
Non-current liabilities			
Debentures	8,742	9,740	8,741
Loans from banks and other financial liabilities	1,494	1,638	1,448
Lease liabilities	551	612[2]	576
Derivatives	-	1	3
Provisions	96	189	92
Deferred tax liabilities	500	544	477
Employee benefits	23	31	23
Other non-financial liabilities	17	15	15
	11,423	12,770	11,375
Current liabilities			
Current maturities of debentures	1,494	992	1,489
Credit from banking corporations and current maturities of loans from banks and others	407	556	380
Current maturities of lease liabilities	235	237	240
Other payables and credit balances	557	703[2]	649
Trade payables	980	788[2]	875
Derivatives	2	4	10
Current tax liabilities	11	29	9
Provisions	164	113	191
Liabilities classified as held for sale	-	470	456
	3,850	3,892	4,299
Total capital and liabilities	18,807	20,723	18,984

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

Tzachi Nachmias	Doron Cohen	Haim Tabouch
Chairman of the Board	General Manager	Chief Accounting Officer

Approval date of the financial statements: May 27, 2021

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

Condensed Consolidated Interim Statements of Income

	Note	For the three months ended March 31 2021(1)	For the three months ended March 31 2020	For the year ended December 31 2020(1)
		(Unaudited)	(Unaudited)	(Audited)
		NIS millions		
Income				
Sales and services	7	1,575	1,167	5,091
The Group's share in the net profit of investee companies accounted by the equity method, net		63	(2)-	-
Profit from realization and increase in the value of investments, assets and dividends		60	14	64
Increase in fair value of investment property, net		7	-	-
Other income		29	(3)13	137
Financing income		85	43	31
		1,819	1,237	5,323
Expenses				
Cost of sales and services		1,180	824	3,903
Research and development expenses		1	5	13
Selling and marketing expenses		171	150	600
General and administrative expenses		112	(3)130	553
The Group's share in the loss of investee companies accounted by the equity method, net		-	(2)4	15
Loss from realization, impairment, and write-down of investments and assets		19	19	113
Decrease in fair value of investment property, net		-	157	277
Other expenses		4	-	5
Financing expenses		144	288	786
		1,631	1,577	6,265
Profit (loss) before taxes on income		188	(340)	(942)
Income (expenses) from taxes on income		(23)	40	62
Profit (loss) from continuing operations		165	(300)	(880)
Profit from discontinued operations, after tax		-	(2)20	83
Net profit (loss) for the period		165	(280)	(797)
Net profit (loss) attributable to:				
The Company's owners		93	(198)	(555)
Non-controlling interests		72	(82)	(242)
		165	(280)	(797)
		NIS	NIS	NIS
Basic and diluted earnings (loss) per share attributed to the Company's owners				
From continuing operations		0.7	(1.5)	(4.5)
From discontinued operations		-	0.1	0.6
		0.7	(1.4)	(3.9)

(1) Includes the results of Golan, which was initially consolidated on August 26, 2020, see Note 9 below.
(2) Restated due to the presentation of the Shufersal operation under discontinued operations, see Note 3.A.3.B. below.
(3) Reclassified, see Note 1.E. below.

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

Condensed Consolidated Interim Statements of Comprehensive Income

	For the three months ended March 31		For the year ended December 31
	2021	2020	2020
	(Unaudited)		(Audited)
	NIS millions		
Net income (loss) for the period	165	(280)	(797)
Other comprehensive income items which will not be transferred to profit and loss, net of tax			
Actuarial gains in defined benefit plan	-	-	2
The Group's share in other comprehensive income in respect of investee companies accounted by the equity method	-	3	-
Total other comprehensive income which will not be transferred to profit and loss	-	3	2
Other comprehensive income (loss) items after initial recognition under comprehensive income which have been transferred or will be transferred to profit and loss, net of tax			
Foreign currency translation differences for foreign operations	50	55	(104)
Effective part in changes to the fair value of cash flow hedging	-	2	-
Net change in the fair value of cash flow hedging that was applied to profit or loss	1	-	-
Net change in the fair value of cash flow hedging which was carried to the cost of the hedged item	-	-	(2)
The Group's share in other comprehensive income (loss) with respect to investee companies accounted by the equity method	8	5	(17)
Total other comprehensive income (loss) after initial recognition under comprehensive income which has been transferred or will be transferred to profit and loss	59	62	(123)
Total other comprehensive income (loss) for the period, net of tax	59	65	(121)
Total comprehensive net income (loss) for the period	224	(215)	(918)
Attributable to:			
The Company's owners	134	(156)	(639)
Non-controlling interests	90	(59)	(279)
Total comprehensive net income (loss) for the period	224	(215)	(918)
Total comprehensive net income (loss) for the period attributable to owners of the Company Due to:			
Continuing operations	134	(1) (177)	(725)
Discontinued operations	-	(1) 21	86
	134	(156)	(639)

(1) Restated due to the presentation of the Shufersal operation under discontinued operations, see Note 3.A.3.B. below.

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

Condensed Consolidated Interim Statements of Changes in Equity

	Attributable to the Company's owners												
	Share capital	Premium on shares	Reserves with respect to transactions with non-controlling interests	Reserves from translation differences	Hedging reserves	Capital reserves with respect to available-for-sale financial assets through other comprehensive income	Revaluation reserves	Controlling shareholders reserve	Treasury shares	Accumulated loss	Total capital attributable to the Company's owners	Non-controlling interests	Total capital
	NIS millions												
For the three months ended March 31, 2021 (unaudited)													
Balance as at January 1, 2021	810	4,449	69	(397)	(1)	(2)	68	4	(115)	(3,654)	1,231	2,079	3,310
Net income for the period	-	-	-	-	-	-	-	-	-	93	93	72	165
Other comprehensive income for the period	-	-	-	41	-	-	-	-	-	-	41	18	59
Transactions with owners carried directly to equity, investments of owners and distributions to owners													
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(3)	(3)
Deconsolidation of Ispro (see Note 3.A.1.A. below)	-	-	-	-	-	-	(68)	-	-	68	-	-	-
Changes in interests in consolidated companies	-	-	-	-	-	-	-	-	-	-	-	(3)	(3)
Share-based payments given by consolidated companies	-	-	-	-	-	-	-	-	-	-	-	6	6
Balance as at March 31, 2021	810	4,449	69	(356)	(1)	(2)	-	4	(115)	(3,493)	1,365	2,169	3,534

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

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

	Attributable to the Company's owners												
	Share capital	Premium on shares	Reserves with respect to transactions with non-controlling interests	Reserves from translation differences	Hedging reserves	Capital reserves with respect to available-for-sale financial assets through other comprehensive income	Revaluation reserves	Controlling shareholders reserve	Treasury shares	Accumulated loss	Total capital attributable to the Company's owners	Non-controlling interests	Total capital
	NIS millions												
For the three months ended March 31, 2020 (unaudited)													
Balance as at January 1, 2020	810	4,449	15	(293)	(2)	(2)	63	3	(115)	(3,104)	1,824	2,067	3,891
Loss for the period	-	-	-	-	-	-	-	-	-	(198)	(198)	(82)	(280)
Other comprehensive income (loss) for the period	-	-	-	41	(2)	-	-	-	-	3	42	23	65
Transactions with owners carried directly to equity, investments of owners and distributions to owners													
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(32)	(32)
Consolidation of Mehadrin due to rise to control	-	-	-	-	-	-	-	-	-	-	-	396	396
Changes in interests in consolidated companies[(1)]	-	-	(4)	-	-	-	-	-	-	-	(4)	21	17
Share-based payments given by consolidated companies	-	-	-	-	-	-	-	-	-	-	-	4	4
Balance as at March 31, 2020	810	4,449	11	(252)	(4)	(2)	63	3	(115)	(3,299)	1,664	2,397	4,061

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

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

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

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

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

Condensed Consolidated Interim Statements of Cash Flows

	For the three months ended March 31		For the year ended December 31
	2021[(1)]	2020	2020[(1)]
	(Unaudited)		(Audited)
	NIS millions		
Cash flows from operating activities			
Net profit (loss) for the period	165	(280)	(797)
Profit from discontinued operations, after tax	-	[(2)] (20)	(83)
Profit (loss) from continuing operations	165	(300)	(880)
Adjustments:			
The Group's share in the loss (profit) of investee companies accounted by the equity method, net	(63)	[(2)]4	15
Received dividends (including from other investments)	80	70	85
Realization losses (profits), decrease (increase) and write-downs, net, of investments, assets and dividends	(41)	5	49
Decrease (increase) in fair value of investment property, net	(7)	157	277
Depreciation and amortization	241	226	981
Financing costs, net	59	245	755
Expenses (income) of tax on income, net	23	(40)	(62)
Income tax paid, net	(8)	(6)	(33)
Payments with respect to the settlement of derivatives, net	(5)	(12)	(3)
Share-based payment expenses	6	4	28
	285	653	2,092
Changes in other balance sheet items			
Decrease (increase) in other receivables and debit balances (including long-term amounts)	26	27	(38)
Decrease (increase) in trade receivables (including long term amounts)	(79)	73	202
Decrease (increase) in inventory (including long term amounts)	(58)	(7)	13
Change in benefits to employees	1	-	(8)
Increase (decrease) in trade payables	68	(43)	(3)
Increase (decrease) in other payables and credit balances, provisions and other liabilities (including long term amounts)	2	(40)	(174)
	(40)	10	(8)
Net cash from continuing operating activities	410	363	1,204
Net cash from discontinued operating activities	-	-	21
Net cash from operating activities	410	363	1,225
Cash flows from investing activities			
Long term deposits loans which were given	-	(2)	(4)
Consideration from the realization of loans which were given and long term deposits	6	-	10
Decrease (increase) in pledged and restricted deposits, net	(29)	(6)	21
Current investments, loans and short term deposits, net	(79)	95	1,149
Investments and loans, net, in investee companies accounted by the equity method	(3)	(24)	(42)
Non-current investments	(3)	-	(12)
Investments in investment property and in fixed assets	(58)	(77)	(325)
Investments in intangible and other assets	(53)	(52)	(215)
Receipts with respect to the settlement of derivatives, net	2	10	1
Change in cash due to the initial consolidation of subsidiaries	-	101	(507)
Consideration from the realization of consolidated companies, net of cash spent within the framework of their deconsolidation	[(3)]666	-	(3)
Receipts from realization of non-current investments, including dividend from the realization	[(3)]35	2	371
Receipts from realization of investment property, fixed assets and other assets	-	113	173
Taxes paid, net, with respect to investment property, fixed assets and other assets	-	(6)	(26)
Interest received	5	10	26
Net cash from continuing investing activities	489	164	617
Net cash from discontinued investing activities	-	-	1,447
Net cash from investing activities	489	164	2,064

(1) Includes data regarding Golan, which was initially consolidated on August 26, 2020, see Note 9 below.
(2) Restated due to the presentation of the Shufersal operation under discontinued operations, see Note 3.A.3.B. below.
(3) Including consideration with respect to the realization of Ispro, see Note 3.A.1.A. below.

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

Condensed Consolidated Interim Statements of Cash Flows (Cont.)

	For the three months ended March 31		For the year ended December 31
	2021(1)	2020	2020(1)
	(Unaudited)		(Audited)
	NIS millions		
Cash flows for financing activities			
Non-current financial liabilities received	27	-	661
Repayment of non-current financial liabilities	(61)	(331)	(1,674)
Interest paid	(81)	(77)	(592)
Repayment of lease liabilities	(78)	(82)	(277)
Early redemption of debentures	-	-	(110)
Issuance of interests in consolidated companies to non-controlling interests	-	17	5
Current financial liabilities, net	65	(14)	3
Receipts, including exercised share options, from non-controlling interests in consolidated companies	-	-	74
Acquisition of shares in consolidated companies from non-controlling interests	(3)	-	(90)
Dividend to non-controlling interests in consolidated companies	(5)	(1)	(50)
Payments with respect to the settlement of derivatives	-	(1)	(6)
Net cash used in continuing financing activities	(136)	(489)	(2,056)
Increase (decrease) in cash and cash equivalents from continuing operations	763	38	(235)
Increase in cash and cash equivalents from discontinued operations	-	-	1,468
Increase in cash and cash equivalents from continuing operations and from discontinued operations	763	38	1,233
Balance of cash and cash equivalents at start of period	3,921	2,812	2,812
Effects of fluctuations in exchange rates on balances of cash and cash equivalents	31	26	(98)
Change in the balance of cash and cash equivalents presented under held for sale assets	(8)	(8)	(26)
Balance of cash and cash equivalents at end of period	4,707	2,868	3,921

(1) Includes data regarding Golan, which was initially consolidated on August 26, 2020, see Note 9 below.

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

Note 1 - General

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

Further to that stated in Note 1.A to the Company's annual financial statements, regarding the process of receivership with respect to the Company's shares, and regarding the approval which was given by the District Court of Tel Aviv-Yafo for the sale of the Company's shares to Mega Or Holdings Ltd. ("Mega Or") and a group of investors led by it, in accordance with its offers (the "Sale Transactions"), and regarding the Ministry of Communication's approval for the transfer of the means of control and of the control (as these terms are defined in the Communications Law (Telecommunications and Broadcasting) 5742-1982) in Cellcom, and regarding the Competition Commissioner's conditional approval of the merger between Mega Or and DIC, on March 25, 2021 the first stage of the sale transaction was completed, which involved the transfer of approximately 35.2 million shares of the Company, which constitute approximately 24.9% of its issued capital, to Mega Or, while approximately 31.9 million shares of the Company, which constitute approximately 22.5% of its issued capital, were transferred to other buyers. After the execution of the foregoing transaction, the receivers remained with approximately 32.1 million shares of the Company, which constitute approximately 22.7% of the Company's issued capital (and approximately 17.2 million additional shares of the Company, for which the trustee of IDB Development was appointed as a provisional receiver, which constitute approximately 12.12%, remained in his possession). On April 20, 2021, after the date of the statement of financial position, another approximately 7.0 million shares of the Company, which constitute approximately 5.0% of its issued capital, were transferred to Mega Or, such that Mega Or's stake in the Company's issued capital after the transfer amounted to approximately 29.9%.

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

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

Upon the completion of the transfer of the Company's shares, as stated above, and from that date onwards, the Company is a company without a controlling shareholder (according to the definition of the term "control" in the Securities Law, 5728-1968), and no longer constitutes a "tier company" (as this term is defined in the Law to Promote Competition and Reduce Concentration, 5774-2013), and accordingly, the companies under its control which are reporting corporations pursuant to the Securities Law, are not subject to restrictions by virtue of the Concentration Law in connection with the ability of those companies to directly hold control of other tier companies. Additionally, upon the completion of the transfer of shares, the condition in Mega Or's offer to the office holders, regarding an "event representing a significant change for the worse", expired. For details, see Note 3.F.2. to the annual financial statements.

In February 2021, the board of directors of Elco Ltd. ("Elco") submitted an offer to acquire 27% to 29.8% of the Company's share capital. On April 21, 2021, after the date of the statement of financial position, Elco Ltd. ("Elco") received a decision of the Competition Commissioner which approved the merger between Elco and DIC. The acquisition of the Company's shares by Elco is subject to the approval of the Ministry of Communication, which has not yet been received as at the reporting date.

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

B. **Impact of the coronavirus pandemic -** Further to that stated in Note 1.B to the annual financial statements, regarding the coronavirus (COVID-19) pandemic (the "Coronavirus"), which has spread throughout the world and is causing concern and uncertainty – due to the decreased coronavirus infection rates and the vaccination program, and in accordance with the government's decision, some of the restrictions which had been imposed in accordance with issued directives were lifted.

Directives issued by the Ministry of Health and the scope of the restrictions or concessions, as applicable, change from time to time depending on the infection rate and the rate of progress of the vaccination campaign.

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

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

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

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

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

<u>Property & Building</u> - All of the office tenants in the HSBC Tower paid their obligations in full in the first quarter of 2021 and in 2020, in accordance with the lease agreements.

Tivoli project in Las Vegas - The occupancy rate in the Tivoli project as at the end of March 2021 amounted to 76% (the occupancy rate before the coronavirus crisis was 73%). With respect to the first quarter of 2021, approximately 94% of billed rent has been collected to date. The management of the Tivoli project is working to complete the collection for the period.

<u>Gav-Yam</u> - The fair value of Gav-Yam's revenue-generating real estate is affected by two critical estimates - appropriate rent and capitalization rate. As at the date of the financial statements, and based on the information which is available to it, in light of the distribution lessees and the fact that most of the properties are leased for hi-tech, offices, industry and logistics, Gav-Yam estimates that the adverse effects on rent, if any, will be relatively low, in the short term. Gav-Yam believes, including based on the opinion of the external appraisers with whom Gav-Yam works, that the capitalization rates which were used to appraise its properties are adequate capitalization rates as at the date of the financial statements.

<u>Mehadrin</u> - During the first quarter of 2021, a shortage in packaging and harvesting workforce was recorded; however, Mehadrin was able to recruit alternative harvesting workers and external packaging plants. An increase in the prices of packaging, sorting and transportation to end customers was also recorded, although the increase was minor. Therefore, impact of 2021 as well the coronavirus pandemic had an insignificant effect on Mehadrin's operations, including until the approval date of the financial statements.

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

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

C. These financial statements were prepared according to a condensed framework as at March 31, 2021 and for the three month period then ended (the "Interim Financial Statements") in accordance with IAS 34, "Interim Financial Reporting", and do not include all information required in full annual financial statements. These reports should be read and reviewed together with the Company's annual financial statements as at December 31, 2020, and for the year then ended, and of the accompanying notes, which were approved on March 22, 2021 (the "Annual Financial Statements"). The notes to the interim financial statements with respect to contingent investments, engagements, debentures and loans, engagements and liabilities only include the main updates on these matters since the approval date of the annual financial statements.

D. **Main Definitions:**

In these reports (hereinbefore and hereinafter):

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

E. Change in classification

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

Details of the main reclassifications which were performed:

- Further to that stated in Note 1.F. to the annual financial statements, a total of NIS 6 million, which was recorded as a decrease in general and administrative expenses in the consolidated statements of income for the three month period ended March 31, 2020, was reclassified from the item for general and administrative expenses, to the item for other income.
- A total of NIS 47 million in the statement of financial position as at March 31, 2020 was reclassified from the item for other payables to the item for trade payables.
- A total of NIS 16 million in the statement of financial position as at March 31, 2020 was classified as a decrease in the items for right-of-use asset and long term lease liabilities.

Note 2 - Significant Accounting Policies

A. Framework for preparation of the interim financial statements

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

These condensed consolidated interim financial statements were approved for publication by the Company’s Board of Directors on May 27, 2021. The significant accounting policies which were applied in the preparation of the interim consolidated financial statements are consistent with those which were applied in the preparation of the annual financial statements.

B. Use of estimates and judgment

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

The judgment exercised by the managements of the Company and of its investee companies when implementing the Group’s accounting policy regarding material issues, and the main assumptions which were used for estimates involving uncertainty, are consistent with those which were used in the annual financial statements, as stated in Note 1.E.3.A. to the annual financial statements. It is noted that, due to the coronavirus pandemic, as stated in Note 1.B. above, the estimates and judgments, mostly with reference to the valuations which are used by the Group, involve significant measurement risk, and are made in an environment of significant uncertainty.

C. Functional currency and presentation currency

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

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

	CPI		Exchange rate of the US Dollar
	Known index (1)	Index in lieu (1)	
	Points		NIS
As at			
March 31, 2021	100.0	100.6	3.334
March 31, 2020	100.0	100.4	3.565
December 31, 2020	99.9	99.8	3.215
<u>Rates of change during the period (in percent):</u>			
For the three months ended			
March 31, 2021	0.1%	0.8%	3.7%
March 31, 2020	(0.5%)	(0.1%)	3.2%
For the year ended			
December 31, 2020	(0.6%)	(0.7%)	(7.0%)

(1) According to the base average for 2020.

Note 3 - Investee Companies

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

1. **Property & Building, a consolidated company held by DIC at a rate of 74.1% as at March 31, 2021**

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

Summary balances and effects of the deconsolidation of Ispro:

	As at the date of deconsolidation
	NIS millions
Consideration	
Cash consideration which was received from the sale, net of transaction costs	816[1]
Assets and liabilities which were written off [2]	
Assets classified as held for sale	1,254
Liabilities classified as held for sale	443
Assets and liabilities, net	811

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

B. Gav-Yam - Further to that stated in Note 3.G.2.C. to the annual financial statements, regarding the stake of a significant shareholder (the "Shareholder") in Gav-Yam, as at March 31, 2021 its stake in Gav-Yam's capital amounted to 23.05% (22.74% fully diluted), and proximate to the approval date of these reports, that shareholder's stake amounted to approximately 28.40% (28.02% fully diluted). According to Gav-Yam's reports, as it was informed by the shareholder, in accordance with binding agreements the shareholder is entitled to instruct non-interested party shareholders on voting regarding additional shares, which constitute approximately 2.25% of the voting rights in Gav-Yam, on various issues, including regarding the appointment of directors. On these issues, the shareholder has voting rights at a rate of approximately 30.65% of all voting rights in Gav-Yam. Additionally, in accordance with Gav-Yam's reports, as part of the purchase transactions, the shareholder acquired options for the acquisition of ordinary Gav-Yam shares, which, as at the date of the financial statements, and after exercising some of the aforementioned options, options for the acquisition of approximately 14.4 million ordinary shares of Gav-Yam remained exercisable (in the period of 10-12 months after November 2020). In light of the foregoing, if all of the foregoing purchase transactions are completed, and all of the foregoing acquired call options are exercised, the shareholder will hold Gav-Yam shares at a rate constituting 35.14% of its issued and paid-up share capital (34.52% fully diluted).

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

Note 3 - Investee Companies (Cont.)

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

2. **Cellcom, an investee company held by DIC at a rate of 46.1% as at March 31, 2021**
Further to Note 22.B.1.D. to the annual financial statements, regarding the investment transaction with Hot Telecommunication Systems Ltd. (together with its related entities) ("Hot") in IBC (Unlimited) Holdings Limited Partnership ("IBC Partnership"). In February 2021, after the required regulatory approvals were received, the transaction was completed. Due to the decrease in Cellcom's stake in IBC, Cellcom recorded non-recurring income in the amount of NIS 14 million, which was recorded under the item for other income. DIC's share in the profit was NIS 6 million.

3. **Shufersal, a company which was held by DIC until July 26, 2020 at a rate of 26.0%**
A. On July 26, 2020, the Company sold its entire stake in Shufersal, of approximately 26%. Following the sale of the entire stake in Shufersal, the comparative figures with respect to the results of Shufersal for the three month period ended March 31, 2020, were restated in order to present the discontinued operation of Shufersal separately from continuing operations. For additional details, see Note 3.G.5. to the annual financial statements.
B. Presented below are data regarding comprehensive income which are attributed to discontinued operations:

	For the three months ended March 31, 2020
	(Unaudited)
	NIS millions
The Company's share in Shufersal's profit is accounted by the equity method	20
Total carried to the statement of income	20
Amounts carried to other comprehensive income with respect to the investment in Shufersal	1
Total amounts carried to comprehensive income	21

Note 3 - Investee Companies (Cont.)

B. Details regarding investments in investee companies directly held by DIC as at March 31, 2021

	Stake in share capital and in voting rights 31.3.21	Scope of investment in the investee company	Reserves (1)	Total Total	Market value of shares listed on the Tel Aviv Stock Exchange as at 31.3.21	25.5.21	Country of incorporation
	%	NIS millions					
Primary consolidated companies *							
Property & Building Ltd.(4)	74.1	1,395	267	1,662	1,438	1,894	Israel
Cellcom Israel Ltd. (in voting - 48.2%)	46.1	1,208	2	1,210	938	944	Israel
Mehadrin Ltd.	44.5	301	-	301	213	223	Israel
Elron Electronic Industries Ltd.	61.1	137	96	233	321	(5)392	Israel
Epsilon Investment House Ltd.	68.8	61	-	61			Israel
Other investee companies *		22	(6)	16			
Total		3,124					

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

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

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

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

(4) In April 2021, DIC's stake in Property & Building decreased to a rate of approximately 63.2%, following the issuance of Property & Building shares in a transaction for the acquisition of Gav-Yam shares. For details, see Note 10.C. below.

(5) In April 2021, DIC's stake in Elron decreased to a rate of approximately 60.1%, following an issuance of shares by Elron. For details, see Note 10.D below.

Note 3 - Investee Companies (Cont.)

C. Data regarding associate companies and joint ventures

1. **Attachment of reports of a material investee company**

The Company is attaching to these financial statements the condensed interim financial statements as at March 31, 2021 of IDBG, which is a material investee company under the joint control of Property & Building and IDB Development (at the rates of 74.2% and 25.8%, respectively), which is accounted for using the equity method.

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

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

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

A. Summary information regarding material associate companies

	Gav-Yam [1]		
Holding company		Property & Building	
Operating segment		Real estate	
Country of incorporation and main place of business activities		Israel	
Rate of ownership in capital and in voting rights	29.9%	34.9%	29.9%
	As at March 31 2021	As at March 31 2020	As at December 31 2020
	(Unaudited)	(Unaudited)	(Audited)
		NIS millions	
Current assets	1,905	2,063	2,649
Non-current assets	8,930	8,155	8,651
Total assets	10,835	10,218	11,300
Current liabilities	979	973	1,043
Non-current liabilities	6,328	5,789	6,641
Total liabilities	7,307	6,762	7,684
Total assets, net	3,528	3,456	3,616
The Group's share in assets, net	809	897	828
Excess cost, net	595	667	590
Value of the associate company in the Group's books	1,404	1,564	1,418
Market value of Property & Building's stake in Gav-Yam on the stock exchange [2]	1,704	1,564	1,675

(1) In April 2021, after the date of the statement of financial position, Property & Building acquired an additional approximately 14.7% of Gav-Yam's issued share capital. For details, see Note 10.C below.

(2) The market value of Property & Building's stake in Gav-Yam as at May 25, 2021, according to a stake of 29.93% (not including acquisitions which were performed after the date of the statement of financial position, as stated in Note 10.C below) amounted to NIS 1,961 million.

Note 3 - Investee Companies (Cont.)

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

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

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

	For the three months ended March 31		For the year ended December 31
	2021	2020	2020
	(Unaudited)		(Audited)
	NIS millions		
Gav-Yam			
Revenues from building rentals	142	144	578
Increase in fair value of investment property	198	25	109
Total revenues	340	169	687
Income for the period	211	73	331
Other comprehensive income	-	-	-
Total comprehensive income	211	73	331
Property & Building's share in the comprehensive income of the associate company	59	22	82
Adjustments with respect to excess cost	5	7	25
Property & Building's share in the comprehensive income of the associate company, as presented in the books	64	29	107

Note 3 - Investee Companies (Cont.)

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

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

B. Summary information regarding material joint ventures

	IDBG		
Holding company	Property & Building		
Operating segment	Real estate and residential		
Country of incorporation and main place of business activities	United States		
Rate of ownership in capital (%)	74.2%		
Rate of ownership in voting rights (%)	50%		
	As at March 31 2021	As at March 31 2020	As at December 31, 2020
	(Unaudited)	(Unaudited)	(Audited)
	NIS millions		
Cash and cash equivalents	24	7	23
Total current assets	50	69	29
Total non-current assets	783	857	770
Current financial liabilities (excluding trade payables, other payables and provisions)	(393)	(153)	(153)
Total current liabilities	(435)	(178)	(196)
Non-current financial liabilities (excluding trade payables, other payables and provisions)	(398)	(748)	(603)
Total non-current liabilities	(398)	(748)	(603)
Total assets, net	-	-	-
The Group's share in assets, net	-	-	-
Shareholder's loans which were given by Property & Building	295	371	281
Adjustment for the Group's share in net assets	(122)	(131)	(118)
Value of the joint venture in the books	173	240	163

	For the three months ended March 31		For the year ended December 31
	2021	2020	2020
	(Unaudited)		(Audited)
	NIS millions		
IDBG			
Income	11	11	38
Financing income (expenses), net	(6)	13	67
Loss for the period from continuing operations and total comprehensive loss for the period	-	-	(3)
Property & Building's share in the comprehensive loss of the joint venture	-	-	(2)
Share of Property & Building in net profit (loss), including financing income with respect to shareholder's loan	4	(13)	(69)

Note 4 - Events During the Reporting Period

A. Further to that stated in Note 31.B.3. to the annual financial statements regarding the Company's engagement in an agreement for the provision of chairman services by Dr. Yoram Turbowicz, on April 1, 2021, Dr. Turbowicz ceased serving as a director in the Company.

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

Note 5 - Claims and Contingent Liabilities

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

B. Claims and contingent liabilities which are pending against the Company and its investee companies as at March 31, 2021, and material changes therein during the first quarter of 2021 and after the date of the statement of financial position:

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

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

   The financial statements of DIC as at March 31, 2021 include provisions with respect to legal claims against DIC in the total amount of NIS 7 million, while the original amount of the claims with respect to them amounts to NIS 50 million.

2. **Claims against Cellcom**

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

Balance of the provision	Claim amount
NIS millions	
56	2,135[(1),(2)]

(1) Including claims against Cellcom and additional defendants together in the total amount of NIS 700 million, in which an amount claimed separately from Cellcom was not specified.

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

   B. Presented below are details regarding the amount and quantity of contingent liabilities against Cellcom which are in effect as at March 31, 2021, distributed by claim amount:

Claim amount	Number of claims	Claim amount NIS millions
Up to NIS 100 million[(1)]	41	724
NIS 100 million to NIS 500 million	3	705
Claims in which the claim amount was not specified	15	-
against Cellcom and additional defendants together, in which the claim amount separately from Cellcom was not specified	2	700
Against Cellcom and additional defendants together, in which the amount claimed separately from Cellcom was specified	2	6
Claims in which the amount claimed from Cellcom and additional defendants was not specified	5	-
Total	68	2,135

(1) Including 25 claims which were filed against Cellcom by employees, subcontractors, providers, authorities and others, at a scope of NIS 10 million as at March 31, 2021.

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

   Subsequent to the date of the statement of financial position, two claims and motions to approve them as class actions against Cellcom were filed, in which the claim amount was specified. At this preliminary stage, it is not possible to estimate their chances of success.

Note 5 - Claims and Contingent Liabilities (Cont.)

3. **Claims against Property & Building**

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

Balance of the provision	Total additional exposure	Total
NIS millions		
4	33	37

B. Presented below are details regarding the quantity and amount of Property & Building's contingent liabilities as at March 31, 2021, distributed by claim amount:

Claim amount	Number of claims	Claim amount NIS millions
Up to NIS 100 million	40	37

Note 6 - Financial Instruments

A. Fair value of financial instruments for disclosure purposes only

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

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

	As at March 31, 2021		As at March 31, 2020		As at December 31, 2020	
	(Unaudited)				(Audited)	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
	NIS millions					
Financial liabilities						
Debentures [(a),(b)]	10,343	11,083	10,847	10,166	10,291	10,979
Long term loans from banks and others [(a),(b)]	1,657	1,663	2,067	2,079	1,641	1,648
	12,000	12,746	12,914	12,245	11,932	12,627

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

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

Note 6 - Financial Instruments (Cont.)

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

The various levels were defined in the following manner:

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

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

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

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

Financial instruments measured at fair value level 2

	As at March 31, 2021	As at March 31, 2020	As at December 31, 2020
	(Unaudited)		(Audited)
	NIS millions		
Financial assets	39	81	15
Financial liabilities	(2)	(4)	(13)

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

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

Financial instruments measured at fair value level 3

	For the three months ended March 31, 2021 (Unaudited) — Financial assets measured at fair value through profit or loss		
	Investments and derivatives	Loans to associate companies	Total
	NIS millions		
Balance as at January 1, 2021	121	367	488
Total income (loss) recognized:			
Under profit and loss [(a)]	8	4	12
Under other comprehensive income (in the item for the reserves from translation differences)	2	12	14
Investments	3	-	3
Conversion to capital	-	(15)	(15)
Classified under assets held for sale	(8)	-	(8)
Transfer from level 3	(1)	-	(1)
Balance as at March 31, 2021	[(1)]125	368	493

[(A)] Total profit for the period included under profit and loss with respect to held assets as at March 31, 2021			
Net profit from realization and increase (decrease) in the value of investments and assets	8	-	8
The Group's share in the net profit of investee companies accounted by the equity method, net	-	4	4

Note 6 - Financial Instruments (Cont.)

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

	For the three months ended March 31, 2020 (Unaudited)			
	Financial assets measured at fair value through profit or loss			
	Investmen and derivative	Loans to associate companies	Total	Financial liabilities measured at fair value through profit and loss
	NIS millions			
Balance as at January 1, 2020	156	210	366	-
Total income (loss) recognized:				
Under profit and loss [a]	[b] (6)	(15)	(21)	(1)
Under other comprehensive income (in the item for the reserves from translation differences)	3	14	17	-
Investments	1	-	1	-
Transition to initial measurement at fair value level 3	-	244	244	-
Balance as at March 31, 2020	[1]154	453	607	(1)
[A] Total profit for the period included under profit and loss with respect to held assets as at March 31, 2020:				
Net loss from realization and increase (decrease) in the value of investments and assets	(6)	-	(6)	-
Financing expenses	-	-	-	(1)
The Group's share in the net profit (loss) of investee companies accounted by the equity method, net	-	(15)	(15)	-

[B] Not including income from dividends in the amount of NIS 2 million.

Note 6 - Financial Instruments (Cont.)

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

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

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

[1] The Group holds several private companies, where the fair value of the investment in them was estimated using the following valuation methods:

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

Note 7 - Sales and Services

	For the three months ended March 31		For the year ended December 31
	2021	2020	2020
	(Unaudited)		(Audited)
	NIS millions		
Telecommunication services	725	687	2,819
Sale of communication equipment	314	217	910
Income from the agriculture segment*	411	109	823
Building rentals	85	100	352
Sale of apartments and real estate	17	35	109
Income from management and consulting fees of an investment house	19	11	55
Others	4	8	23
	1,575	1,167	5,091

* Income from the agriculture segment includes data for Mehadrin, which was initially consolidated beginning in March 2020.

Note 8 - Operating Segments

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

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

A. Segmental results

	Cellcom	Property & Building	Mehadrin	Shufersal [1]	Other (Elron)	Adjustments for the consolidation	Consolidated
	NIS millions						
For the three month period ended March 31, 2021 (unaudited)							
Sales and services	1,033	83	411	-	-	48	1,575
Segmental results - attributable to the owners of the Company	3	89	21	-	16	(36)	93
For the three month period ended March 31, 2020 (unaudited)							
Sales and services	892	106	[3]463	3,731	-	[3] (4,025)	1,167
Segmental results - attributable to the owners of the Company	(20)	(99)	[3]21	20	(18)	[3] (102)	(198)
For the year ended December 31, 2020 (audited)							
Sales and services	3,676	377	1,175	7,420[2]	-	(7,557)	5,091
Segmental results - attributable to the owners of the Company	(78)	(270)	6	83	(37)	(259)	(555)

(1) Discontinued segment - Shufersal's operating results are presented in the statements of income under discontinued operations, see Note 3.A.3. above.

(2) The data for Shufersal is in accordance with Shufersal's financial statements as at June 30, 2020.

(3) Reclassified due to the presentation of Mehadrin as a reportable segment.

Note 8 - Operating Segments (Cont.)

A. Segmental results (Cont.)

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

	For the three months ended March 31		For the year ended December 31
	2021	2020	2020
	(Unaudited)		(Audited)
	NIS millions		
Reversal of amounts with respect to the Shufersal operation	-	(3,731)	(7,420)
Reversal of amounts with respect to the Mehadrin operation before the rise to control	-	(1) (352)	(352)
Adjustments with respect to activities which are presented in Property & Building's reports as discontinued operations.	19	27	82
Other adjustments	29	31	133
	48	(1) (4,025)	(7,557)

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

	For the three months ended March 31		For the year ended December 31
	2021	2020	2020
	(Unaudited)		(Audited)
	NIS millions		
Inclusion of the results of DIC headquarters (mostly general and administrative, financing and taxes)	(39)	(99)	(254)
Other adjustments	3	(1) (3)	(5)
	(36)	(1) (102)	(259)

(1) Reclassified due to the presentation of Mehadrin as a reportable segment.

Note 8 - Operating Segments (Cont.)

B. Segmental assets

	Cellcom	Property & Building	Mehadrin	Shufersal	Other (Elron)	Adjustments for the consolidation	Consolidated
				NIS millions			
As at March 31, 2021 (Unaudited)	7,118	7,633	1,374	-	336	2,346	18,807
As at March 31, 2020 (Unaudited)	6,766	9,249	[(1),(2)] 1,379	12,881	361	[(1)] (9,913)	[(2)] 20,723
As at December 31, 2020 (Audited)	7,157	7,967	1,222	-	272	2,366	18,984

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

	As at March 31		For the year ended December 31
	2021	2020	2020
	(Unaudited)		(Audited)
	NIS millions		
Reversal of amounts with respect to the Shufersal segment, which is classified in the financial statements as an associate company	-	(12,881)	-
Inclusion of the investment amount in associate companies based on their book value, as included in the financial statements	10	1,390	8
Inclusion of adjustments to fair value of assets of subsidiaries and goodwill with respect to them in DIC	594	613	595
Inclusion of other assets of DIC headquarters	1,585	787	1,586
Other adjustments	157	178	177
	2,346	(9,913)[(1)]	2,366

(1) Reclassified due to the presentation of Mehadrin as a reportable segment.
(2) Reclassified. For details, see Note 1.E. above.

Note 8 - Operating Segments (Cont.)

C. Segmental liabilities

	Cellcom	Property & Building	Mehadrin	Shufersal	Other (Elron)	Adjustments for the consolidation	Consolidated
	NIS millions						
As at March 31, 2021 (unaudited)	5,224	5,720	769	-	50	3,510	15,273
As at March 31, 2020 (unaudited)	4,899	7,102	[(1),(2)]796	10,951	32	[(1)](7,118)	[(2)]16,662
As at December 31, 2020 (Audited)	5,277	6,223	665	-	19	3,490	15,674

Composition of adjustments to segmental liabilities in the consolidated report:

	As at March 31		As at December 31
	2021	2020	2020
	(Unaudited)		(Audited)
	NIS millions		
Reversal of amounts with respect to the Shufersal segment, which is classified in the financial statements as an associate company	-	(10,951)	-
Inclusion of the liabilities of DIC headquarters	3,343	3,731	3,308
Inclusion of adjustments to the fair value of liabilities of subsidiaries in DIC	86	91	85
Other adjustments	81	11	97
	3,510	(7,118)[(1)]	3,490

(1) Reclassified due to the presentation of Mehadrin as a reportable segment.
(2) Reclassified, see Note 1.E. above.

Note 9 - Pro Forma Data Regarding Golan Telecom

A. These pro forma reports were prepared in accordance with Regulation 9A of the Periodic and Immediate Reports Regulations, and pertain to the acquisition of Golan by Cellcom, as stated in Note 3.G.1.D. to the annual financial statements. The purchase transaction constitutes a material business combination requiring the presentation of pro forma reports, as defined in regulation 38(B) of the Periodic and Immediate Reports Regulations. The pro forma reports are intended to retrospectively reflect the Company's operating results, based on the assumption that the Golan transaction, as stated above, had already been executed on January 1, 2018 (the "Pro Forma Commencement Date").

Pro forma figures are, by nature, based on assumptions, estimates and approximations, as specified below, and the pro forma data should therefore not be considered as necessarily reflecting the Company's representative and/or future operating results in subsequent periods.

B. Assumptions used in the preparation of the pro forma statements of income:

The pro forma reports were prepared based on the financial statements of the Company and of Golan for the first quarter of 2020 and for the year 2020. The accounting policy which was applied in the preparation of the pro forma reports was as described in Note 2 to the annual financial statements. For details regarding assumptions which were used in the preparation of the pro forma statements of income, see Note 33.B to the annual financial statements.

C. Consolidated Statements of Income

Condensed Consolidated Interim Statements of Income for the Three Month Period Ended March 31, 2020:

	Before the pro forma event	Data regarding Golan Telecom	Adjustments with respect to pro forma data	Pro forma data
	(Unaudited)			
	NIS millions			
Income				
Sales and services	1,167	132	(49)	1,250
Profit from realization and increase in the value of investments, assets and dividends	14	-	-	14
Other income	13	-	-	13
Financing income	43	-	(1)	42
	1,237	132	(50)	1,319
Expenses				
Cost of sales and services	824	82	(34)	872
Research and development expenses	5	-	-	5
Selling and marketing expenses	150	17	5	172
General and administrative expenses	130	4	(1)	133
The Group's share in the loss of investee companies accounted by the equity method, net	4	-	-	4
Loss from realization, impairment, and write-down of investments and assets	19	-	-	19
Decrease in fair value of investment property, net	157	-	-	157
Financing expenses	288	11	(10)	289
	1,577	114	(40)	1,651
Profit (loss) before taxes on income	(340)	18	(10)	(332)
Income (expenses) from taxes on income	40	-	(2)	38
Profit (loss) from continuing operations	(300)	18	(12)	(294)
Profit from discontinued operations, after tax	20	-	-	20
Net income (loss) for the period	(280)	18	(12)	(274)
Net profit (loss) attributable to:				
The Company's owners	(198)	8	(5)	(195)
Non-controlling interests	(82)	10	(7)	(79)
	(280)	18	(12)	(274)

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

C. Condensed Statements of Income (Cont.)

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

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

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

Note 10 - Events After the Date of the Statement of Financial Position

A. On April 13, 2021, the Company received notice from the Competition Commissioner, stating that the conditions for the merger between the Company and Mega Or had been canceled. For additional details, see Note 1.A. above.

B. On April 20, 2021, another approximately 7.0 million shares of the Company, which constitute approximately 5.0% of its issued capital, were transferred to Mega Or, such that Mega Or's stake in the Company's issued capital after the transfer amounted to approximately 29.9%.
On April 21, 2021, Elco received a decision of the Competition Commissioner which approved the merger between Elco and DIC. The acquisition of the Company's shares by Elco is subject to the approval of the Ministry of Communication, which as at the reporting date has not yet been received. For additional details, see Note 1.A. above.

C. On April 18, 2021, Property & Building engaged with three institutional entities (the "Sellers") in agreements for the acquisition of Gav-Yam shares. Within the framework of the transaction, which was completed on April 27, 2021, Property & Building acquired, in total, from the three sellers, approximately 14.61% of Gav-Yam's issued share capital, in consideration of a cash payment of approximately NIS 937 million (subject to certain adjustments which were determined with respect to the share price, in connection with certain additional acquisitions of Gav-Yam shares, if any, during the 6 month period after the signing date of the agreements). In parallel, Property & Building issued to the sellers Property & Building shares which constituted (after their allocation) approximately 14.7% of Property & Building's capital, in consideration of a cash payment in the amount of approximately NIS 353 million. The accounting record of the addition to Property & Building's equity due to the foregoing issuance will be according to the fair value of the capital which was issued on the issuance date, according to Property & Building's share price on the issuance date, in the amount of NIS 400 million. Additionally, Property & Building sold to one of the sellers, in consideration of a cash payment in the amount of approximately NIS 80 million, all of the securities of Sela Capital Real Estate Ltd. which were owned by Property & Building.
on April 29, 2021, Property & Building acquired approximately 0.12% of Gav-Yam's issued share capital, in consideration of a total of approximately NIS 7.5 million.
After the completion of the foregoing transactions, Property & Building holds approximately 44.66% of Gav-Yam's issued capital, and DIC's stake in Property & Building decreased to approximately 63.2%.
In consideration of the increase in Property & Building's stake in Gav-Yam after the completion of the foregoing transactions, Property & Building is evaluating the implications of the transaction, inter alia, regarding the question of the control of Gav-Yam and the accounting treatment method with respect to Property & Building's holdings in Gav-Yam. Accordingly, insofar as Property & Building rose to control, in accordance with international accounting principles, the Company will apply to its operating results, on the date of rise to control, the Company's share in the difference between the fair value of the equity interests in Gav-Yam which were held by Property & Building before rising to control, and the value of the investment in Gav-Yam in Property & Building's financial statements. For details regarding the accounting treatment method with respect to business combinations achieved in stages, see Note 2.A.1. to the annual financial statements.

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

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

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

F. Further to Note 22.B.1. to the annual financial statements, regarding the discontinuation, by Marathon 018 Xfone Ltd. (“Xfone”), of the execution of some of the payments to Cellcom in accordance with the sharing agreement, in April 2021, the attempt at mediation between Cellcom and Xfone was unsuccessful, and on April 11, 2021, the Court gave a temporary injunction prohibiting Xfone from executing the termination of the sharing agreement or engaging in any agreement which contravenes the sharing agreement with Cellcom, which will remain in effect until a decision has been reached regarding the main claim. The extended lien order was also renewed. Additionally, as at the signing date the financial statements, Xfone is continuing to avoid payment of the amounts which it is obligated to pay in accordance with the sharing agreement, and is paying only partially amounts.

The total balance of debt vis-à-vis Xfone with respect to the sharing agreement, as presented in the Company’s financial statements as at March 31, 2021, after neutralizing VAT, and including amounts which were charged to Xfone with respect to its share in the equipment of the shared network, amounts to a total of NIS 55 million. The income from Xfone which is included in the financial statements for the three month period ended March 31, 2021 amounted to NIS 15 million. Cellcom intends to continue taking action to realize its rights in full.

DIC

Discount Investment Corporation Ltd

Financial statements
of a material associated comapny

IDB GROUP USA INVESTMENTS INC.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2021

UNAUDITED

IN U.S DOLLARS

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

Introduction

We have reviewed the accompanying financial information of IDB Group USA Investment, Inc. and subsidiaries (hereinafter - the "Company"), which comprises the condensed consolidated statement of financial position as of March 31, 2021 and the condensed consolidated statements of comprehensive loss, changes in equity and cash flows for the three-month period then ended. The Company's board of directors and management are responsible for the preparation and presentation of this interim financial information for this interim period in accordance with IAS 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

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

An emphasis of matter paragraph

Without qualifying our conclusion, we draw attention to note 1c, which describes a resolution by the board of directors to continue investing in the improvement of the Company's assets, and in parallel to take the necessary actions in order to prepare for the realization of the Company's assets, based among others on the prevalent market conditions and to the extent that the Company will realize its assets in their entirety, it may remain without any significant business activity. Additionally, as detailed in note 5, the Company's loans mature in January 2022. The Company believes that by such date, it will have the ability to either refinance the said loans or realize the said assets.

Haifa, Israel May 20, 2021	Kesselman & Kesselman Certified Public Accountants (lsr.) A member firm of PricewaterhouseCoopers International Limited

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

U.S. dollars in thousands

	March 31 2021	March 31 2020	December 31 2020
	Unaudited	Unaudited	Audited
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	**7,312**	1,847	7,233
Restricted cash	**4,587**	1,200	304
Receivables and prepayments	**1,126**	1,324	1,246
Land held for sale	**-**	15,000	-
Total current assets	**13,025**	19,371	8,783
NON-CURRENT ASSETS:			
Restricted cash	**-**	8,082	2,903
Investment property	**222,830**	218,200	222,500
Land inventory	**12,000**	12,000	12,000
Other assets	**1,966**	2,120	1,992
Total non-current assets	**236,796**	240,402	239,395
Total assets	**249,821**	259,773	248,178
LIABILITIES			
CURRENT LIABILITIES:			
Loan from a financial institution	**117,925**	42,908	47,672
Related parties	**5,604**	4,200	5,604
Tenant's security deposits	**1,149**	894	1,135
Accounts payable and accrued liabilities	**5,828**	1,869	6,601
Total current liabilities	**130,506**	49,871	61,012
NON-CURRENT LIABILITIES:			
Loans from shareholders	**119,315**	140,299	117,398
Loans from bank and financial institution	**-**	69,603	69,768
Total non-current liabilities	**119,315**	209,902	187,166
Total liabilities	**249,821**	259,773	248,178
Equity attributable to equity owners of the Company			
Paid-in capital	**88,000**	88,000	88,000
Capital reserve from transaction with controlling shareholders	**1,838,014**	1,837,311	1,838,014
Capital reserve from transaction with non-controlling interest	**(190)**	(190)	(190)
Accumulated deficit	**(1,925,824)**	(1,925,121)	(1,925,824)
Total equity	**-**	-	-
Total liabilities and equity	**249,821**	259,773	248,178

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

May 20, 2021		
Date of approval of the financial statements	ELI ELEFANT Director	AMI BAR-LEV Director

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

U.S. dollars in thousands

	Three months ended March 31		Year ended December 31
	2021	2020	2020
	Unaudited		Audited
REVENUES			
Rental revenue	**3,305**	3,092	10,932
EXPENSES			
Rental property expenses	**1,203**	1,301	4,641
General and administrative expenses	**309**	958	2,617
Valuation loss on investment property and land inventory	**-**	4,613	19,977
Financing income	**(1)**	(8)	(18)
Financing expenses on shareholders loans	**-**	569	569
Revaluation of shareholders loans measured in fair value	**1,917**	(4,919)	(27,701)
Financing expenses (income) to others	**(123)**	578	11,550
Total expenses	**3,305**	3,092	11,635
Loss and total comprehensive loss for the period attributable to equity owners of the Company	**-**	-	(703)

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

U.S. dollars in thousands

	Attributable to equity owners of the Company				
	Paid-in capital	Capital reserve from transactions with controlling shareholders	Capital reserve from transactions with non-controlling interest	Accumulated deficit	Total
Balance as of January 1, 2021 (audited)	**88,000**	**1,838,014**	**(190)**	**(1,925,824)**	**-**
Total comprehensive loss for the period (unaudited)	-	-	-	-	-
Balance as of March 31, 2021 (unaudited)	**88,000**	**1,838,014**	**(190)**	**(1,925,824)**	**-**

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

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

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Three months ended March 31		Year ended December 31
	2021	**2020**	**2020**
	Unaudited		**Audited**
Cash flows from operating activities:			
Loss	**-**	-	(703)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	**24**	25	94
Provision for doubtful accounts and bad debt expense	**95**	676	1,494
Valuation losses	**-**	4,613	19,977
Financing expense (income), net	**1,793**	(3,780)	(15,600)
Changes in operating assets and liabilities:			
Change in deferred rent receivable	**(122)**	208	1,183
Tenant receivables	**39**	(432)	(867)
Accounts payable and accrued liabilities	**(212)**	(860)	(86)
Other assets	**41**	70	(65)
Net cash provided by operating activities	**1,658**	520	5,427
Cash flows from investing activities			
Investment in real estate and other assets	**(247)**	(342)	(2,261)
Net cash used in investing activities	**(247)**	(342)	(2,261)
Cash flows from financing activities			
Repayment of loans	**(327)**	-	-
Payment of interest	**(1,005)**	(1,890)	(7,557)
Decrease (increase) in restricted cash	**-**	(8)	6,066
Loans from related parties	**-**	-	1,991
Net cash used in financing activities	**(1,332)**	(1,898)	500
Net change in cash and cash equivalents	**79**	(1,720)	3,666
Cash and cash equivalents, beginning of period	**7,233**	3,567	3,567
Cash and cash equivalents, end of period	**7,312**	1,847	7,233
Supplemental noncash disclosures:			
Capital reserve from transactions with shareholders	-	-	703
Non-cash payment of interest expenses, financing cost and deposit to restricted cash account	2,517	-	-
Non-cash investment in investment property	-	-	3,590

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

NOTE 1:- GENERAL

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

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

b. COVID-19

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus, or COVID-19, a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 pandemic continues to adversely impact economic activity in retail real estate. The impact of the pandemic has been rapidly evolving and, as cases of the virus have continued to be identified, governments and other authorities, have imposed measures intended to control its spread, including restrictions on freedom of movement, group gatherings and business operations such as travel bans, border closings, business closures, quarantines, stay-at-home, shelter-in-place orders, density limitations and social distancing measures.

On March 24, 2020, the Tivoli project was closed subject to the orders of the Governor of the State of Nevada. During the period in which the Tivoli project was closed, several restaurants operated on a limited basis allowing delivery and takeout. Vital services such as banks and clinics were permitted to operate. Center operations were reduced to a minimum allowing for essential businesses to operate. Operational efficiencies were realized (valet parking services, cleaning, landscaping, etc.). This reduction led to a saving of 23% in the current operating expenses of the center in the year 2020.

In accordance with the instructions of the authorities, from May 9, 2020, and following adjustments and arrangements the Tivoli project reopened on May 15, 2020, subject to constraints set by the authorities.

During the closure period several tenants experienced difficulties and some announced the closure and subsequent liquidations of their businesses in the project. Also, a number of tenants announced that they would not be extending their lease agreements in the project and exercised their termination rights. On the other side, new leases were signed in this period increasing the occupancy up to 76% as of March 31, 2021. Approximately 94% of the billed lease payments, for the three month ended March 31, 2021, have so far been collected for the office tenants and for the retail and restaurant tenants. The Company will continue working to complete the collection for the period.

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

NOTE 1:- GENERAL (cont'd)

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

The Israeli Institutional Loan and the Bank Loan (as both such terms are defined in note 5 below), are due to mature in January 2022. The Company believes that by such date, it will have the ability to either refinance the said loans or realize the said assets.

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. The interim consolidated financial statements for the three months ended March 31, 2021 have been prepared in accordance with IAS 34, "Interim Financial Reporting". The significant accounting policies and methods of computation adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the annual financial statements.

b. Use of estimates and judgments

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

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

NOTE 3:- INVESTMENT PROPERTY

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

Approximately 670,000 square feet were developed and are comprised of approximately 337,000 square feet of office space, and approximately 333,000 square feet of retail and restaurant (the "center"). Occupancy rate as of the end of March 31, 2021 is 76%. The rest of the Project remains under planning for development with no construction date specified at this date.

NOTE 3:- INVESTMENT PROPERTY (cont'd)

b. Movement:

	U.S. dollars in thousands
Balance as of January 1, 2021	222,500
Investments	330
Balance as of March 31, 2021	222,830

NOTE 4:- LAND INVENTORY

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

NOTE 5:- LOANS FROM BANK AND FINANCIAL INSTITUTION

a. Loan from bank

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

Upon closing of the Bank Loan, Bank of Nevada deposited an amount of $10 million into a reserve accounted maintained by GW at the Bank of Nevada, to be used for TI needs. The TI balance as of March 31, 2021 is in the amount of $2.9 million.

In May 2020 the Bank of Nevada approved GW to fund the interest payment for the months May, June and July 2020, in the total balance of approximately $1 million, from the TI reserve account.

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

The Bank Loan Agreement includes a review mechanism in which GW undertook that throughout the loan period the DSCR (Debt Service Coverage Ratio) of the property will not be less than 1.3. The DSCR review will begin on December 31, 2020 according to the 12 months preceding the review date. If the ratio falls below 1.3, then subject to the Bank of Nevada's demands, GW will immediately demand to partially repay the balance of the Bank Loan, to a balance that will allow the GW to meet the aforementioned criterion. As of March 31, 2021, based on the Company's calculation, the DSCR is 1.7.

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

a. Loan from bank (cont'd)

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

b. Loan from Israeli institutional Entity

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

The Loan Agreement

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

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

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

4. In connection with the Israeli Institutional Loan, IDBG has undertaken to comply with a covenant of LTV (as defined) of no more than 50%. The calculated LTV as of December 31, 2020 is not relevant since that on January 6, 2021 the Company signed an amendment and a one-year extension to the Israeli Institutional Loan. See Note 5 C for the covenants that will be in place starting that date. As of March 31, 2021, the Company presented the Bank Loan in its financial statements as a current liability.

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

b. Loan from Israeli institutional Entity (cont'd)

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

The Guarantors

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

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

Indemnification agreement

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

   with respect to the additional amount it bore (the "Excess Amount", and the "Indemnification Agreement", respectively).

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

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

On June 27, 2019, S&P Maalot downgraded the Debentures (series I) of IDBD, which is issuer of one of the Parent Guarantees, from a BB rating to a CC rating. In accordance with the terms of the Israeli Institutional Loan agreement, the said downgrading enabled the Israeli Institutional Lender to call for immediate repayment of the Israeli Institutional Loan and also led to an increase in the interest rate to 7.93%. IDBG's position.

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

b. Loan from Israeli institutional Entity (cont'd)

In September 2020, as part of an order to open proceedings and a liquidation order against IDBD issued by the Tel Aviv-Yafo District Court, a trustee was appointed to IDBD. As per the Israeli Institutional Loan agreement, the appointment of the trustee to IDBD is a trigger for the Israeli Institutional Lender to call the Israeli Institutional Loan for immediate repayment.

Extension of the Loan from Israeli Institutional Entity

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

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

b) Loan fee of NIS 0.6 million;

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

d) The Loan balance was increased from approximately NIS 153 million to NIS 162 million. The extended loan includes an interest reserve in the balance of approximately NIS 5.4 million to be used for the ongoing interest payment;

e) IDBG has undertaken to comply with a covenant of LTV (as defined in the Israeli Institutional Loan) of no more than 55%. Each increase of 5% above 55% will trigger an increase in the interest rate of 0.25%, up to 1% in aggregate. An increase of the LTV to a level above 75% will allow the Israeli Lender to call for an immediate payment of the Israeli Institutional Loan. The calculated LTV as of March 31, 2021 is 53%;

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

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

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

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

b. Loan from Israeli institutional Entity (cont'd)

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

NOTE 6:- LOANS FROM SHAREHOLDERS

a. Loans from shareholders:

PBC and IDBD provided loans ("shareholders' loans") to the Company for the purpose of financing projects.

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

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

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

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

On March 5, 2021, the parties signed a modification to the shareholder's' loan, noting that i. the parties acknowledge that the only sources of revenues available for Borrower to repay the loan are derived from the current properties owned by the Company ("the Recourse Assets"), and it is a non-recourse loan, such that Shareholders shall not have recourse with respect to the Loan or any outstanding amount under this shareholders' loan agreement to any other asset of the Company other than the Recourse Assets; ii. if the Company shall (directly or indirectly) sell the Recourse Assets, in whole or in part (the proceeds from such sale, the "**Recourse Assets Proceeds**"), then the Loan and any accrued and unpaid interest, up to the aggregate amount of the Recourse Assets Proceeds, will be subject to immediate

NOTE 6:- LOANS FROM SHAREHOLDERS (cont'd)

a. Loans from shareholders (cont'd):

repayment at the option of the shareholders', provided that such immediate repayment will not undermine the Company's ability to pay outstanding taxes, wages to employees and payments in connection with property leased by the Company for the purposes of its ongoing operations.

b. Credit Facility Granted by PBC:

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

The agreement included the following principal provisions:

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

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

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

NOTE 6:- LOANS FROM SHAREHOLDERS (cont'd)

b. Credit Facility Granted by PBC (cont'd):

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

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

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

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

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

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

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

NOTE 6:- LOANS FROM SHAREHOLDERS (cont'd)

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

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