2020 INTERIM FINANCIAL STATEMENTS

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SEPTEMBER 30, 2020

DIC | DISCOUNT INVESTMENT CORPORATION

Discount Investment Corporation Ltd.

Financial Statements

September 30, 2020
(Unaudited)

*** The English version of this information as at September 30, 2020 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 September 30, 2020

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

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

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Report for the Third Quarter of 2020

The Board of Directors of Discount Investment Corporation Ltd. ("DIC" or the "Company") hereby respectfully submits the Board of Directors' Report as at September 30, 2020, which reviews the Company's principal operations in the third quarter of 2020 (the "Reporting Period"). The report has been prepared in accordance with the Securities Regulations (Periodic and Immediate Reports), 5730-1970, and is based on the assumption that the reader is also in possession of the Company's complete periodic report (including the Board of Directors' Report) for the year ended December 31, 2019 (the "Periodic Report"), and of the financial statements for 2019, as included in the Periodic Report (the "Annual Financial Statements").

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

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.

Before the issuance of a ruling by the Court of Tel Aviv-Yafo September 25, 2020, in which an order was given to initiate proceedings against IDB Development, as well as order to liquidate it, as stated in Note 1.A. to the financial statements, approximately 82.3% of the Company's issued share capital was held by Dolphin IL Investments Ltd., a company incorporated in Israel which is wholly owned by Dolphin Netherlands B.V. ("Dolphin Netherlands"), and approximately 1.5% of the Company's issued share capital was held by Tyrus S.A., a company incorporated in Uruguay, which is wholly owned by IRSA Inversiones Y Representaciones Sociedad Anonima ("IRSA"), a foreign corporation. Dolphin Netherlands and IRSA are companies indirectly controlled by Mr. Eduardo Elsztain (through corporations under his control).
Further to that stated in section 3.F.1.C. to the annual financial statements, in connection with the Company's shares which are pledged in favor of the debenture holders of IDB Development Corporation Ltd. ("IDB Development") and in favor of IDB Development, through pledges of various ranks, on September 25, 2020 a ruling was given by the District Court of Tel Aviv-Yafo (the "Ruling" and the "Court"), in which an order was given to initiate proceedings against IDB Development, as well as an order to liquidate it. According to the ruling, Adv. Ofir Naor was appointed to the position of the trustee of IDB Development (the "Trustee of IDB Development"). On October 12, 2020, the Court appointed the trustee of IDB Development as the provisional receiver for the Company's shares which are pledged in favor of IDB Development and some of its creditors (approximately 17.2 million DIC shares, which constitute approximately 12% of DIC's issued and paid-up capital). The Court also appointed the attorneys Raanan Kalir and Alon Binyamini (the "Receivers") as provisional receivers for the Company's shares which are pledged in favor of the debenture holders (Series N) of IDB Development (approximately 99.3 million DIC shares, which constitute approximately 70.2% of DIC's issued and paid-up capital). On October 13, 2020, they were appointed by the Court as permanent receivers. On October 15, 2020, approval was received from the Ministry of Communication for the transfer of Cellcom's means of control to the receivers, subject to certain conditions which were specified in the aforementioned approval.

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.

On October 14, 2020, the receivers and the trustee of IDB Development (jointly: the "Functionaries") published a request for proposals to acquire the aforementioned shares of the Company. On November 20, 2020, further to offers for the acquisition of the Company's shares which had been submitted by Mr. Eduardo Elsztain and Yad Leviim Ltd., and by Mega Or Holdings Ltd. and a group of investors led by it ("Mega Or"), the Court gave its decision, in which it approved the sale of approximately 99.3 million Company shares (which constitute approximately 70.14% of its issued capital), and the sale of 17.2 million additional Company shares (which constitute approximately 12.12% of its issued capital) to Mega Or. As at the present date, the foregoing transaction has not yet been completed. For details regarding understandings which were given force of ruling from the Court, in which the directors on behalf of Mr. Eduardo Elsztain (including Mr. Elsztain himself) undertook not to disturb or disrupt the aforementioned sale process, and not to perform any activities outside of the ordinary course of business until the end of the process, including in corporations which are controlled or held by the Company, and that if the Court approves a winner in the order process other than Mr. Eduardo Elsztain or a corporation under his control, then the directors will resign from their positions in all of DIC's member corporations, upon the receipt of the receivers' demand, see Note 10.B to the financial statements. In accordance with the decision of the general meeting of the Company's shareholders on November 20, 2020, the tenure of directors serving on behalf of Mr. Eduardo Elsztain concluded (including Mr. Elsztain himself), and four new directors were appointed on behalf of the functionaries, in addition to the appointment of an additional director on their behalf to the Company's Board of Directors on October 1, 2020, in accordance with the aforementioned understandings. Furthermore, proximate to the date of this report, the directors on behalf of Mr. Eduardo Elsztain (including Mr. Elsztain) resigned from their positions as directors in companies under the Company's control. For details regarding the possible effects on the Company and its investee companies of the change in control of the Company and the appointment of a trustee for IDB Development, see section 3.2 in Part A of the Periodic Report, and Note 3.A.1. F.2. to the financial statements.

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, results of operations, capital and cash flows are also affected by the Company's headquarter activities, which include financing expenses and income, and general and administrative expenses The Company's degree of stability is affected, inter alia, by the fact that the Company distributes its investments. The Company's direct and indirect investments are partly investments in companies with significant cash flows, which are characterized by routine dividend distributions (see also section 1.6.4 below regarding the balances of distributable profits in investee companies directly held by the Company, and restrictions also arising therefrom), and partly investments in companies with growth and optimization potential. The Company's cash flows also have been affected, and may continue being affected, by the raising and restructuring of debt.

  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, and the Company's investee companies are also exposed to fluctuations in the prices of raw materials and in the demand for their products, which affect the business results of the aforementioned companies, and the value of their assets and liabilities.

  The Group's member companies evaluate, each on its own level, the value of the assets held by them, as well as the attributed and unattributed excess cost included in their reports. The Group's investments in investee companies accounted by the equity method are evaluated for each holding company, on the level of its entire investment. For details regarding the book value of the main investments in investee companies as at September 30, 2020, as compared with market value, are presented in Note 3.B. to the financial statements.

  The recently increased sector-wide legislation, standardization and regulation in various operating segments of the Israeli economy have a negative 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>** - The outbreak of the novel coronavirus (COVID-19, the "Coronavirus") began in China in the first quarter of 2020, and has since spread around the world, causing concern and uncertainty. The coronavirus pandemic was declared by the World Health Organization as a pandemic constituting a risk to global health, considered as an event with significant macro-economic consequences which endangers the economic stability of countries throughout the world. Many countries, including Israel, have implemented and are continuing to implement significant measures in an attempt to contain the spread of the coronavirus, including, inter alia, by closing borders between countries, restricting the movement of civilians in public and private spaces, limiting the number of people who are permitted to congregate, significantly limiting public transportation, and various other measures intended to address the economic consequences of the coronavirus pandemic, including by providing monetary relief, state-backed guarantees, tax discounts, and other measures.

  In accordance with directives issued by Israel's Ministry of Health, the activity of many businesses was prohibited or restricted in the first quarter of 2020. On May 7, 2020, as the rate of coronavirus infections in Israel decreased, the Israeli economy began to open, subject to restrictions defined by the Ministry of Health. In June 2020 the coronavirus infection rate began to rise, leading to the re-imposition of some of the restrictions which had been imposed previously, and specific restrictions were even imposed in municipalities with high infection rates. On September 18, 2020 a three week lockdown was imposed in Israel, following a significant increase in coronavirus infections, after which, and until the present date, some of the restrictions were gradually lifted, in accordance with certain directives. Recently, due to the rise in coronavirus infections, the directives issued by Israel's Ministry of Health may change.

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

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

1.1 General (Cont.)

In accordance with the trust deed for the debentures (Series J), the Company is subject to financial covenants pertaining to the rating of the Company's debentures, its net asset value, and its leverage ratio. These covenants constitute grounds for adjusting the interest rate only. As at September 30, 2020, the Company is fulfilling all of the financial covenants in connection with the debentures (Series J). Following the reduction of rating of the Company's debentures on April 7, 2020, and the non-fulfillment of the financial covenants as at March 31, 2020, the interest rate applicable to the debentures (Series J) was increased, beginning on April 7, 2020, from 4.80% to 5.05%, and beginning on June 30, 2020, from 5.05% to 5.80%, respectively. On June 30, 2020, the Company fulfilled one of the financial covenants from which it had deviated on March 31, 2020, and as a result, beginning on August 20, 2020, the interest rate on the debentures (Series J) decreased from 5.80% to 5.30%. On September 30, 2020, the Company fulfilled an additional financial covenant from which it had deviated on March 31, 2020, and as a result, beginning on the publication date of the financial statements for the third quarter of 2020, the interest rate on the debentures (Series J) decreased from 5.30% to 5.05%. For additional details, see section 1.6.3.3 below.

Due to the declines which were recorded in stock markets, the Group recorded, in the first nine months of 2020, loss with respect to net change in the fair value of financial assets, net of tax, in the amount of NIS 95 million. DIC's share in the loss amounted to NIS 69 million.

Cellcom - Cellcom's results in the first nine months of 2020 reflect the negative effects of the coronavirus pandemic on its roaming services and on sales of end user equipment to customers, as well as on its investment portfolio. Cellcom expects that its roaming services will continue being adversely affected by the coronavirus pandemic in 2020, mostly due to its consequences on outbound and inbound tourism, a parameter which directly affects revenue from international roaming services.

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

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

- HSBC Tower - The HSBC Tower was closed beginning on March 15, 2020, in accordance with directives issued by New York State and New York City. Access to the tower and to its services was permitted to tenants defined as "essential" in accordance with the city's bylaws and regulations.
  As at the publication date of the report, the occupancy rate in the tower is approximately 99%. All of the office tenants are paying their obligations in full, in accordance with the lease agreements. The collection rate during the first nine months of 2020 amounted to approximately 99% of total rent billed. As at the publication date of the report, New York City is in phase 4 of the deconfinement plan. The tower remains active and open for "essential" businesses and for tenants who choose to work from the offices, subject to restricted occupancy guidelines of up to 50%.
- Tivoli project in Las Vegas - On March 24, 2020, the center of the Tivoli project was mostly closed, in accordance with the authorities' directives. During the period of the center's closure, several restaurants operated in a limited framework, as well as essential services, such as banks and clinics. The center's management activity was reduced to the minimum required for the businesses which were operating in the center during that period, which led to savings of 30% in the center's current operating expenses during the period from April 2020 to September 2020. In accordance with the authorities' directives on May 9, 2020, and following a process of adjustment and re-organization, the center re-opened on May 15, 2020, subject to restrictions which were announced by the authorities. Recently, due to the rise of the coronavirus infection rate, additional restrictions were imposed in Las Vegas.

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

1.1 General (Cont.)

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

Tivoli project in Las Vegas (Cont.)

The occupancy rate in the project before the coronavirus crisis began was approximately 73%. During the closure period, several lessees encountered difficulties, and some announced the discontinuation of their activity in the project. Several lessees also announced that they would not extend their lease agreements in the project, which are about to expire. However, during the same period, several new contracts were signed, such that the project's occupancy rate returned to a level of around 73%. As at the present date, management is continuing to conduct negotiations regarding the rental of additional areas in the Tivoli project.

For additional details, including regarding the loan agreement with the bank which is accompanying the project, and an institutional loan, see sections E and F in Note 3.A.1. to the financial statements.

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

- Gav-Yam - As at the publication date of Gav-Yam's report for the second quarter of 2020, the management of Gav-Yam estimated that, in the long term, in light of the broad geographical and sectoral distribution of Gav-Yam's properties, as well as their status, locations and occupancy rates, and the fact that the vast majority of properties are used for IT, office, logistics and industrial purposes (and not for commerce or retail), with an emphasis on the quality of lessees, and the distribution of revenues from them, and also in light of its financial strength, as reflected, inter alia, in its high balances of available cash and cash equivalents, its low leverage ratio, the average lifetime of its debt and the comfortable distribution thereof, the fact that all of Gav-Yam's properties are unpledged, all reduce the exposure of Gav-Yam's businesses to the crisis and/or to significant instability, and it has tools at its disposal in order to appropriately deal with the economic crisis described above.

- Residential construction segment in Israel - According to the assessment of Property & Building, as at September 30, 2020, there are no indications of a decline in the fair value of Property & Building's inventory of apartments, inter alia, in light of the average sale prices in the period after the coronavirus outbreak, and in light of the fact that payments from apartment buyers are continuing to be received in an orderly fashion. Property & Building is also promoting and completing conditions in several projects for the purpose of receiving full building permits; however, since the coronavirus pandemic began, difficulties have arisen in the work processes vis-à-vis the authorities, which have been causing delays in the issuance of the required authorizations for the construction of the projects.

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

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 instructions issued by the relevant authorities in Israel and around the world.

- The Group's operations are affected by many other external factors (see sections 7 and 20 in Part A of the Periodic Report).

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

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

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

<u>Additional significant events during the first nine months of 2020 and after the date of the statement of financial position:</u>

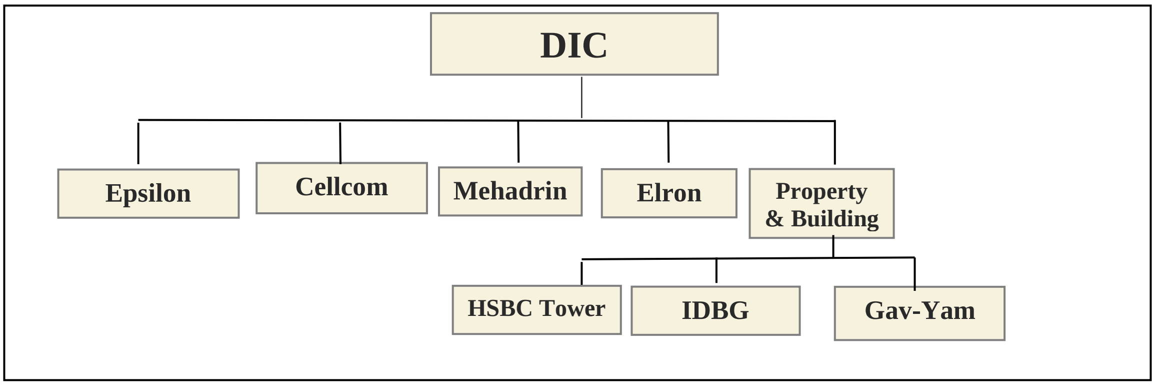
- In the first quarter of 2020, DIC acquired approximately 8.8% of Mehadrin's issued share capital, for a total cost of NIS 39 million, such that its holding rate in Mehadrin increased to approximately 40.2%. The aforementioned acquisitions of Mehadrin shares resulted in DIC gaining control of Mehadrin. For additional details, see Note 3.A.3.A. to the financial statements.
  In the second and third quarters of 2020, DIC acquired approximately 3.5% and approximately 0.8% of the issued share capital of Mehadrin, at a total cost of NIS 14 million and NIS 3 million, respectively, such that its holding rate in Mehadrin increased to approximately 44.5%. For additional details, see Note 3.A.3.G. to the financial statements.
- In the second and third quarters of 2020, DIC acquired approximately 3.6% and approximately 1.7% of Property & Building's issued share capital, for a total cost of NIS 51 million and NIS 21 million, such that DIC's holding rate in Property & Building increased to approximately 74.1%. For additional details, see Note 3.A.1.A. to the financial statements.
- In the second quarter of 2020, Property & Building sold approximately 5% of Gav-Yam's issued share capital, such that its stake in Gav-Yam decreased from approximately 34.9% to approximately 29.9%. The gross consideration from the aforementioned sale amounted to a total of NIS 191 million. For additional details, see Note 3.A.1.B. to the financial statements.
- In the first nine months of 2020, DIC exercised 3.8 million Cellcom options (Series 3) and 3.5 million Cellcom options (Series 4), at a total cost of NIS 66 million. Due to the above, and due to the exercise of additional option instruments of Cellcom by parties other than DIC, DIC's stake in Cellcom's issued share capital increased to approximately 46.1%. For additional details, see Note 3.A.2.A. to the financial statements.
- In the third quarter of 2020, Cellcom completed a transaction for the acquisition of the entire issued share capital of Golan Telecom, in consideration of a total of NIS 613 million. For additional details, see Note 3.A.2.E. to the financial statements.
- In the third quarter of 2020, DIC sold its entire stake in Shufersal (approximately 26% of Shufersal's issued share capital), for a total net consideration of approximately NIS 1,447 million. For additional details, see Note 3.A.4.A. to the financial statements.
- On August 20, 2020, DIC's Board of Directors approved a plan for the self-purchase of its debentures (Series F and Series J), until December 31, 2021, at a total cost of up to NIS 300 million. The aforementioned debentures will be purchased in accordance with market opportunities, according to the dates, prices and scopes which will be determined by DIC management. In the third quarter of 2020, DIC purchased its debentures (Series F and Series J) at a total cost of NIS 110 million. For additional details, see Note 4.E. to the financial statements.

As at September 30, 2020, the main consolidated companies 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%).

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

1.1 **General (Cont.)**

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



1.2 **Results in the first nine months and third quarter of 2020**

The Company concluded the first nine months of 2020 with loss of NIS 357 million, as compared with loss of NIS 66 million in the corresponding period last year. Loss in the third quarter of 2020 amounted to NIS 55 million, as compared with profit of NIS 567 million in the corresponding period last year, and net profit of NIS 14 million in 2019.
For details regarding the main non-recurring profits (losses), see section 1.9.1 below.

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

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

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

	Holding rate in capital As at September 30, 2020	Data on the level of the Company					Data on the level of the investee company [5]				
		Profit (loss) For the nine months ended September 30		Profit (loss) For the three months ended September 30		Profit (loss) for	Profit (loss) For the nine months ended September 30		Profit (loss) For the three months ended September 30		Profit (loss) for
		2020	2019	2020	2019	2019	2020	2019	2020	2019	2019
		NIS millions									
Cellcom	46.1%	(58)	[6] (540)	(17)	(1)	[6] (564)	(126)	(52)	(37)	(1)	(107)
Property & Building	74.1%	(176)	[7]625	(27)	[7]577	[7]666	(253)	988	(37)	918	1,048
Shufersal [8]	-	[9]83	29	[9] 46	11	56	-[10]	151	-[10]	55	269
Elron[11]	61.1%	(25)	(34)	1	(10)	(48)	(41)	(57)	1	(17)	(79)
Mehadrin	44.5%	[12]5	-	(8)	-	[13]72	2	8	(5)	13	14
Others		(5)	(12)	-	(2)	(7)					
Total		(176)	68	(5)	575	175					
Administrative and financing, net (see section 1.4 below)		(181)	(134)	(50)	(8)	(161)					
Net profit (loss)		(357)	(66)	(55)	567	14					

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

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

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

7 Including profit from decrease in control of Gev-Yam in the amount of NIS 557 million.

8 For details regarding DIC's sale of its entire stake in Shufersal, of approximately 26%, on July 26, 2020, see Note 3.A.4.A. to the financial statements. Shufersal's results are presented in the statements of income under discontinued operations.

9 Includes profit from the sale of Shufersal shares in the amount of NIS 39 million.

9 Includes profit from the sale of Shufersal shares in the amount of NIS 39 million.

10 In light of DIC's sale of its entire stake in Shufersal, as stated in footnote 8 above, the data regarding Shufersal's results in the first nine months of and in the third quarter of 2020 were not presented.

10 In light of DIC's sale of its entire stake in Shufersal, as stated in footnote 8 above, the data regarding Shufersal's results in the first nine months of and in the third quarter of 2020 were not presented.

11 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.

12 Including net profit in the amount of NIS 7 million due to the rise to control of Mehadrin, and bargain profit with respect to the allocation of negative value to goodwill, as part of a paper regarding the allocation of the balance of the investment in Mehadrin, which was consolidated on March 9, 2020.

13 Includes net profit in the amount of NIS 72 million with respect to the allocation of negative value to goodwill, as part of a paper regarding the allocation of the balance of the investment in Mehadrin. Until the date of the distribution of Mehadrin shares as a payment in kind dividend in December 2019 by Property & Building, Mehadrin's contribution to profit was included under Property & Building's contribution.

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

1.4 Administrative and financing expenses, net

	First nine months of 2020	First nine months of 2019	Third quarter of 2020	Third quarter of 2019	Explanation of change
	NIS millions				
Management expenses, net	(36)	(26)	(21)	(8)	The increase in the third quarter of 2020, as compared with the corresponding quarter last year, was mainly due to: 1. The increase in insurance expenses in the amount of NIS 5 million, relative to the corresponding quarter last year, following the payment of run-off insurance and higher current costs with respect to the officers' liability insurance policy. For details, see note 4.D. to the financial statements. 2. The increase in expenses of the provision for doubtful debts in the amount of NIS 7 million, with respect to the balance of IDB Development's unsecured debt towards the Company. For details, see Note 4.C. to the financial statements. 3. The increase in payroll expenses in the amount of NIS 3 million, relative to the corresponding quarter last year, mostly due to the recording of revenue in the amount of NIS 2 million in the corresponding quarter last year, due to the expiration of options of the Company's outgoing General Manager, relative to the recording of an expense in the amount of NIS 1 million in the current quarter, and following the engaged in an updated services agreement with IDB Development (beginning on July 1, 2020), which concluded at the end of September 2020, upon the notice from the trustee of IDB Development regarding its cancellation. For details, see note 4.D. to the financial statements. On the other hand, payroll expenses decreased with respect to increased efficiency measures which the Company implemented during the reporting period. 4. A decrease in leasing costs in the amount of NIS 2 million relative to the corresponding quarter last year, due to the Company's transition to new offices and the recording, in the corresponding period last year, of provisions with respect to an onerous contract, due to the lease of the Company's previous offices. The increase in the first nine months of 2020, as compared with the corresponding quarter last year, was mainly due to: 1. The increase in insurance expenses in the amount of NIS 5 million relative to the corresponding period last year, as stated above. 2. The increase in payroll expenses in the amount of NIS 2 million relative to the corresponding period last year, mostly due to the recording of revenue in the amount of NIS 1 million in the corresponding period last year, due to the expiration of options for the outgoing General Manager, as compared with the recording of an expense in the amount of NIS 1 million, with respect to options to the Company's General Manager in the current quarter, and following the engagement in an updated services agreement with IDB Development, which concluded, as stated above. On the other hand, payroll expenses decreased with respect to increased efficiency measures which the Company implemented during the period. 3. The increase in expenses of the provision for doubtful debts in the amount of NIS 7 million, with respect to the balance of IDB Development's unsecured debt towards the Company. For details, see the additional information in Note 5.D. to the Company's separate financial information. 4. The decrease in leasing costs in the amount of NIS 2 million, relative to the corresponding period last year, due to the Company's transition to new offices and the recording of provisions with respect to an onerous contract, due to the lease of the Company's previous offices. 5. The decrease in consulting and legal expenses in the amount of NIS 1 million, relative to the corresponding period last year.

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

1.4 Administrative and Financing Expenses, Net (Cont.)

	First nine months of		Third quarter of		Explanation of change
	2020	2019	2020	2019	
	NIS millions				
Financing expenses, net	(145)	(108)	(29)	-	The increase in the third quarter of 2020, as compared with the corresponding quarter last year, was mainly due to: 1. In the third quarter of 2020, the Company recorded profit in the amount of NIS 7 million, due to the early redemption of the Company's debentures, as compared with profit in the amount of NIS 42 million in the corresponding quarter last year. 2. In the third quarter of 2020, the Company recorded net profit in the amount of NIS 14 million with respect to revaluation of the Company's liquid investments, as compared with profit of NIS 1 million in the corresponding period last year. 3. The increase in net financing expenses, in the amount of NIS 15 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 third quarter of 2020, as compared with the CPI's decrease by 0.7% in the corresponding period last year. 4. The decrease in financing expenses, net, in the amount of NIS 8 million, with respect to foreign currency differences on the balance of assets linked to the USD exchange rate, due to the decline of 0.7% in USD exchange rate in the third quarter of 2020, as compared with the decline of 2.4% in the corresponding period last year, and due to the decrease of the Company's USD-linked cash balances in the third quarter of 2020, relative to the corresponding quarter last year. The increase in the first nine months of 2020, as compared with the corresponding period last year, was primarily due to: 1. In the first nine months of 2020, the Company recorded profit in the amount of NIS 7 million from early redemption of the Company's debentures, as compared with profit of NIS 67 million in the corresponding period last year. 2. In the first nine months of 2020, the Company recorded net loss in the amount of NIS 20 million with respect to revaluation and the Company's liquid investments, due to the sharp market declines as a result of the coronavirus pandemic, as specified in section 1.1 above, as compared with profit of NIS 18 million in the corresponding period last year. 3. The decrease in net financing expenses, in the amount of NIS 20 million, with respect to linkage differentials on DIC's liabilities which are linked to the known CPI, mostly due to the CPI's lower decrease by 0.6% in the first nine months of 2020, as compared with the CPI's increase by 0.5% in the corresponding period last year. 4. The decrease in financing expenses, net, in the amount of NIS 30 million, with respect to foreign currency differences on the balance of assets linked to the USD exchange rate, due to the decrease of 0.4% in the USD exchange rate in the first nine months of 2020, as compared with the decrease of 7.1% in the corresponding period last year. The decrease in the balance of the Company's USD-linked cash in the first nine months of 2020, relative to the corresponding period last year. 5. The decrease in net interest expenses in the amount of NIS 10 million, primarily due to the decrease in the Company's debt;
Total	**(181)**	**(134)**	**(50)**	**(8)**	

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

1.5 Primary data regarding the Company's primary holdings (directly and indirectly)

Weight of primary holdings and market segments

Presented below is a table specifying the relative weight of the Company's primary holdings, in consideration of the rates of holding therein, which are calculated according to the "holding value" as at November 24, 2020:[14]

Mix of holdings according to primary holdings:

Investee company		% of total holdings
1	Property & Building (real estate)	43%
2	Cellcom (telecommunication)	37%
3	Elron (technology)	9%
4	Mehadrin (agriculture)	7%
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 September 30			
	2020	2019	2020	2019
	NIS millions			
Current assets	1,918	1,306	8,354	8,576
Total assets	5,156	5,919	19,935	21,948
Current liabilities	361	394	3,833	3,927
Total liabilities	3,647	4,169	16,243	17,920
Capital attributed to owners of the Company [15]	1,509	1,750	1,509	1,750
Total capital (including non-controlling interests)			3,692	4,028

1.6.2 Liabilities and financing

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

	As at November 24	As at September 30		As at December 31
	2020	2020	2019	2019
	NIS millions			
Financial liabilities[16]	(3,635)	(3,604)	(4,125)	(3,643)
Liquid asset balances[17]	1,905	1,921	1,455	767
Debt, net	1,730	(1,683)	(2,670)	(2,876)
Average lifetime of liabilities	2.9	2.9	3.4	3.6

14 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.

15 See also section 1.6.5 below.

16 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.

17 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 nine months

	In the nine months ended September 30					
	2020			2019		
	Liquid assets (1)	Financial debt	Financial debt, net	Liquid assets (1)	Financial debt	Financial debt, net
	NIS millions					
Balance at start of period	767	(3,643)	(2,876)	2,197	(4,565)	(2,368)
Dividends from investee companies and others (see also section 1.6.3.2 below)	106	-	106	129	-	129
Investment in Cellcom	(66)	-	(66)	(4)	-	(4)
Investment in Property & Building	(73)	-	(73)	(26)	-	(26)
Investment in Elron	-	-	-	(49)	-	(49)
Investment in Mehadrin	(56)	-	(56)	-	-	-
Realization of investment in Shufersal	1,447		1,447	-	-	-
Realization of long term investments	1	-	1	-	-	-
Long term investments	(1)	-	(1)	-	-	-
Self-purchase of debentures	(110)	118	8	(449)	510	61
Repayment of financial debt - principal	-	-	-	(38)	38	-
Repayment of financial debt - interest	(48)	48	-	(60)	60	-
Acquisition of treasury shares	-	-	-	(96)	-	(96)
Dividend paid	-	-	-	(104)	-	(104)
Repayment of lease liabilities	(2)	-	(2)	-	-	-
Investment in fixed assets	(1)	-	(1)	-	-	-
Payment of restricted deposit	-	-	-	9	-	9
Payment of real estate land betterment levy	-	-	-	(14)	-	(14)
General and administrative expenses less management fees and others, net, from change in balance of payables and receivables	(17)	-	(17)	(30)	-	(30)
Foreign currency differences	(6)	-	(6)	(36)	-	(36)
Financing - interest income, revaluation of current investments, accrual of interest on financial debt and linkage differentials	(20)	(127)	(147)	26	(168)	(142)
Balance at end of period	1,921	(3,604)	(1,683)	1,455	(4,125)	(2,670)

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

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

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

1.6.3 The Company's financing sources (Cont.)

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

Third quarter

	For the three months ended September 30					
	2020			2019		
	Liquid assets [(1)]	Financial debt	Financial debt, net	Liquid assets [(1)]	Financial debt	Financial debt, net
	NIS millions					
Balance at start of period	638	(3,672)	(3,034)	1,767	(4,426)	(2,659)
Dividends from investee companies and others (see also section 1.6.3.2 below)	-	-	-	1	-	1
Investment in Cellcom	(33)	-	(33)	-	-	-
Investment in Property & Building	(22)	-	(22)	-	-	-
Investment in Mehadrin	(5)	-	(5)	-	-	-
Realization of investment in Shufersal	1,447	-	1,447	-	-	-
Self-purchase of debentures	(110)	118	8	(300)	337	37
Repayment of lease liabilities	(1)	-	(1)	-	-	-
General and administrative expenses less management fees and others, net, from change in balance of payables and receivables	(6)	-	(6)	(8)	-	(8)
Foreign currency differences	(1)	-	(1)	(9)	-	(9)
Financing - interest income, revaluation of current investments, accrual of interest on financial debt and linkage differentials	14	(50)	(36)	4	(36)	(32)
Balance at end of period	1,921	(3,604)	(1,683)	1,455	(4,125)	(2,670)

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

1.6.3.2 Dividends received:

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

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2020	2019	2020	2019	2019
	NIS millions				
Property & Building	69	78	-	-	78[(1)]
Shufersal	21	42	-	-	42
Epsilon Investment House Ltd. ("Epsilon")	1	1	-	1	3
Credit Suisse, Emerging Markets Credit Opportunity LP ("EMCO")	-	1	-	-	1
Pitango Venture Capital Fund III (Israeli Investors) LP ("Pitango")	13	5	-	-	6
Brinx Israel Ltd. ("Brinx")	-	-	-	-	1
Others	2	2	-	-	2
Total	106	129	-	1	133

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

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 September 30, 2020, 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 September 30, 2020	As at November 24, 2020
(A) In case of a reduction in the rating of the debentures by one or more notches below a rating of ilBBB, the stated interest rate will increase at a rate of 0.25% per year, and at a rate of 0.25% per year with respect to each additional decrease in rating, up to a maximum cumulative interest addition of 1% per year.	ilBBB- Rating (Negative)	ilBBB- Rating (Negative)
(B) In case DIC's net asset value(2) falls below NIS 1.1 billion, and additionally, the ratio between the net financial debt and DIC's asset value exceeds 75%, the stated interest rate will increase by 0.25% per year.	Net asset value - NIS 826 million. Ratio between net financial debt and asset value - 67%	Net asset value - NIS 1,506 million. 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 - 67%	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 April 7, 2020, S&P Maalot reduced the rating of the Company's debentures to a rating of ilBBB- (negative). Following the rating reduction, the interest rate applicable to the Company's debentures (Series J) was increased, beginning on April 7, 2020, from 4.80% to 5.05%.
- On August 6, 2020, S&P Maalot ratified the rating of the Company's debentures, which remained il/BBB- (Negative).
- Following the non-fulfillment of the financial covenants specified in sections (B) and (C) above as at March 31, 2020, the interest rate applicable to the Company's debentures (Series J) was increased, beginning from the publication date of the Company's financial statements for the first quarter of 2020, on June 30, 2020, from 5.05% to 5.80%.
- Due to the fulfillment of the financial covenant specified in section (C) above as at June 30, 2020, which the Company did not fulfill as at March 31, 2020, the interest rate was reduced, beginning from the publication date of the Company's financial statements for the second quarter on August 20, 2020, from 5.80% to 5.30%.
- Due to the fulfillment of the financial covenant specified in section (B) above as at September 30, 2020, which the Company did not fulfill as at March 31, 2020, the interest rate on the debentures (Series J) decreased, beginning from the publication date of the financial statements for the third quarter of 2020, from 5.30% to 5.05%.
- 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 November 26, 2020 (reference number 2020-01-128055), 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 September 30, 2020, DIC's balance of liquid resources amounts to NIS 1,921 million, and DIC's total principal and interest payments with respect to DIC's debt in the fourth quarter of 2020, in 2021 and in the first nine months of 2022, amount to NIS 392 million, NIS 750 million and NIS 41 million, respectively.

1.6.4 Retained earnings and negative balances of distributable profits[18]

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 September 30, 2020				
	Investee companies			
	NIS millions			
The Company[19]	**Property & Building**	**Cellcom [20]**	**Elron[21]**	**Mehadrin**
(909)	727	1,124	(136)	483

1.6.5 Presented below is the movement in the capital attributable to the owners of the Company [22]

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2020	2019	2020	2019	2019
	NIS millions				
Balance at start of period	1,824	2,317	1,552	1,232	2,317
Initial adoption of the amendment to IAS 28	-	(171)	-	-	(171)
Changes during the period					
Net profit (loss) attributable to the Company's owners	(357)	(66)	(55)	567	14
Acquisition of treasury shares	-	(96)	-	-	(96)
Dividend to the Company's owners	-	(104)	-	-	(104)
Reserves from translation differences	(20)	(118)	(14)	(35)	(131)
Reserves in respect of transactions with non-controlling interests	53	(3)	18	(4)	6
Hedging reserves	3	(2)	6	(4)	(2)
Revaluation reserves	5	2	1	-	2
Capital reserves and other movements, net	1	(9)	1	(6)	(11)
Balance at end of period	1,509	1,750	1,509	1,750	1,824

18 For details regarding restrictions on the distribution of dividends, see sections 8.4, 9.4 and 10.4 of Part A of the periodic report and Note 3.H to the annual financial statements. In addition, the aforementioned companies, as well as their investee companies, are subject by law to various agreements or permits and restrictions pertaining to the distribution of dividends.

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

20 Retained earnings in accordance with Cellcom's reviewed financial statements as at September 30, 2020.

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

22 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 September 30, 2020 (including wholly owned headquarter subsidiaries)

	Linked to the CPI	Linked to foreign currency (primarily to the USD)	Unlinked	Non-monetary items	Total
	NIS millions				
Right-of-use assets	-	-	-	19	19
Fixed assets	-	-	-	2	2
Investments in investee companies and other companies (see section 1.6.7)	-	-	-	3,214	3,214
Other receivables and debit balances	-	-	10	-	10
Investments in marketable securities	-	25	21	149	195
Cash and cash equivalents	-	115	1,611	-	1,726
Total assets	**-**	**140**	**1,642**	**3,384**	**5,166**
Debentures (including maturities)	1,550	-	1,977	-	3,527
Lease liabilities (including maturities)	18	-	1	-	19
Other payables and credit balances	63	-	38	-	101
Current provisions	-	-	10	-	10
Total liabilities	**1,631**	**-**	**2,026**	**-**	**3,657**
Net balance as at September 30, 2020	**(1,631)**	**140**	**(384)**	**3,384**	**1,509**
Net balance as at September 30, 2019	**(2,031)**	**665**	**(1,707)**	**4,823**	**1,750**
Net balance as at December 31, 2019	**(1,682)**	**158**	**(1,735)**	**5,083**	**1,824**

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

1.6.7 Investment in investee companies and others

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

	For the nine months ended	For the three months ended
	September 30, 2020	
	NIS millions	
Balance at start of period	4,707	4,596
Group's share in the losses of investee companies accounted by the equity method	(215)	(36)
Dividends from investee companies (1)	(91)	-
Change in investments as due to the purchase of investments(2)	249	67
Change in investments as due to the sale of investments(2)	(1,410)(3)	(1,404)(3)
Change in investments carried to capital reserves	(5)	(8)
Other changes (mostly revaluation of companies measured at fair value (1))	(21)	(1)
Balance at end of period	3,214	3,214

(1) Not including dividends from companies measured at fair value, which are carried to the statement of income.
(2) Including the effect of exercised and expired options of minority interests.
(3) Includes NIS 1,403 million with respect to DIC's sale its entire stake in Shufersal - approximately 26%.

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[23] as at September 30, 2020:

	Holding rate	Book value	Asset value[23]
		NIS millions	
Companies accounted by the equity method			
Cellcom	46.1%	1,224	998
Property & Building	74.1%	1,436	960
Elron	61.1%	138	212
Mehadrin	44.5%	278	201
Epsilon	68.8%	59	59
EMCO	12.2%	6	6
Microwave Networks, Inc.	99.8%	13	13
Others		6	6
Companies and funds measured at fair value			
Pitango	27.3%	6	6
Mustang Mezzanine Fund, LP	23.8%	10	10
Brinx	10.0%	27	27
Others		11	11
		3,214	2,509

For details regarding DIC's sale of its entire stake in Shufersal, of approximately 26%, on July 26, 2020, see Note 3.A.4.A. to the financial statements.

	As at November 24, 2020	As at September 30, 2020	As at December 31, 2019
		NIS millions	
Asset value [23]	3,236	2,509	4,112
Less financial debt, net (section 1.6.2)	(1,730)	(1,683)	(2,876)
Total net asset value [NAV] [24]	1,506	826	1,236
Leverage ratio - [LTV] [25]	53%	67%	70%

23 Net asset value is calculated according to the value of the assets, as stated below: (A) With respect to non-marketable holdings - according to their value in the Company's financial statements; (B) With respect to marketable holdings - according to their average market value during the five trading days preceding the calculation date (and not based on their value in the Company's financial statements).

24 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 September 30, 2020, plus investments which were made and less dividends which were received after September 30, 2020 and until proximate to the publication of the report.

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

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

1.7 Changes in capital and profit (loss) quality

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

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

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

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

The Company's total comprehensive loss in the third quarter of 2020 (including non-controlling interests) amounted to NIS 81 million, as compared with comprehensive income (including non-controlling interests) of NIS 836 million in the corresponding quarter last year. The aforementioned difference is primarily due to the following factors:

A. Loss in the third quarter of 2020 (including non-controlling interests) amounted to NIS 77 million, as compared with income in the amount of NIS 898 million in the corresponding quarter last year.

B. In the third quarter of 2020, other comprehensive loss (including non-controlling interests) was recorded for foreign currency translation differences with respect to foreign operations in the amount of NIS 10 million, as compared with other comprehensive loss in the amount of NIS 49 million in the corresponding quarter last year. The change was mostly due to the decrease in the USD exchange rate in the third quarter of 2020 at a rate of 0.7%, as compared with the decrease of 2.4% in the corresponding quarter last year.

C. In the third quarter of 2020, other comprehensive income (including non-controlling interests) was recorded with respect to investee companies accounted by the equity method, in the amount of NIS 6 million, as compared with other comprehensive loss in the amount of NIS 10 million in the corresponding quarter last year.

Comprehensive loss attributable to the owners of the Company in the third quarter of 2020 amounted to NIS 57 million, as compared with comprehensive income in the amount of NIS 524 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 nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2020	2019	2020	2019	2019
	NIS millions				
Net profit (loss) for the period attributable to owners of the Company	(357)	(66)	(55)	567	14
Net profit (loss) for the period attributable to non-controlling interests	(172)	341	(22)	331	303
Net profit (loss) attributable to the owners of the Company and to non-controlling interests	(529)	275	(77)	898	317
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)	(23)	(671)	19	(59)	(627)
Profit from discontinued operations, after tax	83(2)	1,216(1)	46(2)	973(1)	1,243(1)
Comprehensive income (loss) attributable to Company shareholders	(356)	(190)	(57)	524	(125)
Basic and diluted earnings (loss) per share - in NIS	(2.5)	(0.5)	(0.4)	4.0	0.1

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

(2) Includes profit from the sale of DIC's entire stake in Shufersal, approximately 26%, in the amount of NIS 39 million. For details, see Note 3.A.4.A. to the financial statements.

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 nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2020	2019	2020	2019	2019
	NIS millions				
Involving cash flows -					
Profit from sale of Shufersal shares	39	-	39	-	-
Profit (loss) from the sale of Gav-Yam shares	(23)	146	-	146	146
Profit from self-purchase of debentures	7	67	7	41	78
Expenses with respect to the voluntary retirement program for Cellcom employees	-	-	-	-	21
Retrospective update of telecommunication tariffs in the wholesale market by the Ministry of Communication	13	-	-	-	-
Not involving cash flows -					
Profit due to loss of control of Gav-Yam	-	411	-	411	411
Loss due to rise to control of Mehadrin	(100)	(15)	-	(15)	(15)
Profit (profit update) from the allocation of negative value to goodwill in Mehadrin	107	-	(5)	-	72
The impairment of Mehadrin's assets, presented as held for sale	-	(14)	-	(14)	(23)
Update to the fair value of Ispro's assets, as part of presentation as held for sale	(10)	-	1	-	-
Impairment of goodwill attributed to Cellcom	-	(517)	-	-	(517)
Update to the value of the HSBC Tower, net	(56)	18	-	-	18
Update to the value of the Tivoli project and land in Las Vegas, net	(8)	(15)	-	(13)	(15)

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

1.9.2.1 In the second quarter of 2020, DIC acquired approximately 3.6% of Property & Building's issued share capital, at a total cost of NIS 51 million. In the third quarter of 2020, DIC acquired 1.7% of Property & Building's issued share capital, at a total cost of approximately NIS 21 million. As a result of the aforementioned acquisitions DIC recorded, in the first nine months and third quarter of 2020, an increase in capital attributed to the Company's owners in the amount of NIS 31 million and NIS 12 million, respectively.

1.9.2.2 In the second quarter of 2020, DIC acquired approximately 3.5% of Mehadrin's issued share capital, at a total cost of NIS 14 million. In the third quarter of 2020, DIC acquired approximately 0.8% of Mehadrin's issued share capital, at a total cost of approximately NIS 3 million. As a result of these acquisitions DIC recorded, in the first nine months and third quarter of 2020, an increase in capital attributed to the Company's owners in the amount of NIS 10 million and NIS 1 million, respectively.

1.9.2.3 For details regarding the exercise of Cellcom share options by DIC and by non-controlling interests of Cellcom in the first nine months, which resulted in DIC recording, in the first nine months of 2020, a decrease in capital attributed to the Company's owners in the amount of NIS 1 million, see Note 3.A.2.A. 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[26]

1.10.1 Cellcom segment

DIC's share in the results of the Cellcom segment in the first nine months and third quarter of 2020 amounted to loss of NIS 58 million and loss of NIS 17 million, respectively, as compared with loss in the amount of NIS 540 million, and loss in the amount of NIS 1 million in the first nine months and in the third quarter of 2019, respectively, and loss of NIS 564 million in 2019. DIC's share in the results of the Cellcom segment in the first nine months of 2020 and in 2019 includes amortization for impairment of the goodwill attributed to Cellcom in the amount of NIS 517 million, which was recorded in the second quarter of 2019.

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

Summary of the business results of the Cellcom segment

	First nine months of			Third quarter of Year			
	2020	2019	Decrease	2020	2019	Decrease	
	NIS millions		%	NIS millions		%	Explanation
Income from services	2,060	2,082	(1.1)	695	709	(2.0)	The decrease in the third quarter of 2020, as compared with the corresponding period last year, was mostly due to the decrease of 5.7% in income from services in the mobile segment, due to the decrease in income from roaming services, due to the effect of the coronavirus pandemic, and was partly offset by the revenue of Golan Ltd., which was initially consolidated, beginning in September 2020. On the other hand, an increase of 5.1% occurred in the landline segment relative to the corresponding period last year, which was primarily due to the increase in income from internet and television services. The decrease in the first nine months of 2020, as compared with the corresponding period last year, was mostly due to the decrease of 5.4% in income from services in the mobile segment, due to the decline in income from roaming services, as a result of the coronavirus pandemic and as a result of the decline in mobile income due to the ongoing erosion in the prices of those services, in light of the competition in the mobile market, and was partly offset by the revenue of Golan Ltd., which was initially consolidated beginning in September 2020. On the other hand, in the landline segment, an increase of 5.6% occurred relative to the corresponding period last year, which was primarily due to the increase in income from internet and television services.

[26] 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 nine months of		Increase (Decrease)	Third quarter of		Increase (Decrease)	
	2020	2019		2020	2019		
	NIS millions		%	NIS millions		%	Explanation
Revenues from end user equipment	643	694	(7.3)	261	219	19.2	The increase in the third quarter of 2020, as compared with the corresponding period last year, was mostly due to the increase in the volume of online sales end user equipment in the mobile segment. The decrease in the first nine months of 2020, as compared with the corresponding period last year, was mostly due to the decrease in the scope of sales of end user equipment in the landline segment, which was affected by the intermittent closure of the sales infrastructure in the first nine months of 2020, due to the coronavirus crisis, in accordance with restrictions which were imposed on the entire economy, and which was partly offset by the increase, in the third quarter of 2020, in the volume of online sales of end user equipment in the mobile segment.
Total revenues	**2,703**	**2,776**	**(2.6)**	**956**	**928**	**3.0**	
Cost of sales and services	(2,052)	(2,033)	0.9	(744)	(659)	12.9	The increase in the third quarter of 2020, relative to the corresponding quarter last year, was mainly due to the increase in the sales volume of end user equipment in the mobile segment, the increase in connectivity fee costs, due to the increase in the number of minutes and the initial consolidation of Golan beginning in September 2020, and was partly offset by the decrease in television service content costs. The increase in the first nine months of 2020, as compared with the corresponding period last year, was due to the increase in connectivity fees due to the increase in total minutes, and the initial consolidation of Golan beginning in September 2020, as well as the increase in equipment costs due to the increase in the scope of sold equipment, and was partly offset by the decrease in costs associated with internet services in the landline segment, due to the retrospective update of telecommunication tariffs in the wholesale market by the Ministry of Communication, which affected, on a one-time basis, the decrease of expenses in the amount of NIS 31 million.
Gross profit	651	743	(12.4)	212	269	(21.2)	
Rate of gross profit from total revenues	24.1%	26.8%	(10.1)	22.2%	29.0%	(23.4)	

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

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

1.10.1 Cellcom Segment (Cont.)

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

	First nine months of			Third quarter of Year			
	2020	2019	Decrease	2020	2019	Decrease	
	NIS millions		%	NIS millions		%	Explanation
Operating expenses and credit losses	(682)	(713)	(4.3)	(227)	(243)	(6.6)	The decrease in the third quarter of 2020, as compared with the corresponding period last year, was mostly due to the decrease in payroll expenses and advertising expenses due to the increased efficiency measures which Cellcom is implementing, in order to adjust the expense structure. The decrease in the first nine months of 2020, as compared with the corresponding period last year, was primarily due to the decrease in payroll expenses and as a result, due to the closure of frontal points of sale and the furloughing of employees due to the coronavirus pandemic in the first half of 2020, as well as a decrease in payroll expenses due to increased efficiency measures and the voluntary retirement of employees in the fourth quarter of 2019. This decrease was partly offset by the increase in depreciation expenses due to the accelerated depreciation of an IT system in the amount of NIS 17 million, and its replacement with another system in the coming year, as well as the increase in expenses with respect to doubtful debts.
Other income, net	21	21	-	9	10	(10.0)	
Operating profit (loss)	(10)	51	Transition to loss	(6)	36	Transition to loss	
Adjusted EBITDA [27]	697	728	(4.3)	231	271	(14.8)	The decrease in the third quarter of 2020, relative to the corresponding quarter last year, was mainly due to the decrease in the scope of activity due to the coronavirus pandemic and the decrease in profitability in end user equipment, which was partly offset by Due to the growth in internet and television income and non-recurring income and the decrease in operating expenses in the landline segment, as a result of the transition of customers to a fiber optic infrastructure, and savings on television content costs. The decrease in the first nine months of 2020, as compared with the corresponding period last year, was mostly due to the decrease in income from roaming services and the decreased contribution of sales of end user equipment, and was partly offset by the decrease in expenses associated with internet services in the landline segment, due to the retrospective update to telecommunication tariffs in the wholesale market, as stated above.
Rate of EBITDA from total revenues	25.8%	26.1%	(1.1)	24.2%	28.9%	(16.3)	

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

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

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

1.10.1 <u>Cellcom Segment</u> (Cont.)

<u>Summary of the business results of the Cellcom segment:</u> (Cont.)

	First nine months of			Third quarter of Year			
	2020	2019	Increase	2020	2019	Increase	
	NIS millions		%	NIS millions		%	Explanation
Financing expenses, net	(130)	(110)	18.2	(32)	(31)	3.2	The increase in the first nine months of 2020, relative to the corresponding period last year, was mostly due to losses in Cellcom's portfolio of marketable investments, due to the capital market declines in the first quarter of 2020, as a consequence of the coronavirus pandemic, as compared with the profit recorded in Cellcom's portfolio of marketable investments in the first nine months of last year, and was partly offset by the effect of changes in the consumer price index on the balances of Cellcom's linked debentures, due to the decrease of the CPI in the first half of 2020, as compared with the increase of the CPI in the corresponding period last year, as specified in section 1.4 above, and the decrease in loss from transactions with derivative financial instruments.
Tax income (expenses)	23	10	130	3	(3)	Transition to income	The increase in tax income in the first nine months of 2020, as compared with the corresponding period last year, was due, inter alia, to the increase in pre-tax loss and the expected usage of the losses for tax purposes.
Loss	**(126)**	**(52)**	**142.3**	**(37)**	**(1)**	**3600.0**	

<u>Cellcom's main operational indicators:</u>

	Third quarter of		Change in %
	2020	2019	Increase (decrease)
In the mobile segment:			
Number of Cellcom subscribers at end of period (in thousands)	3,641*	2,767	31.6
Churn rate	8.7%	11.4%	(23.7)
Monthly average revenue per user (ARPU) (in NIS) [28]	45.7	53.2	(14.0)
In the landline segment:			
Number of subscribers (households) at end of period in the television segment (in thousands)	251	247	1.6
Number of subscribers (households) at end of period in the internet infrastructure segment (in thousands)	289	278	4.0

* The increase in the subscriber list was due to the completion of the Golan acquisition transaction.

[28] 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 nine months and third quarter of 2020 amounted to loss of NIS 176 million and loss of NIS 27 million, respectively, as compared with profit of NIS 625 million and profit of NIS 577 million in the first nine months and third quarter of 2019, respectively, and profit of NIS 666 million in 2019, including profit in the amount of NIS 557 million from the loss of control of Gav-Yam.

The first quarter of 2020, before the coronavirus pandemic, was characterized by stability in the revenue-generating property branch in Israel, as reflected both in the level of demand and in the level of rental prices and occupancy rates. Throughout the period, demand was seen for office, commercial, industry and logistics areas, in most of Property & Building's operating segments, which resulted in the stabilization of prices and maintenance of high occupancy rates. Property & Building's results after the coronavirus pandemic began reflect the mostly negative effects on Property & Building's foreign activities, mostly including the HSBC Tower and the Tivoli project in Las Vegas (as specified in section 1.1 above), and the declines in the value on Property & Building's investment portfolio, as specified below.

Summary of the business results of Property & Building[29]

	First nine months of		Decrease	Third quarter of		Decrease	
	2020	2019[30]		2020	2019[30]		
	NIS millions		%	NIS millions		%	Explanation
Revenues from property rentals	196	219	(10.5)	58	73	(20.5)	The decrease in the first nine months and third quarter of 2020, as compared with the corresponding periods last year, was primarily due to the decrease in revenues from the sale of services and indemnification with respect to costs for the HSBC Tower, and the decrease in income, in NIS terms, from the HSBC Tower, due to the decrease of the USD exchange rate.
Revenues from the rental of identical properties[31] after the deduction of holding expenses ("NOI")	109	122	(10.7)	29	43	(32.6)	The change in the first nine months and third quarter of 2020, was primarily due to the decrease in revenues from the sale of services and indemnification with respect to costs for the HSBC Tower, and the decrease of the USD exchange rate.
Revenues from the sale of apartments and real estate	88	278	(68.3)	25	81	(69.1)	The decrease in the first nine months and third quarter of 2020, as compared with the corresponding periods last year, was primarily due to the decrease in the scope of active projects. Revenue from apartment sales is recognized based on the progress of sales and construction in the projects.
EBITDA[32]	174	239	(27.2)	26	50	(48.0)	The decrease in the third quarter of 2020, as compared with the corresponding quarter last year, was mainly due to the decrease in NOI from revenue-generating properties and the net results of the residential activity. The decrease in the first nine months of 2020, as compared with the corresponding period last year, was primarily due to a dividend from an associate company in the amount of NIS 70 million, which was received in the first nine months of 2020, as compared with a dividend in the amount of NIS 103 million which was received the first nine months of 2019, and a decline in the net results of the residential activity.

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

30 Retrospectively adjusted due to the presentation of the activities of Mehadrin and revenue-generating real estate under the commercial segment under discontinued operations.

31 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.

32 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 nine months of			Third quarter of			
	2020	2019**	Decrease	2020	2019**	Change	
	NIS millions		%	NIS millions		%	Explanation
Increase (decrease) in fair value of investment property, net	(120)	45	Transition to expense	-	-	-	The change in net value in the third quarter of 2020, as compared with the corresponding period last year, was mostly due to the increase in the value of Property & Building's international investment property in the third quarter of 2019. The change in net value in the first nine months of 2020, as compared with the corresponding period last year, was mostly due to the decrease in the value of Property & Building's international investment property, as compared with the increase in value in the first half of last year. For details, see Note 3.A.1.E. to the financial statements.
Loss from realization of investment in investee company	(34)	-	(100.0)	-	-	-	The loss was due to the realization of approximately 5% of Gav-Yam's issued share capital, as specified in Note 3.A.1.B. to the financial statements.
Share of Property & Building in the profits (losses) of investee companies, net	57	(26)	Transition to profit	18	(14)	Transition to profit	In the third quarter of 2020, this item mostly included Property & Building's share in the profits of Gav-Yam, in the amount of NIS 19 million, which was consolidated until September 1, 2019, when it became an associate company. In the corresponding quarter last year, this item mostly included loss in the amount of NIS 24 million from an update to the valuation of the Tivoli project in Las Vegas, and was partly offset by Property & Building's share in the profits of Gav-Yam, in the amount of NIS 8 million. In the first nine months of 2020, this item mostly included Property & Building's share in the results of Gav-Yam, and was partly offset by the update to the valuation of the Tivoli project in Las Vegas. During the first nine months of the corresponding period last year, this item mostly included an update to the valuation of the Tivoli project.

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

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

1.10.2 Property & Building segment (Cont.)

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

	First nine months of			Third quarter of Year			
	2020	2019**	Increase	2020	2019**	Increase	
	NIS millions		%	NIS millions		%	Explanation
Financing expenses, net	(272)	(180)	51.1	(88)	(40)	120.0	The increase in the third quarter of 2020, as compared with the corresponding quarter last year, was mainly due to: 1. The increase in financing expenses in the amount of approximately NIS 6 million, with respect to higher foreign currency differences on the balance of USD-linked assets relative to the corresponding quarter last year, despite the more moderate decrease of the USD exchange rate in the third quarter of 2020, at a rate of 0.7%, as compared with the decrease of 2.4% in the corresponding period last year. 2. The loss in the amount of NIS 16 million which was recorded in the third quarter of 2020, due to the decrease in the value of Property & Building's securities portfolio, due to the declines on the stock exchange, as compared with income in the amount of NIS 8 million, which was recorded in the third quarter of 2019. 3. The increase in the amount of NIS 19 million in interest and linkage expenses on the debt, due to the increase of the CPI in the current quarter, as compared with the decrease of the CPI in the corresponding period last year, as specified in section 1.4 above. The increase in the first nine months of 2020, as compared with the corresponding period last year, was primarily due to: 1. The decline in the value of Property & Building's securities portfolio in the first nine months of 2020, due to the declines on the stock exchange, as a result of the impact of the coronavirus pandemic, as compared with income which was recorded in the first nine months of 2019. 2. The loss which was recorded in the first nine months of 2020 from swap transactions to exchange CPI-linked NIS cash flows with fixed NIS cash flows with respect to debentures. 3. On the other hand, a decrease occurred in interest and linkage expenses on the debt, due to the decrease of the CPI in the first nine months of 2020, as compared with the increase of the CPI in the corresponding period last year, as specified in section 1.4 above.

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 nine months of 2020	First nine months of 2019**	Change	Third quarter of 2020	Third quarter of 2019**	Increase (Decrease)	Explanation
	NIS millions		%	NIS millions		%	
Income (expenses) Taxes	25	(30)	Transition to income	-	(7)	100.0	The transition to tax income in the first nine months of 2020, and the decrease in tax expenses in the third quarter of 2020, as compared with the tax expenses in the corresponding periods last year, was due, inter alia, to the recording of pre-tax loss and the expected usage of the losses for tax purposes.
Profit (loss) from discontinued operations, after tax, attributable to the Company's owners	(17)	1,043	Transition to loss	8	929	(99.1)	The decrease in income in the third quarter of 2020, and the transition from income to loss in the first nine months of 2020, as compared with the corresponding periods last year, was mostly due to the fact that, in the first nine months of 2020, the commercial segment (Ispro) was included under the results of discontinued operations, while in the comparative figures for 2019, the results also included profit from the activity of Gav-Yam, and loss from the activity of Mehadrin.
Net profit (loss)	**(253)**	**988**	Transition to loss	**(37)**	**918**	Transition to loss	

* The data were presented according to the presentation in the financial statements of Property & Building.
** Retrospectively adjusted due to the presentation of the activities of Mehadrin and revenue-generating real estate in the commercial segment under discontinued operations.

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

1.10.3 Shufersal segment - discontinued operation

DIC's share in the results of the Shufersal segment in the first nine months and third quarter of 2020 amounted to profit of NIS 83 million and profit of NIS 46 million, respectively, as compared with profit of NIS 29 million and profit of NIS 11 million in the first nine months and third quarter of 2019, respectively, and profit of NIS 56 million in 2019.
In July 2020, DIC sold its entire stake in Shufersal (approximately 26%), for a total net consideration of approximately NIS 1,447 million. Due to the sale, In the third quarter 2020 DIC recorded profit in the amount of NIS 39 million. The results of Shufersal are presented in the statements of income under discontinued operations.

2. Exposure to and Management of Market Risks

2.1 During the reporting period, except for the increase in liquidity and the decrease in liquidity risk due to the realization of Shufersal, as stated above, no material changes occurred in the Company's exposure to and management of market risks, relative to the Company's reports on this subject in the Company's Board of Directors' Report for 2019. The Company does not manage the risks of its investee companies.

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

	Linked to the CPI	Linked to the USD	Linked to other currencies (mostly to the EUR)	Unlinked	Non-monetary items	Total
			NIS millions			
Total assets	73	1,583	108	4,821	13,350	19,935
Total liabilities	5,265	1,724	78	8,021	1,155	16,243
Net balance as at September 30, 2020	**(5,192)**	**(141)**	**30**	**(3,200)**	**12,195**	**3,692**
Net balance as at September 30, 2019	**(6,278)**	**(366)**	**13**	**(3,198)**	**13,857**	**4,028**
Net balance as at December 31, 2019	**(5,299)**	**(560)**	**17**	**(3,270)**	**13,003**	**3,891**

2.3 Investee companies

During the reporting period, no material changes occurred in the exposure area of the Company's material investee companies to market risks and the management thereof, with respect to the Company's reports on the subject in the Company's Board of Directors' Report for 2019.

3. Donations and assistance to the community

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

4. **Disclosure Requirements Regarding the Corporation's Financial Report**

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

4.2 **Plan for the self-purchase of DIC debentures** - On August 20, 2020, DIC's Board of Directors approved a plan for the self-purchase of its debentures (Series F and Series J), until December 31, 2021, at a total cost of up to NIS 300 million. The aforementioned debentures will be bought in accordance with market opportunities, according to the dates, prices and scopes which will be determined by DIC management. In the third quarter of 2020, DIC bought its debentures (Series F and Series J) for a total cost of NIS 110 million. For additional details, see Note 4.E. to the financial statements.

4.3 **Major Events After the Date of the Statement of Financial Position**

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

4.4 **Specific Disclosure for the Debenture Holders**

See Annex A to the Board of Directors' Report.

______________	______________
Yoram Turbowicz	Doron Cohen
Chairman of the Board	General Manager

Tel Aviv, November 26, 2020

Discount Investment Corporation Ltd

Interim Financial Statements September 30, 2020

Annexes to the Directors' Report

Annex A - Financial Position and Sources of Financing

Information regarding the Company's debentures

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

Summary of data regarding debentures(1), NIS millions

				Data as at September 30, 2020							Data as at November 26, 2020			Principal payment dates (3)				
Series	Original issuance date	Par value on the issuance date	interest rate on the issuance date (fixed)	Outstanding par value balance	Outstanding linked par value balance	Interest rate (fixed)	Amount of interest accrued in the books	Balance of premium (discount), net, in the books	Book value the balance debentures	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%	1,295	1,564	4.95%	58	(14)	1,608	1,567	1,295	1,567	4.95%	31.12.17	31.12.25	December 31 (3)	CPI-linked	**Hermetic Trust (1975) Ltd.** Person in charge: Person in charge: Dan Avnon, Adv., 30 Sheshet HaYamim St., Bnei Brak 5120261, Tel: 03-5544553
J (5)	2.10.17 12.12.17*	2,582	4.80%	1,955	1,955	5.30%(7)	27	22	2,004	1,886	1,955	1,955	5.05%(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**		**3,250**	**3,519**		**85**	**8**	**3,612**	**3,453**	**3,250**	**3,522**						

Notes:

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

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

(3) Annual payments.

(4) The debentures (Series F) are a material series of debentures which constitutes 5% or more of the corporation's total liabilities, as presented in the separate financial report. With respect to this debenture series - no securities or collateral were provided to the lender; the credit is of the recourse type; no financial covenants have been established; no breach events have taken place or are currently taking place; the debentures do not confer the right of early repayment; and no material changes were made to the terms of the debentures in 2020.

(5) The debentures (Series J) are a material series of debentures which constitutes 5% or more of the corporation's total liabilities, as presented in the separate financial report. With respect to this debenture series - no securities or collateral were provided to the lender; the credit is of the recourse type; financial covenants were established; no breach events took place or are currently taking place; the debenture does not confer upon the Company the right of early repayment; and no material changes were made to the terms of the debentures in 2020.

(6) Semi-annual payments.

(7) As at September 30, 2020, the Company is fulfilling all of the financial covenants in connection with the debentures (Series J). Following the reduction of rating of the Company's debentures on April 7, 2020, and the non-fulfillment of the financial covenants as at March 31, 2020, the interest rate applicable to the debentures (Series J) was increased, beginning on April 7, 2020, from 4.80% to 5.05%, and beginning on June 30, 2020, from 5.05% to 5.80%, respectively. Due to the fulfillment of the financial covenant as at June 30, 2020, which the Company did not fulfill as at March 31, 2020, the interest rate was reduced, beginning from August 20, 2020, from 5.80% to 5.30%. Due to the fulfillment of an additional financial covenant as at September 30, 2020, which the Company did not fulfill as at March 31, 2020, the interest rate was reduced, beginning from the publication date of the financial statements for the third quarter of 2020, from 5.30% to 5.05%. 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 September 30, 2020	Rating as at November 26, 2020 (1)	Rating on the series issuance date	Date of rating issuance as at November 26, 2020	Additional ratings during the period between the date of the original issuance and the current rating as at November 26, 2020	
						Date	Rating
F	S&P Maalot	BBB- (Negative)	BBB- (Negative)	AA	8/2020	4/2007, 6/2007, 11/2008, 7/2009, 1/2011, 10/2011, 11/2011, 1/2012, 5/2012, 9/2012, 7/2013, 8/2013, 12/2013, 3/2014, 12/2014, 2/2015, 3/2016, 7/2016, 2/2017, 3/2017, 8/2017, 9/2017, 12/2017, 3/2018, 8/2018, 4/2019, 7/2019, 4/2020	AA, A+, A- BBB+, BBB, BBB-
J	S&P Maalot	BBB- (Negative)	BBB- (Negative)	BBB	8/2020	9/2017 ,12/2017 ,3/2018, 8/2018, 4/2019, 7/2019, 4/2020	BBB, BBB+ BBB-

(1) For S&P Maalot's updated rating report with respect to the Company's debentures, see the Company's immediate report regarding the rating of liability certificates, which was published by the Company, through a public electronic report, on August 6, 2020 (reference number 2020-15-075859).

Annex B

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

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

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

<u>Presented below are the main data specified in the valuation:</u>

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

B. Date of the valuation - March 31, 2020.

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

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

E. Identity and details of the valuer - Cushman & Wakefield. The individuals who prepared the paper on behalf of the valuer are licensed real estate appraisers from the state of New York, USA, who have a great deal of experience. There is no dependence between the valuer and the companies which ordered the paper.

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

G. Assumptions used to perform the valuation:

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

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

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

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

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

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

An economic paper regarding the attribution of the acquisition cost of Mehadrin as at March 9, 2020 is attached to the Company's financial statements. See also Note 3.A.3.B. to the financial statements.

The following are the main details specified in the foregoing economic paper:

A. Subject of the paper - attribution of the acquisition cost of Mehadrin - assessment of Mehadrin's assets and liabilities. On March 9, 2020, DIC acquired 8.8% of Mehadrin's issued share capital, and DIC's stake in Mehadrin's issued share capital increased to approximately 40.2%. On the acquisition date DIC gained control of Mehadrin, and accordingly, from that date onwards, DIC began consolidating Mehadrin's financial statements in its financial statements.

B. Date of the paper - March 9, 2020;

C. The value of Mehadrin shares which was used to prepare the allocation paper as at March 9, 2020 (acquisition cost of 8.8% of Mehadrin's issued share capital, plus the fair value of Mehadrin's remaining issued share capital) is NIS 369 million.

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

E. The valuation model used by the valuer;
   - Fair value of fixed assets (refrigeration centers and packaging plants) - based on valuations by external valuers, which were received from Mehadrin.
   - In the other sections, the valuer did not identify any significant gaps between the value in Mehadrin's financial statements and their fair value, and accordingly, a decision was made to rely on Mehadrin's financial statements.

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Details on an economic paper regarding the attribution of the purchase consideration of Mehadrin [PPA], as at December 10, 2019 [Regulation 49(A) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970]

See also Note 3.A.3.C. to the financial statements.

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

A. Subject of the paper - attribution of the acquisition cost of Mehadrin - assessment of Mehadrin's assets and liabilities. On December 10, 2019, DIC received 31.4% of Mehadrin's issued share capital as a payment in kind dividend from Property & Building. Beginning from the aforementioned distribution date, the investment in Mehadrin is accounted for as an investee accounted by the equity method.

B. Date of the paper - December 10, 2019;

C. The value of the investment in Mehadrin as at December 10, 2019 was NIS 136 million.

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

E. The valuation model used by the valuer;
   - Fair value of fixed assets (refrigeration centers and packaging plants) - based on valuations by external valuers, which were received from Mehadrin.
   - In the other sections, the valuer did not identify any significant gaps between the value in Mehadrin's financial statements and their fair value, and accordingly, a decision was made to rely on Mehadrin's financial statements.

DIC

Discount Investment Corporation Ltd

Interim Financial Statements September 30, 2020

Part 3 - Condensed Consolidated Interim Financial Statements

Discount Investment Corporation Ltd.

Condensed Consolidated Interim Financial Statements As at September 30, 2020

(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 September 30, 2020, as well as the condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the nine and three month periods 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 this interim period in accordance with Chapter IV of the Securities Regulations (Periodic and Immediate Reports), 5730-1970. Our responsibility is to express a conclusion regarding the financial information for these interim periods, based on our review.

We have not reviewed the condensed interim financial information of consolidated companies, whose assets as included in the consolidation constitute approximately 9% of total consolidated assets as at September 30, 2020, and whose income as included in the consolidation constitutes approximately 20% and approximately 19%, respectively, of total consolidated income in the nine and three month periods then ended. We have also not reviewed the condensed interim financial information of investee companies accounted by the equity method, the investment in which totaled approximately NIS 298 million as at September 30, 2020, and where the Group's share in their losses amounted to approximately NIS 25 million and approximately NIS 4 million in the nine and three month periods then ended, respectively.
The condensed interim financial information of those companies was reviewed by other auditors, whose review reports were presented to us, and our conclusion, insofar as it refers to the financial information with respect to those companies, is based on the review reports provided by the other auditors.

Scope of the Review

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

Conclusion

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

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

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 nine month period ended September 30, 2020.
The Board of Directors and management are responsible for preparing and presenting the pro forma financial information for this interim period in accordance with the guidelines specified in Note 9.B., and are also responsible for compiling the pro forma financial information for this interim period in accordance with Regulation 38B of the Securities Regulations (Periodic and Immediate Reports), 5730-1970. Our responsibility is to express a conclusion regarding the pro forma financial information for this interim period, based on our review.

We have not reviewed the condensed interim pro forma financial information of consolidated companies, whose income as included in the consolidation constitutes approximately 29% and approximately 21%, respectively, of total consolidated income in the nine and three month periods then ended. 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 25 million and approximately NIS 4 million, respectively, in the nine and three month periods 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.

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, November 26, 2020	Kesselman & Kesselman Certified Public Accountants A member firm of PricewaterhouseCoopers International Limited

Condensed Consolidated Interim Statements of Financial Position as at

	September 30 2020[1]	September 30 2019	December 31 2019
	(Unaudited)	(Unaudited)	(Audited)
		NIS millions	
Non-current assets			
Investments in investee companies accounted by the equity method	1,963	3,370[2]	3,676[2]
Financial assets measured at fair value through profit or loss	137	163	159
Loans, deposits, restricted deposits and debit balances	228	299	292
Right-of-use assets	893	786	774
Fixed assets	1,725	1,535	1,494
Investment property	3,273	4,672	3,389
Long term trade receivables	209	329	309
Inventory of real estate	68	23	45
Deferred expenses	410	332	324
Deferred tax assets	8	8	8
Intangible assets	2,667	1,855	1,849
	11,581	13,372	12,319
Current assets			
Financial assets measured at fair value through profit or loss	482	1,790	1,826
Deposits and pledged and restricted deposits	261	173	161
Other receivables and debit balances	390	161	156
Current tax assets	16	8	4
Trade receivables and other income receivable	1,057	1,235	1,207
Inventory	154	75	74
Inventory of buildings for sale	64	139	105
Assets classified as held for sale	1,259	1,858	1,445
Cash and cash equivalents	4,671	3,137	2,812
	8,354	8,576	7,790
Total assets	19,935	21,948	20,109

(1) Includes the assets of Mehadrin, which was initially consolidated on March 9, 2020, see Note 3.A.3. below.
(2) Includes the investment in Shufersal, which was sold in July 2020, see Note 3.A.4. below

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

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

	September 30 2020[(1)] (Unaudited)	September 30 2019 (Unaudited)	December 31 2019 (Audited)
		NIS millions	
Capital			
Share capital	810	810	810
Capital reserves	4,159	4,122	4,118
Accumulated losses	(3,460)	(3,182)	(3,104)
Capital attributable to owners of the Company	1,509	1,750	1,824
Non-controlling interests	2,183	2,278	2,067
	3,692	4,028	3,891
Non-current liabilities			
Debentures	9,404	10,617	9,759
Loans from banks and other financial liabilities	1,645	1,897	1,630
Lease liabilities	597	597	577
Derivatives	9	4	-
Provisions	187	195	191
Deferred tax liabilities	527	648	541
Employee benefits	29	20	24
Other non-financial liabilities	12	15	6
	12,410	13,993	12,728
Current liabilities			
Current maturities of debentures	1,160	1,087	1,218
Credit from banking corporations and current maturities of loans from banks and others	368	339	273
Current maturities of lease liabilities	224	236	236
Other payables and credit balances	687	602	431
Trade payables	730	694	714
Derivatives	11	5	5
Current tax liabilities	15	22	18
Provisions	185	119	110
Liabilities classified as held for sale	453	823	485
	3,833	3,927	3,490
Total capital and liabilities	19,935	21,948	20,109

(1) Includes the liabilities of Mehadrin, which was initially consolidated on March 9, 2020, see Note 3.A.3. below.

Yoram Turbowicz	Doron Cohen	Haim Tabouch
Chairman of the Board	General Manager	VP Accounting

Approval date of the financial statements: November 26, 2020

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

Condensed Consolidated Interim Statements of Income

	Note	For the nine months ended September 30 2020(1)	For the nine months ended September 30 2019	For the three months ended September 30 2020(1)	For the three months ended September 30 2019	For the year ended December 31 2019
		(Unaudited)		(Unaudited)		(Audited)
		NIS millions				
Income						
Sales and services	7	3,718	3,495	1,239	1,167	4,621
The Group's share in the net profit of investee companies accounted by the equity method, net		13	-	8	-	(2)-
Profit from realization and increase in the value of investments, assets and dividends		52	27	21	10	108
Increase in fair value of investment property, net		-	73	-	33	106
Other income		40	19	25	7	25
Financing income		29	184	23	71	236
		3,852	3,798	1,316	1,288	5,096
Expenses						
Cost of sales and services		2,844	2,447	960	789	3,258
Research and development expenses		12	27	5	8	32
Selling and marketing expenses		427	494	153	171	669
General and administrative expenses		393	348	132	111	479
The Group's share in the loss of investee companies accounted by the equity method, net		-	(2)68	-	(2) 29	(2)19
Loss from realization, impairment, and write-down of investments and assets		75	698	2	69	735
Decrease in fair value of investment property, net		157	-	1	-	-
Other expenses		5	1	5	-	6
Financing expenses		603	603	181	148	754
		4,516	4,686	1,439	1,325	5,952
Loss before taxes on income		(664)	(888)	(123)	(37)	(856)
Income (expenses) from taxes on income		52	(53)	-	(38)	(70)
Loss from continuing operations		(612)	(941)	(123)	(75)	(926)
Profit from discontinued operations, after tax		83	(2)1,216	46	(2) 973	(2)1,243
Net profit (loss) for the period		(529)	275	(77)	898	317
Net profit (loss) attributable to:						
The Company's owners		(357)	(66)	(55)	567	14
Non-controlling interests		(172)	341	(22)	331	303
		(529)	275	(77)	898	317
		NIS	NIS	NIS	NIS	NIS
Earnings (loss) per share attributable to for the Company's owners						
Basic and diluted loss per share from continuing operations		(3.1)	(5.3)	(0.7)	(0.2)	(4.9)
Basic and diluted earnings per share from discontinued operations		0.6	4.8	0.3	4.2	5.0
Basic and diluted earnings (loss) per share		(2.5)	(0.5)	(0.4)	4.0	0.1

(1) Includes the data of Mehadrin, which was initially consolidated on March 9, 2020, see Note 3.A.3. below.

(2) Restated due to the presentation of the Shufersal operation under discontinued operations, see Note 3.A.4.B. 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 nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2020	2019	2020	2019	2019
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
Net profit (loss) for the period	(529)	275	(77)	898	317
Other comprehensive income (loss) items which will not be transferred to profit and loss, net of tax					
Actuarial losses in defined benefit plan	-	-	-	-	(4)
The Group's share in other comprehensive loss in respect of investee companies accounted by the equity method	-	(7)	-	(3)	(8)
Total other comprehensive loss which will not be transferred to profit and loss	-	(7)	-	(3)	(12)
Other comprehensive income (loss) items after initial recognition under comprehensive income which have been transferred or will be transferred to profit and loss, net of tax					
Foreign currency translation differences for foreign operations	(2)	(150)	(10)	(49)	(165)
The Group's share in other comprehensive income (loss) with respect to investee companies accounted by the equity method	3	(28)	6	(10)	(30)
Total other comprehensive income (loss) after initial recognition under comprehensive income which has been transferred or will be transferred to profit and loss	1	(178)	(4)	(59)	(195)
Total other comprehensive income (loss) for the period, net of tax	1	(185)	(4)	(62)	(207)
Total comprehensive income (loss) for the period	(528)	90	(81)	836	110
Attributable to:					
The Company's owners	(356)	(190)	(57)	524	(125)
Non-controlling interests	(172)	280	(24)	312	235
Comprehensive income (loss) for the period	(528)	90	(81)	836	110
Comprehensive income (loss) for the period attributed to Company shareholders					
Due to:					
Continuing operations	(442)	[1] (863)	(109)	[1] (70)	[1] (825)
Discontinued operations	86	[1] 673	52	[1] 594	[1] 700
	(356)	(190)	(57)	524	(125)

(1) Restated due to the presentation of the Shufersal operation under discontinued operations, see Note 3.A.4.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 in respect of transactions with non-controlling interests	Reserves from translation differences	Hedging reserves	Capital reserves with respect to available-for-sale financial assets through other comprehensive income	Revaluation reserves	Controlling shareholder reserve	Treasury shares	Accumulated loss	Total capital attributable to the Company's owners	Non-controlling interests	Total capital
	NIS millions												
For the nine months ended September 30, 2020 (unaudited)													
Balance as at January 1, 2020	810	4,449	15	(293)	(2)	(2)	63	3	(115)	(3,104)	1,824	2,067	3,891
Loss for the period	-	-	-	-	-	-	-	-	-	(357)	(357)	(172)	(529)
Other comprehensive income (loss) for the period	-	-	-	(2)	3	-	-	-	-	-	1	-	1
Transactions with owners carried directly to equity, investments of owners and distributions to owners													
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(46)	(46)
Deconsolidation of Pocared due to loss of control (see Note 3.A.5. below)	-	-	-	-	-	-	-	-	-	-	-	(13)	(13)
Consolidation of Mehadrin due to rise to control (see Note 3.A.3. below)	-	-	-	-	-	-	-	-	-	-	-	387	387
Changes in interests in consolidated companies (see Note 3.A below) (1)	-	-	53	(18)	-	-	5	-	-	-	40	(55)	(15)
Share-based payments given by the Company	-	-	-	-	-	-	-	-	-	1	1	-	1
Share-based payments given by consolidated companies	-	-	-	-	-	-	-	-	-	-	-	15	15
Balance as at September 30, 2020	810	4,449	68	(313)	1	(2)	68	3	(115)	(3,460)	1,509	2,183	3,692

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

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

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

	Attributable to the Company's owners												
	Share capital	Premium on shares	Reserves in respect of transactions with non-controlling interests	Reserves from translation differences	Hedging reserves	Capital reserves with respect to available-for-sale financial assets through other comprehensive income	Revaluation reserves	Controlling shareholder reserve	Treasury shares	Accumulate loss	Total capital attributable to the Company's owners	Non-controlling interests	Total capital
	NIS millions												
For the nine months ended September 30, 2019 (unaudited)													
Balance as at January 1, 2019	810	4,449	9	(162)	-	(2)	88	3	(19)	(2,859)	2,317	4,024	6,341
Initial adoption of the amendment to IAS 28	-	-	-	-	-	-	-	-	-	(171)	(171)	(83)	(254)
Income (loss) for the period	-	-	-	-	-	-	-	-	-	(66)	(66)	341	275
Other comprehensive loss for the period	-	-	-	(115)	(2)	-	-	-	-	(7)	(124)	(61)	(185)
Transactions with owners carried directly to equity, investments of owners and distributions to owners		-											
Dividend paid to the Company's owners	-	-	-	-	-	-	-	-	-	(104)	(104)	-	(104)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(133)	(133)
Acquisition of treasury shares	-	-	-	-	-	-	-	-	(96)	-	(96)	-	(96)
Deconsolidation of Gav-Yam due to loss of control	-	-	(4)	-	-	-	(27)	-	-	27	(4)	(2,092)	(2,096)
Consolidation of Mehadrin due to rise to control	-	-	-	-	-	-	-	-	-	-	-	278	278
Changes in interests in consolidated companies	-	-	1	(3)	-	-	2	-	-	-	-	(3)	(3)
Share-based payments given by the Company	-	-	-	-	-	-	-	-	-	(2)	(2)	-	(2)
Share-based payments given by consolidated companies	-	-	-	-	-	-	-	-	-	-	-	7	7
Balance as at September 30, 2019	810	4,449	6	(280)	(2)	(2)	63	3	(115)	(3,182)	1,750	2,278	4,028

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

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

	Attributable to the Company's owners												
	Share capital	Premium on shares	Reserves in respect of transactions with non-controlling interests	Reserves fron 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	Accumulatec loss	Total capital attributable to the Company's owners	Non-controlling interests	Total capital
	NIS millions												
For the three months ended September 30, 2020 (Unaudited)													
Balance as at July 1, 2020	810	4,449	50	(299)	(5)	(2)	67	3	(115)	(3,406)	1,552	2,234	3,786
Loss for the period	-	-	-	-	-	-	-	-	-	(55)	(55)	(22)	(77)
Other comprehensive income (loss) for the period	-	-	-	(8)	6	-	-	-	-	-	(2)	(2)	(4)
Transactions with owners carried directly to equity, investments of owners and distributions to owners													
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(14)	(14)
Deconsolidation of Pocared due to loss of control (see Note 3.A.5. below)	-	-	-	-	-	-	-	-	-	-	-	(13)	(13)
Changes in interests in consolidated companies (see Note 3.A below)(1)	-	-	18	(6)	-	-	1	-	-	-	13	(2) (7)	6
Share-based payments given by the Company	-	-	-	-	-	-	-	-	-	1	1	-	1
Share-based payments given by consolidated companies	-	-	-	-	-	-	-	-	-	-	-	7	7
Balance as at September 30, 2020	810	4,449	68	(313)	1	(2)	68	3	(115)	(3,460)	1,509	2,183	3,692

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

(2) including a decrease in non-controlling interests in the amount of NIS 9 million, with respect to the final assessment regarding the allocation of the value of the balance of the investment in Mehadrin, as at the date of rise to control. For details, 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 (Cont.)

	Attributable to the Company's owners												
	Share capital	Premium on shares	Reserves in respect of transactions with non-controlling interests	Reserves from translation differences	Hedging reserves	Capital reserves with respect to available-for-sale financial assets through other comprehensive income	Revaluatio reserves	Controllin shareholde reserve	Treasury shares	Accumul ated loss	Total capital attributable to the Company's owners	Non-controlling interests	Total capital
	NIS millions												
For the three months ended September 30, 2019 (unaudited)													
Balance as at July 1, 2019	810	4,449	10	(245)	2	(2)	90	3	(115)	(3,770)	1,232	3,777	5,009
Net income for the period	-	-	-	-	-	-	-	-	-	567	567	331	898
Other comprehensive loss for the period	-	-	-	(36)	(4)	-	-	-	-	(3)	(43)	(19)	(62)
Transactions with owners carried directly to equity, investments of owners and distributions to owners													
Deconsolidation of Gav-Yam due to loss of control	-	-	(4)	-	-	-	(27)	-	-	27	(4)	(2,092)	(2,096)
Consolidation of Mehadrin due to rise to control	-	-	-	-	-	-	-	-	-	-	-	278	278
Changes in interests in consolidated companies	-	-	-	1	-	-	-	-	-	-	1	(1)	-
Share-based payments given by the Company	-	-	-	-	-	-	-	-	-	(3)	(3)	-	(3)
Share-based payments given by consolidated companies	-	-	-	-	-	-	-	-	-	-	-	4	4
Balance as at September 30, 2019	810	4,449	6	(280)	(2)	(2)	63	3	(115)	(3,182)	1,750	2,278	4,028

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

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

	Attributable to the Company's owners												
	Share capital	Premium on shares	Reserves in respect of transactions with non-controlling interests	Reserves from translation differences	Hedging reserves	Capital reserves with respect to available-for-sale financial assets through other comprehensive income	Revaluation reserves	Controlling shareholders reserve	Treasury shares	Accumulated loss	Total capital attributable to the Company's owners	Non-controlling interests	Total capital
	NIS millions												
For the year ended December 31, 2019 (audited)													
Balance as at January 1, 2019	810	4,449	9	(162)	-	(2)	88	3	(19)	(2,859)	2,317	4,024	6,341
Initial adoption of the amendment to IAS 28	-	-	-	-	-	-	-	-	-	(171)	(171)	(83)	(254)
Net income for the period	-	-	-	-	-	-	-	-	-	14	14	303	317
Other comprehensive loss for the period	-	-	-	(127)	(2)	-	-	-	-	(10)	(139)	(68)	(207)
Transactions with owners carried directly to equity, investments of owners and distributions to owners													
Dividend paid to the Company's owners	-	-	-	-	-	-	-	-	-	(104)	(104)	-	(104)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(201)	(201)
Acquisition of treasury shares	-	-	-	-	-	-	-	-	(96)	-	(96)	-	(96)
Consolidation of Mehadrin due to rise to control	-	-	-	-	-	-	-	-	-	-	-	278	278
Deconsolidation of Gav-Yam and Mehadrin due to loss of control	-	-	(4)	-	-	-	(27)	-	-	27	(4)	(2,329)	(2,333)
Changes in interests in consolidated companies(1)	-	-	10	(4)	-	-	2	-	-	-	8	132	140
Share-based payments given by the Company	-	-	-	-	-	-	-	-	-	(1)	(1)	-	(1)
Share-based payments given by consolidated companies	-	-	-	-	-	-	-	-	-	-	-	11	11
Balance as at December 31, 2019	810	4,449	15	(293)	(2)	(2)	63	3	(115)	(3,104)	1,824	2,067	3,891

(1) Including, inter alia, an acquisition as part of an issuance in a consolidated company, and the realization of share-based payment instruments in consolidated companies.

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

Condensed Consolidated Interim Statements of Cash Flows

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2020[(1)]	2019	2020[(1)]	2019	2019
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
Cash flows from operating activities					
Net profit (loss) for the period	(529)	275	(77)	898	317
Profit from discontinued operations, after tax	(83)	(2) (1,216)	(46)	(2) (973)	(2) (1,243)
Loss from continuing operations	(612)	(941)	(123)	(75)	(926)
Adjustments:					
The Group's share in the loss (profit) of investee companies accounted by the equity method, net	(13)	(2)68	(8)	(2)29	(2)19
Received dividends (including from other investments)	82	(2)5	-	-	(2)7
Realization losses (profits), decrease (increase) and write-downs, net, of investments, assets and dividends	23	671	(19)	59	627
Decrease (increase) in fair value of investment property, net	157	(73)	1	(33)	(106)
Depreciation and amortization	729	679	246	233	915
Financing costs, net	574	419	158	77	518
Expenses (income) of tax on income, net	(52)	53	-	38	70
Income tax paid, net	(20)	(18)	(5)	-	(23)
Receipts (payments) with respect to the settlement of derivatives, net	(1)	(8)	16	(1)	(10)
Share-based payment expenses	16	5	8	1	9
	1,495	1,801	397	403	2,026
Changes in other balance sheet items					
Decrease (increase) in other receivables and debit balances (including long-term amounts)	(53)	41	(74)	20	(2)
Decrease in trade receivables (including long term amounts)	218	179	17	29	215
Decrease in inventory (including long term amounts)	65	138	23	15	142
Change in benefits to employees	-	-	-	-	(1)
Decrease in trade payables	(75)	(79)	(18)	(43)	(53)
Increase (decrease) in other payables and credit balances, provisions and other liabilities (including long term amounts)	(149)	(20)	20	43	(66)
	6	259	(32)	64	235
Net cash from continuing operating activities	889	1,119	242	392	1,335
Net cash from discontinued operating activities	21	305(2)	-	84	(2)305
Net cash from operating activities	910	1,424	242	476	1,640
Cash flows from investing activities					
Deposits, loans and long term investments provided	(2)	(15)	-	(7)	(15)
Decrease (increase) in pledged and restricted deposits, net	24	6	10	(3)	9
Current investments, loans and short term deposits, net	813	(236)	(34)	(132)	(241)
Investments and loans, net, in investee companies accounted by the equity method	(27)	(168)	(3)	(157)	(191)
Non-current investments	(1)	(1)	-	(1)	(1)
Investments in investment property and in fixed assets	(216)	(301)	(62)	(92)	(370)
Investments in intangible and other assets	(153)	(172)	(54)	(60)	(233)
Receipts in respect of the settlement of derivatives, net	11	8	-	-	9
Change in cash due to the initial consolidation of subsidiaries	(507)	-	(608)	-	-
Consideration from the realization of consolidated companies, net of cash spent within the framework of their deconsolidation	(3)	-	1	-	-
Consideration from the realization of loans which were given and long term deposits	13	-	9	-	-
Receipts from realization of non-current investments, including dividend from the realization	677	14	431	-	27
Receipts from realization of investment property, fixed assets and other assets	173	182	2	182	720
Taxes paid, net, in respect of investment property, fixed assets and other assets	(19)	(34)	(5)	-	(53)
Interest received	20	38	3	12	50
Net cash derived from (used in) continuing investing activities	803	(679)	(310)	(258)	(289)
Net cash derived from (used in) discontinued investing activities	1,447	(39)	1,447	89	(39)
Net cash derived from (used in) investing activities	2,250	(718)	1,137	(169)	(328)

(1) Includes the data of Mehadrin, which was initially consolidated on March 9, 2020, see Note 3.A.3. below.

(2) Restated due to the presentation of the Shufersal operation under discontinued operations, see Note 3.A.4.B. 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 nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2020[1]	2019	2020[1]	2019	2019
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
Cash flows for financing activities					
Non-current financial liabilities received	248	665	-	-	665
Repayment of non-current financial liabilities	(758)	(1,701)	(182)	(447)	(2,452)
Interest paid	(322)	(368)	(62)	(67)	(665)
Repayment of lease liabilities	(209)	(212)	(67)	(78)	(289)
Acquisition of treasury shares	-	(96)	-	-	(96)
Early redemption of debentures	(110)	-	(110)	-	-
Issuance of rights in consolidated companies to non-controlling interests	5	27	-	-	166
Current financial liabilities, net	(33)	(117)	(31)	(73)	(37)
Receipts, including exercised share options, from non-controlling interests in consolidated companies	74	-	42	-	4
Acquisition of shares in consolidated companies from non-controlling interests	(90)	(30)	(27)	-	(30)
Dividend paid to the Company's owners	-	(40)	-	-	(40)
Dividend to non-controlling interests in consolidated companies	(46)	(36)	(14)	-	(42)
Payments in respect of the settlement of derivatives	(4)	(1)	(3)	(1)	(2)
Net cash used in continuing financing activities	(1,245)	(1,909)	(454)	(666)	(2,818)
Net cash used in discontinued financing activities	-	(493)	-	-	(493)
Net cash used in financing activities	(1,245)	(2,402)	(454)	(666)	(3,311)
Increase (decrease) in cash and cash equivalents from continuing operations	447	[2] (1,469)	(522)	(532)	[2] (1,772)
Increase (decrease) in cash and cash equivalents from discontinued operations	1,468	[2] (227)	1,447	173	[2] (227)
Increase (decrease) in cash and cash equivalents from continuing operations and from discontinued operations	1,915	(1,696)	925	(359)	(1,999)
Balance of cash and cash equivalents at start of period	2,812	4,890	3,763	3,510	4,890
Effects of fluctuations in exchange rates on balances of cash and cash equivalents	(22)	(57)	(11)	(14)	(60)
Change in the balance of cash and cash equivalents presented under held for sale assets	(34)	-	(6)	-	(19)
Balance of cash and cash equivalents at end of period	4,671	3,137	4,671	3,137	2,812

(1) Includes the data of Mehadrin, which was initially consolidated on March 9, 2020, see Note 3.A.3. below.
(2) Restated due to the presentation of the Shufersal operation under discontinued operations, see Note 3.A.4.B. 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”).

Before the ruling of the Court of Tel Aviv-Yafo September 25, 2020, in which an order was given to initiate proceedings against IDB Development, as well as a liquidation order for it, as stated below, approximately 82.3% of the Company’s issued share capital was held by Dolphin IL Investments Ltd., a company incorporated in Israel which is wholly owned by Dolphin Netherlands B.V. (“Dolphin Netherlands”), and approximately 1.5% of the Company’s issued share capital was held by Tyrus S.A., a company incorporated in Uruguay, which is wholly owned by IRSA Inversiones Y Representaciones Sociedad Anonima (“IRSA”), a foreign corporation. Dolphin Netherlands and IRSA are companies indirectly controlled by Mr. Eduardo Elsztain (through corporations under his control).

Further to that stated in section 3.F.1.C. to the annual financial statements, in connection with the Company’s shares which are pledged in favor of the debenture holders of IDB Development and in favor of IDB Development, through pledges of various ranks, on September 25, 2020 a ruling was given by the District Court of Tel Aviv-Yafo (the “Ruling” and the “Court”), in which an order was given to initiate proceedings against IDB Development, as well as an order to liquidate it. In accordance with the ruling, Adv. Ofir Naor was appointed as the trustee of IDB Development (the “Trustee of IDB Development”), and on October 12, 2020, the Court appointed the trustee of IDB Development as the provisional receiver of the Company’s shares which are pledged in favor of IDB Development and some of its creditors (approximately 17.2 million DIC shares, which constitute approximately 12% of DIC’s issued and paid-up capital). The Court also appointed the attorneys Raanan Kalir and Alon Binyamini to the position of provisional receivers for the Company’s shares which are pledged in favor of the debenture holders (Series N) of IDB Development (approximately 99.3 million DIC shares, which constitute approximately 70.2% of DIC’s issued and paid-up capital). On October 13, 2020, the provisional receivers were appointed by the Court as permanent receivers (the “Receivers”). On October 15, 2020, approval was received from the Ministry of Communication for the transfer of Cellcom’s means of control to the receivers, subject to certain conditions which were specified in the aforementioned approval.

On October 14, 2020, the receivers and the trustee of IDB Development (jointly: the “Functionaries”) published a request for proposals to acquire the aforementioned shares of the Company. On November 20, 2020, further to offers for the acquisition of the Company’s shares which were submitted by Mr. Eduardo Elsztain and Yad Leviim Ltd., and by Mega Or Holdings Ltd. and a group of investors led by it (“Mega Or”), the Court gave its decision, in which it approved the sale of approximately 99.3 million Company shares (which constitute approximately 70.14% of its issued capital), and the sale of 17.2 million additional Company shares (which constitute approximately 12.12% of its issued capital) to Mega Or. As at the present date, the foregoing transaction has not yet been completed. For details regarding understandings which were given force of ruling by the Court, in which the directors on behalf of Mr. Eduardo Elsztain (including Mr. Elsztain himself) (the “Directors”) undertook not to disturb or disrupt the aforementioned sale process, and not to perform any activities outside of the ordinary course of business until the end of the process, including in corporations which are controlled or held by the Company, and if the Court approves a winner in the order process other than Mr. Eduardo Elsztain or a corporation under his control, then the directors will resign from their positions in all of DIC’s member corporations, upon the receipt of the receivers’ demand, see Note 10.B below. In accordance with the decision of the general meeting of the Company’s shareholders dated November 20, 2020, the tenure of directors serving on behalf of Mr. Eduardo Elsztain concluded (including Mr. Elsztain himself), and four new directors were appointed on behalf of the functionaries, in addition to the appointment of an additional director on their behalf to the Company’s Board of Directors on October 1, 2020, in accordance with the aforementioned understandings. Additionally, proximate to the date of this report, the directors on behalf of Mr. Eduardo Elsztain (including Mr. Elsztain himself) resigned from their positions as directors in companies under the Company’s control.

Note 1 - General (Cont.)

B. **Impact of the coronavirus pandemic** - The coronavirus pandemic (COVID-19, the "Coronavirus") began in China in the first quarter of 2020, and it has since spread around the world, causing concern and uncertainty. The coronavirus pandemic was declared by the World Health Organization as a pandemic posing a risk to global health, and is considered as an event with significant macro-economic consequences, which endangers the economic stability of countries throughout the world. Many countries, including Israel, have implemented and are continuing to implement significant measures in an attempt to contain the spread of the coronavirus, including, inter alia, by closing borders between countries, restricting the movement of civilians in public and private spaces, limiting the number of people who are permitted to congregate, significantly limiting public transportation, and various other measures intended to address the economic consequences of the coronavirus pandemic, including through grants, state-backed guarantees, tax discounts, and other measures.

In accordance with directives issued by Israel's Ministry of Health, the activity of many businesses was prohibited or restricted in the first quarter of 2020. On May 7, 2020, as the rate of coronavirus infections in Israel decreased, the Israeli economy began to open, subject to restrictions defined by the Ministry of Health. In June 2020 the coronavirus infection rate began to rise, leading to the re-imposition of some of the restrictions which had been imposed previously. In June to September 2020, restrictions were imposed in municipalities with high infection rates.

Following the significant increase in coronavirus infections, and in accordance with the directives of the Ministry of Health, a three week lockdown was imposed, beginning on September 18, 2020. Beginning on October 13, 2020, some of the restrictions were lifted, in accordance with the directives. Recently, due to the increase in coronavirus infections, the Ministry of Health has been considering required adjustments to its directives.

The coronavirus pandemic is having a significant impact on capital markets, including a significant decline, in the immediate term, of the market value of the Company's holdings. For details regarding the market value of the Company's main investments, see Note 3.B below.

Due to the declines which were recorded in stock markets, the Group recorded, in the first nine months of 2020, loss with respect to net change in the fair value of financial assets, net of tax, in the amount of NIS 95 million. DIC's share in the loss amounted to NIS 69 million.

As at September 30, 2020, the Company is fulfilling all of the financial covenants in connection with the debentures (Series J). Following the reduction of rating of the Company's debentures on April 7, 2020, and the non-fulfillment of the financial covenants as at March 31, 2020, the interest rate applicable to the debentures (Series J) was increased, beginning on April 7, 2020, from 4.80% to 5.05%, and beginning on June 30, 2020, from 5.05% to 5.80%, respectively. On June 30, 2020, the Company fulfilled one of the financial covenants which the Company had deviated from on March 31, 2020, and as a result, the interest rate on the debentures (Series J) decreased, beginning on August 20, 2020, from 5.80% to 5.30%. On September 30, 2020, the Company fulfilled an additional covenant which the Company had deviated from on March 31, 2020, and as a result, the interest rate decreased beginning on the publication date of the financial statements for the third quarter of 2020, from 5.30% to 5.05%. For additional details, see Note 4.B. below.

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

Cellcom - Due to the coronavirus crisis and its effects, international tourism has significantly declined, which has negatively affected Cellcom's roaming services for outbound tourists and roaming services for tourists in Israel and Cellcom's results in the first nine months of 2020. Cellcom assumes that roaming revenues will continue to suffer in the near future due to the restrictions on inbound and outbound tourism. Additionally, the Government of Israel published, with respect to certain periods, regulatory directives intended to address the coronavirus pandemic in Israel, including a prohibition against congregating in public and leaving home for unnecessary reasons, as well as the closure of malls and cultural and leisure centers, and a significant reduction of in-person presence at workplaces. Following these directives, Cellcom closed its points of sale and service centers for a certain period, which resulted in a decline in end user equipment sales. During this period, Cellcom adopted measures to reduce the aforementioned negative effects, by cutting expenses and investments, including by reducing sales activity and furloughing many employees. Cellcom's results in the first nine months of 2020 reflect the negative effects of the coronavirus pandemic on Cellcom's roaming services and on sales of end user equipment to customers.

Note 1 - General (Cont.)

B. (Cont.)

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

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

Property & Building - The HSBC Tower in New York was closed on March 15, 2020, in accordance with directives issued by New York State and New York City. The tower permitted access and services for tenants who were defined as "essential" in accordance with the bylaws of New York City and the regulations of New York State.

As at the publication date of the report, New York City is in phase 4 of New York State's deconfinement plan. The tower remains active and open for its "essential" businesses and for tenants who choose to work from the offices, subject to restricted occupancy guidelines of up to 50%. As at the publication date of the report, the occupancy rate in the building was approximately 99%, and the collection rate during the first nine months of 2020 amounted to approximately 99% of total rent billed.

After the center in the Tivoli project was mostly closed beginning on March 24, 2020, In accordance with the authorities' directives, the center was re-opened on May 15, 2020, subject to restrictions which were announced by the authorities. During the closure period, several lessees encountered difficulties, and some announced the discontinuation of their activity in the project. Several lessees also announced that they would not extend their lease agreements in the project, which are about to expire. On the other hand, during this period several new contracts were signed, such that the occupancy rate in the project, as at September 30, 2020, returned to around 73%. With respect to the months March to September 2020, approximately 84% of billed rent has been collected to date. To date management has not yet established a uniform policy in connection with the provision of concessions to tenants, and specific negotiations are held with each tenant. The management of the Tivoli project is working to complete the collection for the period.

Property & Building is closely monitoring the effect of the coronavirus pandemic on its business activities, and has been communicating directly with its lessees since the beginning of the crisis. Property & Building believes that its financial strength and the status of its properties, cash balances, and the current cash flows which it is generating, will allow it to continue financing its activities and service its liabilities.

Gav-Yam - As at the publication date of Gav-Yam's report for the second quarter of 2020, the management of Gav-Yam estimated that, in the long term, in light of the broad geographical and sectoral distribution of Gav-Yam's properties, as well as their status, locations and occupancy rates, and the fact that the vast majority of properties are used for IT, office, logistics and industrial purposes (and not for commerce or retail), with an emphasis on the quality of lessees, and the distribution of revenues from them, and also in light of its financial strength, as reflected, inter alia, in its high balances of available cash and cash equivalents, its low leverage ratio, the average lifetime of its debt and the comfortable distribution thereof, the fact that all of Gav-Yam's properties are unpledged, all reduce the exposure of Gav-Yam's businesses to the crisis and/or to significant instability, and it has tools at its disposal in order to appropriately deal with the economic crisis described above.

In the third and second quarters of 2020, Property & Building evaluated whether objective evidence existed of impairment of its investment in Gav-Yam. In light of, inter alia, Gav-Yam's operating results during the reporting period, which even included an improvement relative to previous periods (in NOI and FFO), and the fact that Gav-Yam's share price during and after the reporting period was volatile, and did not reflect an ongoing decline, Property & Building reached the conclusion that there was no objective evidence of impairment of its investment in Gav-Yam, and therefore, that there was no need to test for the impairment of the investment.

Note 1 - General (Cont.)

B. (Cont.)

Described below are the effects on the Company's primary holdings (Cont.)

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, as at the approval date of the financial statements, there is no certainty regarding the extent of the future impact on the economy, including, inter alia, the state of the markets, economic conditions in Israel and abroad, the scopes of unemployment, the scopes of private consumption, the concern regarding the development of a local or global recession, or another wave of the virus. These broad effects, if and insofar as they materialize, in whole or in part, could adversely affect the Group's business affairs and results.

C. These financial statements were prepared according to a condensed framework as at September 30, 2020 and for the nine and 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, 2019, and for the year then ended, and of the accompanying notes, which were approved on March 31, 2020 (the "Annual Financial Statements"). The notes to the interim financial statements with respect to contingent investments, engagements, debentures and loans, engagements and liabilities only include the main updates on these matters since the approval date of the annual financial statements.

D. **Main Definitions:**

In these reports (hereinbefore and hereinafter):

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

Note 2 - Significant Accounting Policies

A. Framework for preparation of the interim financial statements

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

These condensed consolidated interim financial statements were approved for publication by the Company’s Board of Directors on November 26, 2020. The significant accounting policies which were applied in the preparation of the interim consolidated financial statements are consistent with those which were applied in the preparation of the annual financial statements.

B. Use of estimates and judgment

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

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

C. Functional currency and presentation currency

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

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

	CPI		Exchange rate of the
	known CPI	CPI in lieu	US Dollar
	Points		NIS
As at			
September 30, 2020	100.2	100.1	3.441
September 30, 2019	101.0	100.8	3.482
December 31, 2019	100.8	100.8	3.456
<u>Rates of change during the period (in percent):</u>			
For the three months ended			
September 30, 2020	0.1%	0.1%	(0.7%)
September 30, 2019	(0.7%)	(0.3%)	(2.4%)
For the nine months ended			
September 30, 2020	(0.6%)	(0.7%)	(0.4%)
September 30, 2019	0.5%	0.6%	(7.1%)
For the year ended			
December 31, 2019	0.3%	0.6%	(7.8%)

Note 2 - Significant Accounting Policies (Cont.)

E. Initial adoption of new standards

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

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

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

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

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

2. Amendment to International Financial Reporting Standard (IFRS) 3, Business Combinations (the "Amendment to IFRS 3")

In accordance with the amendment to IFRS 3, in order to meet the definition of a business, the acquired entity is required to include an input and a substantive process which together contribute significantly to the ability to produce outputs. The new guidelines allow the possibility to determine when an input and substantive process exist, including for entities in initial stages of operation, which have not yet produced outputs. Additionally, according to the new guidelines, in order to be considered a "business" without the existence of outputs, the existence of a well-formed workforce is required.

The new definition of "output" includes products and services which are provided to customers and which generate revenue from the primary activity, or other revenue, and excludes refunds in the form of a reduction in costs and other economic benefits. Furthermore, it is no longer necessary to assess whether market participants are capable of replacing missing elements in the acquired entity, or to incorporate the inputs and the processes acquired in the inputs, and in their own processes.

Notwithstanding the foregoing, and entity may choose to apply the concentration test. Under this optional test, when essentially the entire fair value of the acquired assets (gross) is concentrated in a single asset, or in a group of similar assets, the acquired assets do not constitute a "business". In that case, the need for additional assessment becomes unnecessary.

The amendment to IFRS 3 was prospectively adopted on January 1, 2020. The initial adoption of the amendment to IFRS 3 had no material effect on the Company's financial statements.

Note 3 - Investee Companies

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

1. **Property & Building, a consolidated company held by DIC at a rate of 74.1% as at September 30, 2020**

A. In the second quarter of 2020, DIC acquired approximately 3.6% of the issued share capital of Property & Building, at a total cost of NIS 51 million. In the third quarter of 2020, DIC acquired approximately 1.7% of the issued share capital of Property & Building, at a total cost of approximately NIS 21 million, such that DIC's holding rate in Property & Building increased to approximately 74.1%. As a result of the aforementioned acquisitions, DIC recorded, in the first nine months of 2020 and in the third quarter of 2020, an increase in capital attributed to the Company's owners in the amount of NIS 31 million and NIS 12 million, respectively.

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

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

Until the date of the aforementioned change, the shareholder's loans which the Company had previously given to IDBG were presented at fair value through profit or loss, and the debt in accordance with the framework agreement was presented at amortized cost, which, as at the date of the change, was identical to its fair value. Since the date of the aforementioned change, all of the shareholder's loans which Property & Building provided to IDBG are presented as at fair value through profit or loss. In light of the foregoing, the activation of the mechanism had no effect on results.

Note 3 - Investee Companies (Cont.)

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

1. **Property & Building, a consolidated company held by DIC at a rate of 74.1% as at September 30, 2020 (Cont.)**

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

E. Great Wash Park LLC ("GW"), a wholly owned company of IDBG, which holds the interests in the Tivoli project has a loan which was received from a local bank in the United States (the "Bank Loan" and the "Bank Lender", respectively), the balance of which, as at the reporting date, was approximately USD 70 million. The loan agreement was signed in December 2018, for a period of three years, repayable on January 1, 2022. The bank loan bears fixed annual interest at a rate of 5.75%. Upon the provision of the bank loan, the lending bank deposited a total of USD 10 million out of the balance of the loan, in a reserve deposit for leasehold improvements (TI). The balance of the reserve as at September 30, 2020 amounts to USD 5.2 million. The entire project is pledged in favor of the lending bank, through a first ranking pledge. IDBG is a guarantor for the bank loan.

The bank loan was signed in parallel with a loan which was received from an Israeli institutional entity (the "Institutional Loan"), and the indemnification agreement which is described in section F below.

In May 2020, the lending bank approved for GW to finance the interest payment for the months May, June and July 2020 out of the reserve account.

In accordance with the loan agreement, GW undertook to fulfill an LTV ratio (as defined in the loan agreement) which will not exceed 40%, based on a valuation which the lender will consider satisfactory, in its exclusive and absolute discretion. The loan agreement determines that the evaluation will be performed only if required by the bank. If the bank requires an evaluation of this kind, and the ratio is higher than 40%, GW will be required to partially repay the loan, to a level which will allow it to meet the condition. The LTV ratio, calculated as at September 30, 2020, based on the valuation of GW, is 30%.

The bank loan includes an evaluation mechanism, according to which GW undertook, throughout the entire loan period, to maintain the property's DSCR at no less than 1.3. The evaluation of the coverage ratios will begin on December 31, 2020, in accordance with the operating results in the 12 months preceding the date of the evaluation. If the ratio falls below 1.3, then subject to the lending bank's requirements, the borrower GW will be required to immediately partially repay the balance of the bank's loan, to a balance which will allow the borrower to fulfill the aforementioned coverage ratio. As at September 30, 2020, the DSCR was approximately 2.0.

The bank loan agreement also includes a covenant according to which, if the Israeli institutional loan has not been repaid, in its entirety, by September 30, 2020, then GW will be required to furnish to the lending bank approval regarding the extension of the deadline for repayment of the institutional loan, to the repayment date of the bank loan, or to a later date. On October 2, 2020, GW signed an amendment to the bank loan agreement, which updated the target date from September 30, 2020 to January 31, 2021. In light of the fact that the amendment was signed in October 2020, IDBG presented the bank loan in its financial statements as at September 30, 2020 under current liabilities. Based on the amendment to the bank loan agreement which was signed, the bank loan will be presented in IDBG's annual statements as at December 31, 2020 under non-current liabilities.

Note 3 - Investee Companies (Cont.)

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

1. **Property & Building, a consolidated company held by DIC at a rate of 74.1% as at September 30, 2020 (Cont.)**

E. (Cont.)

If GW or IDBG have committed a fundamental breach or fundamental omission, with respect to any debt in an amount exceeding USD 100 thousand, the lending bank will have the option to demand the immediate repayment of the bank loan, unless GW or IDBG (as applicable) have disputed the occurrence of the breach, and the creditor in question has not received a ruling allowing it to enforce its rights with respect to the breach.

F. 1. On January 6, 2019, IDBG signed an update to the institutional loan agreement from January 3, 2017, from an Israeli financing entity (the “Institutional Lender”), in the amount of USD 153 million (the “Institutional Loan Agreement”), as specified below:

Principal terms of the loan agreement

A. The principal of the institutional loan, in the amount of NIS 153 million, will be repaid in a single payment at the end of 24 months (on January 6, 2021), and includes an interest reserve cushion in the amount of USD 1.2 million. The institutional loan bears fixed annual interest at a rate of 5.93% (the “Loan Interest”), or at a rate of 7.93% in case of a default event, as specified in this section below, to be repaid once every three months; the loan will be used to finance the Tivoli project and/or to finance any action or purpose which is associated with the construction and rental of the project.

B. Collateral will be provided in favor of the institutional lender as follows: Single first priority pledge on all of IDBG’s rights in GW; first priority mortgage on the land of IDBG with an area of approximately 8 acres, designated for residential purposes, in Las Vegas, USA; general first priority pledge on all assets, funds, property and rights, of any kind whatsoever, which belong to IDBG now or in the future; a pledge on IDBG’s rights to IDBG’s bank account; and guarantees, jointly and severally, which were provided by Property & Building and IDB Development for the entire sum of the guaranteed amounts (the “Guarantee”), accompanied by undertakings of Property & Building and IDB Development not to transfer their holdings in IDBG to third parties, in any manner which is not in accordance with the provisions of the loan agreement. The lender will be entitled to forfeit any of the collateral, according to an order which will be determined in its discretion.

The guarantee

1) Each of the guarantors, jointly and severally, provided in favor of the lender a perpetual guarantee to secure the repayment of all amounts which are owed and/or which will be owed to the institutional lender by IDBG in connection with the institutional loan agreement, and which will be in effect until after the repayment of the entire amounts of the loan, or until the institutional lender has given its approval for the cancellation of the letter of guarantee.
2) The institutional lender will be entitled to demand the payment of the guarantee in any of the following cases: (1) If IDBG has not fulfilled the full and accurate payment of any of the payments in accordance with the loan agreement when they come due; and/or (2) If a demand has been made for the immediate repayment of the loan in accordance with the grounds and conditions specified in the institutional loan agreement.

C. The institutional loan agreement includes sections containing standard representations, grounds for demanding immediate repayment, provisions regarding early repayment, and indemnification sections in favor of the lender. The grounds for demanding repayment in accordance with the agreement include, inter alia, grounds stipulating that insofar as the foreign banking corporation has announced a demanding the immediate repayment of the bank loan to GW, in an amount exceeding USD 1 million, the foregoing will constitute a default event also within the framework of the loan of the Israeli financing entity, and will allow the announcement of a demand for the immediate repayment also with respect to the loan of the Israeli financing entity.

Note 3 - Investee Companies (Cont.)

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

1. **Property & Building, a consolidated company held by DIC at a rate of 74.1% as at September 30, 2020 (Cont.)**

F. 1. (Cont.)

Principal terms of the loan agreement (Cont.)

D. In connection with the institutional loan, IDBG undertook, at all times, to fulfill an LTV ratio (as defined in the agreement) of no more than 50%, evaluated in accordance with IDBG's last quarterly reports, upon the lender's demand. The LTV ratio calculated as at September 30, 2020 was 49%.

E. IDBG's undertaking to the institutional lender will take precedence over its undertakings to repay the shareholder's loans which were provided to it Property & Building and IDB Development, including in accordance with the agreement for the provision of the credit facility by Property & Building in the amount of USD 50 million (see Section 1.C of this note).

2. On June 27, 2019, Maalot reduced the rating of IDB Development's debentures (Series I) from BB to CC. In accordance with the institutional loan agreement, the reduction of rating constituted grounds for the lender to demand the immediate repayment of the balance of the institutional loan. Furthermore, the reduction of rating caused the interest on the institutional loan to be increased from 5.93% to 7.93%.

   According to the position of IDBG, based on the opinion of its legal advisors, it has strong defense arguments in connection with the possibility of a demand for the immediate repayment of the institutional loan due to the reduction of the debentures' rating, if the institutional lender chooses to demand the immediate repayment of the loan.

   In September 2020, a trustee was appointed for IDB Development by the Israeli District Court, as stated in Note 1.A above. The appointment of the trustee constitute grounds for the institutional lender to demand the immediate repayment of the institutional loan. As at the approval date of the financial statements, the institutional lender has not demanded the immediate repayment of the institutional loan. According to the position of Property & Building, these proceedings do not constitute grounds for a breach vis-à-vis the lending bank.

3. In October 2020, IDBG used NIS 3.1 million out of the interest reserve for the current interest payment.

4. The institutional loan is due, as stated above, on January 6, 2021. IDBG does not have liquid sources for the repayment of the institutional loan. IDBG is working vis-à-vis the institutional lender to extend the loan for an additional period. If IDBG does not repay the institutional loan, or extends its period, then in accordance with the terms of the loan agreement, the institutional lender will be entitled to forfeit the guarantee which was given with respect to the institutional loan, by the shareholders of IDBG. If Property & Building is required to forfeit the guarantee, the total balance payable, as at September 30, 2020 (including the loan principal and accrued interest, after deducting the balance of the interest cushion) is NIS 155 million. Additionally, a breach of this kind by IDBG may constitute a default event which would allow the lending bank to demand the immediate repayment of the bank loan (unless IDBG disputes the occurrence of the breach, and the lending bank has not received a ruling allowing it to enforce its rights with respect to the breach). Based on preliminary discussions with the institutional lender, the management of Property & Building believes that the loan will be extended for an additional period, and that it will not be required to forfeit the guarantee.

Note 3 - Investee Companies (Cont.)

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

1. **Property & Building, a consolidated company held by DIC at a rate of 74.1% as at September 30, 2020 (Cont.)**

F. (Cont.)

5. The indemnification agreement

A. Property & Building, IDB Development and IDBG engaged in an indemnification agreement which determines that in case the guarantee is forfeited in a non-equal manner (i.e., the lender collects from one of the parties an amount exceeding its relative share in IDBG), the party which paid more than its share in the forfeiture of the guarantee (the "Excess Amount") will have right of recourse towards the other party, and priority in receiving the balance of the excess amount from the receipts of IDBG, in a manner which will compensate it for each such overpayment (the "Indemnification Agreement").

B. In case either of the parties effectively has effectively borne the excess amount towards the lender, the party which paid a lower part of its share will indemnify the first party for the excess amount, within seven (7) days after the date of the first party's initial demand, and with respect to any damage and expense which it has incurred due to its payment of the excess amount. Beginning from the date of creation of the excess amount, until its full repayment, the excess amount will bear annual interest at a rate of the loan plus 3%.

C. Additionally, in case of a distribution or repayment of shareholder's loans (or any other debt), which IDBG will perform to its shareholders, the party which paid the excess amount will have priority up to the full repayment of the excess amount. The payable balance of the forfeited guarantee would be in accordance with the terms of the current shareholders' loans.

G. In the first quarter of 2020, the fair value of the HSBC Tower in New York was updated to a total of USD 905 million, in accordance with the valuation of an independent valuer in the United States. In accordance with Regulation 49(A) of the Reports Regulations, an economic paper on this subject as at March 31, 2020 has been attached to these financial statements, by way of reference to the aforementioned paper which is attached to the financial statements of Property & Building as at March 31, 2020, which were submitted to the Israel Securities Authority and published on June 25, 2020 (reference number 2020-01-067065). As a result of the update to the valuation of the HSBC Tower, net loss of NIS 82 million arose for Property & Building. DIC's share in the net loss amounted to NIS 56 million. The amortization was mostly due to the decline in the growth forecasts and rental prices for the coming years.

H. The valuation of the Tivoli project in Las Vegas was updated in the first quarter of 2020 to a total of USD 233 million. As a result, Property & Building recorded amortization in the amount of NIS 11 million, which was included under the item for the Group's share in the loss of investee companies accounted by the equity method, net. DIC's share in the aforementioned loss amounted to a total of NIS 8 million. Following the update to the valuation in the first nine months of 2019, Property & Building recorded amortization in the amount of NIS 22 million. DIC's share in the loss amounted to NIS 15 million.

I. During the months April and May 2020, Property & Building performed swap transactions to exchange CPI-linked NIS cash flows with fixed NIS cash flows with respect to debentures (Series D) of Property & Building. The total sum of the transactions amounts to NIS 1.3 billion. The transactions are being accounted for as an economic hedge transaction which is not subject to hedge accounting. Against these transactions, Property & Building pledged deposits in the amount of NIS 60 million, which are subject to a "mark to market" mechanism.

Note 3 - Investee Companies (Cont.)

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

1. **Property & Building, a consolidated company held by DIC at a rate of 74.1% as at September 30, 2020 (Cont.)**

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

On April 8, 2020, Property & Building engaged with Messrs. Kidan Dahari and Yaron Adiv, third parties unrelated to Property & Building (the "Buyers"), in an agreement for the sale of its entire stake in Ispro and rights by virtue of shareholder's loans which it provided to Ispro (the "Agreement"). In the transaction, the buyers will acquire Property & Building's entire stake in Ispro shares, which constitutes 100% of Ispro's issued capital, and will acquire (through assignment by way of sale) Property & Building's rights by virtue of shareholder's loans which it provided to Ispro (the balance of which, as at the trade date, amounted to NIS 223 million), in consideration of a total of NIS 800 million, plus an additional consideration which will be calculated according to the cash flows from Ispro's activity, on a consolidated basis, excluding non-recurring effects (FFO), from the signing date of the agreement until the earlier of either the end of 2020, or the transaction closing date.

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

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

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

Note 3 - Investee Companies (Cont.)

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

1. **Property & Building, a consolidated company held by DIC at a rate of 74.1% as at September 30, 2020 (Cont.)**

J. (Cont.)

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

On October 5, 2020, Tnufort reported that it had approved that if will take the position of the buyers in the sale agreement, and that the buyers contacted Property & Building with a request to conduct negotiations in connection with an amendment to the sale agreement, which is intended to formalize the buyers' undertaking in connection with the outline of the sale agreement, and the collaboration Tnufort and Property & Building on the matter. Subsequently, preliminary and non-binding negotiations were held between the buyers and the management of Property & Building, in order to evaluate the possibility of an amendment to the sale agreement, which included the exchange of several non-binding drafts. For the avoidance of doubt, it is hereby clarified that the foregoing has not yet been discussed, and has not yet been approved, by the competent organs of Property & Building, and there is no certainty that the parties will reach binding agreements (if any) in connection with the amendment to the sale agreement, as stated above, and/or regarding the content or scope of such understandings.

In April 2020, Mega Or and Big filed a claim on these matters against Property & Building, one of its subsidiaries, and others (the "Defendants"), as well as a motion for an injunction on an ex parte basis (which was dismissed) to prevent the execution of the alternative transaction with a third party - the buyers. In the claim, the Court was requested to issue a permanent injunction against the defendants, which would prevent the execution of the new agreement, and the signing and execution of any other transaction for the sale of Ispro shares, as well as various declaratory orders stating that, inter alia, the plaintiffs have not breached the Mega Or agreement. The Court was also requested to issue an order applying the terms of the new agreement to the Mega Or agreement, or alternatively, to issue any other remedy to protect the rights of Mega Or and Big. The motion for a temporary injunction was dismissed by the Court, further to the Court's order that the plaintiffs announce whether they insist on their request, and regarding the holding of a hearing in the presence of the parties, the plaintiffs notified the Court that they did not insist on their request, but insisted on their claim.

Note 3 - Investee Companies (Cont.)

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

1. **Property & Building, a consolidated company held by DIC at a rate of 74.1% as at September 30, 2020 (Cont.)**

J. (Cont.)

In August 2020, Property & Building and one its subsidiaries filed a statement of defense, in which they rejected the assertions of the claim, and raised preliminary assertions regarding the summary dismissal of the claim. They also filed a statement of counterclaim against Mega Or and Big, in which Property & Building and its subsidiary petitioned, inter alia, for payment in the amount of approximately NIS 100 million to Property & Building and to its subsidiary, with respect to damages which they incurred due to material and fundamental breaches of the Mega Or agreement, and due to actions and omissions which they performed. On October 19, 2020, Mega Or notified Property & Building of the termination of the Mega Or agreement. On October 20, 2020, Mega Or and Big filed with the Court a motion to amend the statement of claim (which was approved by the Court in November 2020), in which they stated, inter alia, that in light of the termination of the agreement on their part, they were no longer requesting the remedy of adjustment of the agreement and the remedy of preventing the counter transaction, and instead were demanding monetary relief in the form of reimbursement of expenses and legal fees (in an immaterial amount), and adding to the current remedies that their termination of the agreement was lawful. In November 2020, the Court determined that the amendment to the statement of claim which had been requested by the plaintiffs should be permitted, subject to the payment of expenses in favor of the defendants (in an immaterial amount).

It is hereby clarified that the counterclaim which was filed by Property & Building and its subsidiary, as stated above, remains pending.

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

	As at September 30 2020	As at December 31, 2019
	(Unaudited)	Audited
	NIS millions	
Investment property	1,169	1,230
Other assets	103	81
Adjustment of book value fair value net of selling costs	(13)	-
Total assets of disposal group held for sale	1,259	1,311
Liabilities to banking corporations and financial institutions	305	320
Deferred tax liabilities	97	100
Other liabilities	51	65
Total liabilities of disposal group held for sale	453	485

K. In August 2020, Gav-Yam issued debentures through an extension of its Series H and I, for a total gross consideration of NIS 906 million.

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

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

2. **Cellcom, an investee company held by DIC at a rate of 46.1% as at September 30, 2020**

A. In the first nine months of 2020, approximately 6.5 million Cellcom options (Series 3) were exercised, as well as approximately 8.6 million Cellcom options (Series 4), for a total consideration of NIS 140 million (including DIC, as stated below). In June 2020, DIC exercised 3.8 million Cellcom options (Series 3), and in September 2020, DIC exercised 3.5 million Cellcom options (Series 4), at a total cost of approximately NIS 66 million. Due to the above, DIC's stake in Cellcom's issued share capital increased to approximately 46.1%, and DIC recorded, in the first nine months of 2020, a decrease in capital attributed to the Company's owners in the amount of NIS 1 million.

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

C. Further to that stated in Note 3.F.4. to the annual financial statements, regarding the obligation for an Israeli holding of 5% of Cellcom's issued capital and other means of control, in July 2020, the Ministry of Communication decided to amend Cellcom's license, such that the requirement for a minimum holding of 5% of the license holder's issued capital and each of the means of control by Israeli entities (citizens and residents of Israel) who are among the founding shareholders or their representatives, and for the appointment of one tenth of the Board members by Israeli entities, as stated above, would be canceled, upon the receipt of alternative instructions to the license holder, from the General Security Service. As at proximate to the publication date of the financial statements, Cellcom had not yet received such instructions.

D. Further to that stated in Note 22.B.1.D. to the annual financial statements, regarding the completion of the investment transaction in IBC Israel Broadband Company (2013) Ltd. ("IBC") by Cellcom and Israel Infrastructure Fund (the "IIF"), where after the closing of the transaction, Cellcom and the IIF hold, jointly and through a limited partnership (the "IBC Partnership"), through joint ownership in equal parts, 70% of the share capital of IBC (Cellcom indirectly holds 35% of the voting rights in IBC), in September 2020, Cellcom, together with the IIF, engaged in investment agreements with Hot Telecommunication Systems Ltd. (jointly with its related entities - "Hot") in IBC (the "Transaction"). In addition to standard and generally accepted conditions, the transaction includes an undertaking to significantly increase the distribution of IBC's fiber optic network in the coming years, and the following main points:

- Investment agreements - between the IBC Partnership and Hot. Under the investment agreements, Hot will become an equal partner in the IBC Partnership, and will indirectly hold 23.3% of IBC's share capital, by making an investment which will be essentially identical to the investment which was made by Cellcom and the IIF, until the transaction closing date.
- Indefeasible rights of use agreement - between IBC and Hot, in which Hot undertook to acquire indefeasible rights of use in IBC's fiber optic network.
- Service agreement - between IBC and Hot, in which IBC undertook to purchase certain services from Hot, and was entitled to purchase additional services.

IBC also undertakes to continue purchasing certain services from Cellcom which Cellcom provides to it, including after the closing date.

The closing of the transaction is subject to regulatory changes and the required approvals, including regulatory and third party approvals. Cellcom is unable to guarantee that a change of this kind will be made, or that the approvals will be given.

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 September 30, 2020 (Cont.)**

E. 1. Further to that stated in Note 33.D. to the annual financial statements, regarding the engagement of Cellcom, Golan Telecom's shareholders, and Golan Telecom, in a binding memorandum of understanding for the acquisition of the entire issued share capital of Golan Telecom, on August 26, 2020 the Golan acquisition transaction (the "Acquisition") was completed, which pertains to the provision of mobile telecommunication services, in consideration of a total of NIS 613 million (net total of NIS 545 million, plus the balance of cash and deposits in Golan Telecom prior to the acquisition, and after neutralizing transaction expenses, in accordance with the agreement between the parties). Upon the completion of the acquisition, Cellcom holds 100% of the shares of Golan Telecom, and beginning from the acquisition date, the balances in the statement of financial position and the operating results of Golan Telecom are fully included in the Company's financial statements. The Ministry of Communication approved the transaction subject to certain conditions, including Golan Telecom temporarily becoming a virtual operator (MVNO), and a demand that Golan Telecom reimburse monetary benefits which were received in the past, where the Ministry of Communication believes, in light of the acquisition, that it is required to repay a total of approximately NIS 75 million (the "Repayment Amount"). Golan Telecom disputes the Ministry of Communication's assertions in connection with the repayment of the aforementioned amounts. Until the completion of the hearing process for Golan Telecom on this matter, the Ministry of Communication determined that Golan Telecom was required to provide an autonomous guarantee with respect to the entire repayment amount, as a condition for approving the transfer of its control. Golan Telecom recognized a provision in the financial statements (prior to its consolidation by Cellcom) with respect to the repayment amounts. Additionally, a pledge was recorded on a deposit which had been provided by Golan Telecom in favor of the bank, in an amount similar to the guarantee amount, which was provided by Golan Telecom in favor of the Ministry.

The results of Golan are consolidated in the Company's financial statements, beginning from the transaction closing date. Accordingly, the Company's reports, from September 1, 2020 to September 30, 2020, include an increase of NIS 29 million (after neutralizing inter-company revenues) in revenue, and an increase in profit in the amount of NIS 5 million (following an amortization of the excess cost which was created in the acquisition) which are attributed to the activity of Golan Telecom. DIC's share in the profit was NIS 2 million.

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

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

2. **Cellcom, an investee company held by DIC at a rate of 46.1% as at September 30, 2020 (Cont.)**

E. (Cont.)

2. <u>Assets and liabilities which were acquired on the date of initial consolidation:</u>

	Values recognized in the initial consolidation
	(Unaudited)
	NIS millions
Non-current assets	
Fixed assets	7
Right-of-use assets	14
Customer relations (included under the item for intangible assets)	110
Brand (included under the item for intangible assets)	35
Other intangible assets	17
Current assets	
Other receivables and debit balances	46
Trade receivables	40
Cash and cash equivalents	5
Other current assets	70
Non-current liabilities	
Lease liabilities	11
Deferred tax liabilities	20
Other non-current liabilities	56
Loan from Cellcom	136
Current liabilities	
Lease liabilities	3
Other payables and credit balances	177
Other current liabilities	82
Total identifiable assets, net	(141)
Goodwill	754
Total consideration	613

The acquisition was accounted for using the acquisition method. Cellcom allocated the overall acquisition price to the acquired assets and liabilities, based on their fair value and their depreciation periods.

The intangible assets which were recognized in the acquisition mostly included goodwill in the amount of approximately NIS 754 million, which was attributable to the mobile segment, customer relations in the amount of approximately NIS 110 million, and brand in the amount of NIS 35 million. The customer relations and brand are amortized over a period of a useful lifetime of approximately 6 years and 10 years, respectively. The goodwill represents the excess of acquisition cost over the estimated fair value of the assets, less the liabilities, and represents the enterprise value and expected cash flows of Golan Telecom.

Cellcom recorded additional costs directly attributable to the acquisition in the amount of NIS 6 million, mostly with respect to consulting fees and legal fees. These costs were included under the item for other expenses in the statement of income.

The allocation of the excess acquisition cost to the assets and liabilities of Golan Telecom has not yet been completed as at the approval date of these financial statements, and can be finally adjusted up to 12 months after the acquisition completion date. Insofar as adjustments are required on the final measurement date, they will be made by restating the comparative figures which were previously reported according to the temporary measurement.

Note 3 - Investee Companies (Cont.)

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

2. **Cellcom, an investee company held by DIC at a rate of 46.1% as at September 30, 2020 (Cont.)**

E. (Cont.)

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

	NIS millions
Consideration paid[(1)]	(613)
Cash in Golan Telecom	5
Total	(608)

(1) The consideration which was paid includes the acquisition of a shareholder's loan in the amount of NIS 250 million.

F. For details regarding pro forma reports, as defined in Regulation 38(B) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, which are intended to reflect the Group's operating results, based on the assumption that the Golan transaction, as stated above, was already executed in January 1, 2018, see Note 9 below.

3. **Mehadrin, an investee company held by DIC at a rate of 44.5% as at September 30, 2020**

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

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

The Company prepared a paper regarding the allocation of the fair value of Mehadrin's assets and liabilities as at the date of rise to control. Due to the fact that Mehadrin's market value, as at the date of rise to control, is less than the price which is reflected by the capital attributed to Mehadrin's owners, negative goodwill was created in the aforementioned paper (profit from bargain purchase). DIC's share in the negative goodwill amounts to NIS 107 million, and was recognized as income in the statement of income. As a result of the above, DIC recorded net profit due to the rise to control of Mehadrin and the allocation of negative value to goodwill in the total amount of NIS 7 million, net, under the item for profit from realization and increase in the value of investments, assets and dividends.

Note 3 - Investee Companies (Cont.)

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

3. **Mehadrin, an investee company held by DIC at a rate of 44.5% as at September 30, 2020 (Cont.)**

B. In the third quarter of 2020, the Company completed the final assessment regarding the allocation of the balance of the investment in Mehadrin as at the date of the rise to control, in which it recognized fair value adjustments to tangible and intangible assets and liabilities in Mehadrin's books, as follows:

	NIS millions
Consideration:	
Cost of the additional acquisition	39
Fair value of interests prior to the rise to control	114
	153
Acquired assets and liabilities:	
Total acquired assets and liabilities (see section C below)	647
Non-controlling interests recognized on the date of the rise to control	(387)
Owners' share	260
DIC's share in negative goodwill (profit from bargain purchase)	107
Loss from revaluation of interests prior to the rise to control to fair value:	
Fair value of interests prior to the rise to control	114
Book value of interests prior to the rise to control	(214)
Loss from revaluation of interests prior to the rise to control to fair value	(100)
Total net profit due to rise to control and bargain purchase	7

The final economic paper regarding the attribution of the purchase consideration of Mehadrin is attached to these financial statements in accordance with Regulation 49(A) of the Reports Regulations.

Further to that stated in Note 3.G.4.A. to the annual financial statements, regarding a temporary paper on the allocation of the balance of the investment in Mehadrin as at December 10, 2019, the Company completed, in the third quarter of 2020, the final assessment of the value allocation.
Following the update to the aforementioned papers, due to immateriality, the Company recorded in the first quarter of 2020 an expense in the amount of NIS 7 million, and in the third quarter of 2020 an expenses in the amount of NIS 5 million, under the item for profit from realization and increase in the value of investments and assets, and dividends. Instead of the retrospective correction of the Company's results for 2019, and the recording an expense in 2019 in the amount of NIS 12 million.
The Company also recorded, in the statement of changes in equity for the third quarter of 2020, a decrease in non-controlling interests, under the item for changes in interests in consolidated companies, in the amount of NIS 9 million, instead of a correction of the opening balance of non-controlling interests as at July 1, 2020, as a decrease in the amount of NIS 9 million.

Note 3 - Investee Companies (Cont.)

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

3. **Mehadrin, an investee company held by DIC at a rate of 44.5% as at September 30, 2020 (Cont.)**

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

	Values recognized in the initial consolidation
	(Unaudited)
	NIS millions
Non-current assets	
Investments in investee companies accounted by the equity method	105
Fixed assets	306
Right-of-use assets	215
Other non-current assets	235
Current assets	
Inventory	142
Cash and cash equivalents	140
Other current assets	352
Non-current liabilities	
Lease liabilities	93
Other non-current liabilities	68
Current liabilities	
Credit from banking corporations and current maturities of loans from banks and others	370
Other current liabilities	317
Total	647

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

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

E. Summary information with respect to Mehadrin

	From March 9, 2020 to As at September 30, 2020	For the three months ended September 30, 2020
	(Unaudited)	
	NIS millions	
Income	565	137
Loss for the period	(21)	(7)
Attributable to:		
The Company's owners	(9)	(3)
Non-controlling interests	(12)	(4)

Note 3 - Investee Companies (Cont.)

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

3. **Mehadrin, an investee company held by DIC at a rate of 44.5% as at September 30, 2020 (Cont.)**

F. Had the rise to control described in section A above been implemented beginning on January 1, 2020, consolidated loss in the first nine months of 2020 would have amounted to NIS 515 million (additional profit of NIS 14 million), consolidated loss attributable to the Company's shareholders in the first nine months of 2020 would have amounted to NIS 355 million (additional profit of NIS 2 million), and total income from sales and services in the consolidated statement of income for the first nine months of 2020 would have amounted to NIS 4,070 million (an increase of NIS 352 million).

G. In the second quarter of 2020, DIC acquired approximately 3.5% of the issued share capital of Mehadrin, at a total cost of approximately NIS 14 million. In the third quarter of 2020, DIC acquired approximately 0.8% of the issued share capital of Mehadrin, at a total cost of approximately NIS 3 million, such that DIC's holding rate in Mehadrin increased to approximately 44.5%. As a result of the aforementioned acquisitions, DIC recorded, in the first nine months of 2020 and in the third quarter of 2020, an increase in capital attributed to the Company's owners in the amount of NIS 10 million and NIS 1 million, respectively.

4. **Shufersal, an investee company which was held by DIC at a rate of 26.0% as at July 26, 2020**

A. On July 26, 2020, DIC sold its entire stake in Shufersal (approximately 26%), for a total net consideration of approximately NIS 1,447 million. Due to the sale, DIC recorded, in the third quarter 2020, profit in the amount of approximately NIS 39 million. This profit was included under the item for "profit from discontinued operations, after tax".

B. Discontinued operation

1. Following the sale of the Company's entire stake in Shufersal, as specified in section A above, the Shufersal operation is presented as a discontinued operation, while the comparative figures with respect to the results of Shufersal for the nine and three month periods ended September 30, 2019, and for the year 2019, were restated in order to present the discontinued operation of Shufersal separately from continuing operations.
2. Presented below are data regarding comprehensive income which are attributed to discontinued operations

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2020	2019	2020	2019	2019
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
Capital gain from realization of investment in Shufersal	(1)39	-	(1)39	-	-
The Company's share in Shufersal's profit is accounted by the equity method	44	29	7	11	56
Total carried to the statement of income	83	29	46	11	56
Amounts carried to other comprehensive income with respect to the investment in Shufersal	3	(9)	6	(7)	(9)
Total amounts carried to comprehensive income	86	20	52	4	47

(1) Including loss from realization of capital reserves in the amount of NIS 5 million.

Note 3 - Investee Companies (Cont.)

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

4. **Shufersal, an investee company which was held by DIC at a rate of 26.0% as at July 26, 2020**

B. Discontinued operation (Cont.)

3. Presented below are data regarding the net cash flows which are attributed to the Shufersal discontinued operation:

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2020	2019	2020	2019	2019
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
Net cash from operating activities	21	42	-	-	42
Net cash from investing activities	(1)1,447	-	(1)1,447	-	-
Change in cash and cash equivalents from discontinued operations - Shufersal	1,468	42	1,447	-	42

(1) Including the net proceeds from the sale.

5. **Elron, an investee company held by DIC at a rate of 61.1% as at September 30, 2020**

A. Cartiheal (2009) Ltd. ("Cartiheal") is a company developing an implant to treat cartilage and bone injuries at weight bearing joints, such as the knee. As at the reporting date, Cartiheal was held by Elron at a rate of approximately 27% of its issued share capital, and the investment therein is accounted by the equity method.

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

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

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

   There is no certainty regarding the exercise of the call option or put option, or the timing thereof. The investment is Cartiheal is continuing to be accounted by the equity method. The balance of the investment as at September 30, 2020 was NIS 5 million.

   In accordance with the provisions of IFRS 9, the call option and put option constitute financial instruments at fair value through profit and loss, which are of immaterial value as at the signing of the agreements, and whose initial measurement did not have a net effect on the Group's profit or loss.

Note 3 - Investee Companies (Cont.)

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

5. **Elron, an investee company held by DIC at a rate of 61.1% as at September 30, 2020**

B.1. Pocared Diagnostics Ltd. ("Pocared"), is a company which is developing an advanced technological system for the automatic and rapid diagnosis of infectious diseases using optical technology.

Until the date of the aforementioned transaction, Pocared was a subsidiary of Elron, and was held by Elron and RDC Rafael Development Corporation Ltd. ("RDC", a subsidiary of Elron, in which it holds 50.1%) at a rate of approximately 45% and approximately 26%, respectively, of the issued share capital of Pocared.

In August 2020, Elron and RDC signed an agreement with some of Pocared's shareholders (the "Buyers"), in which the following arrangement was implemented (the "Transaction"):

The buyers undertook to finance Pocared's current activity and its continued efforts to obtain external financing.

In the transaction, Elron and RDC invested (together) in Pocared a total of USD 100 thousand. After this investment, Elron and RDC have no obligation to make any additional investment in Pocared.

Elron and RDC transferred to the buyers the majority of their holdings in Pocared shares, as well as the majority of the balance of the loans, which they had provided to Pocared in the past (jointly: the "Securities"), such that Elron's consolidated holding rate in Pocared decreased to approximately 10% of Pocared's issued capital (4% by Elron and approximately 6% by RDC).

In addition to the rights by virtue of the direct holding, Elron and RDC will be entitled to 64% of any future proceeds which may be received by the buyers (whether from Pocared or from a third party).

Elron and RDC remained with standard minority interests in Pocared, including the right to appoint a director to Pocared's board of directors, which will include up to five board members.

As a result of the above, beginning in August 2020, Pocared ceased being a consolidated company of Elron, and from that date onwards, the aforementioned interests in Pocared, including both the ownership interests by virtue of the direct holding and the interests which are essentially ownership interests by virtue of the transferred shares, are accounted by the equity method. As a result of the above, Elron recognized, in the third quarter of 2020, profit attributable to the owners of Elron in the amount of NIS 6 million, which mostly originated from the remeasurement to fair value of Elron's investment in Pocared. DIC's share in the profit amounted to NIS 4 million. The value of the interests in Pocared, in the amount of NIS 44 million, as well as the attribution of the excess cost to Pocared's assets, was done with the assistance of a external valuer. The excess cost was attributed to an intangible asset which is mostly attributed to ongoing research and development.

Note 3 - Investee Companies (Cont.)

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

5. **Elron, an investee company held by DIC at a rate of 61.1% as at September 30, 2020 (Cont.)**

B. (Cont.)

2. Summary balances and effects of the deconsolidation:

	As at the date of deconsolidation
	NIS millions
Assets, liabilities and non-controlling interests which were written off	
Cash and cash equivalents	1
Non-current assets	53
Current liabilities net of current assets (excluding cash and cash equivalents)	(5)
Non-current liabilities	(1)
Assets and liabilities, net	48
Non-controlling interests	(13)
Total balances which were written off	35
balance of the interests in Pocared shares in accordance with the equity method	27
Balance of the interests in loans which were given to Pocared	15
Balance of the holding of Pocared share options	2
Total balance of the interests in Pocared	44
Capital gains	9
Capital gains attributable to:	
The Company's owners	4
Non-controlling interests	5
Cash flows with respect to the deconsolidation	
Cash and cash equivalents which were written off due to the deconsolidation	(1)

Note 3 - Investee Companies (Cont.)

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

	Stake in share capital and in voting rights 30.9.20	Scope of investment in the investee company	Reserves (1)	Total	Market value of shares listed on the Tel Aviv Stock Exchange as at 30.9.20	Market value of shares listed on the Tel Aviv Stock Exchange as at 24.11.20	Country of incorporation
	%	NIS millions					
Primary consolidated companies *							
Property & Building Ltd.	74.1	1,436	162	1,598	1,097	1,401	Israel
Cellcom Israel Ltd. (in voting - 48.2%)	46.1	1,224	2	1,226	(2)1,051	1,220	Israel
Mehadrin Ltd.	44.5	278	-	278	216	214	Israel
Elron Electronic Industries Ltd.	61.1	138	91	229	237	291	Israel
Epsilon Investment House Ltd.	68.8	59	-	59			Israel
Other investee companies *		25	(9)	16			
Total		3,160					

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

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

(2) Cellcom is also listed in the United States. The market value of the holding in Cellcom, according to the closing price for trading in the United States (NYSE) on September 30, 2020 was NIS 1,056 million.

(3) 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.

(4) The Company's investments in investee companies include, inter alia, companies regarding which the sale of their shares is subject to certain restrictions. Regarding Cellcom - DIC is especially subject to a restriction on its ability to sell some of its shares in Cellcom to non-Israeli entities. See also Note 3.A.2.C. above.

Note 3 - Investee Companies (Cont.)

C. Data regarding associate companies and joint ventures

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

2. **Summary information regarding material associate companies**
This section includes details regarding associate companies which fulfill one or more of the following tests:
   - The Company's share in the investment amount in the associate company (through concatenation) exceeds 10% of the capital attributed to the owners of the Company in the relevant consolidated statement of financial position;
   - The Company's share in the results of the associate company (through concatenation) exceeds 10% (in absolute values) of the representative annual profit during the relevant period, as specified in Note 1.D.C. to the annual financial statements, and weighted according to the partial section of the evaluated period.
   - Qualitative considerations.

	As at September 30 2020	As at September 30 2019	As at December 31 2019
	(Unaudited)	(Unaudited)	(Audited)
		NIS millions	
Gav-Yam [(a)]			
Current assets	2,661	1,168	1,641
Non-current assets	8,457	7,535	8,032
Total assets	11,118	8,703	9,673
Current liabilities	953	410	652
Non-current liabilities	6,678	4,888	5,425
Total liabilities	7,631	5,298	6,077

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2020	2019	2020	2019	2019
	(Unaudited)		(Unaudited)		(Audited)
			NIS millions		
Gav-Yam					
Revenues from building rentals, management fees and others	438	404	139	140	572
Total income and comprehensive income for the period	202	375	60	150	564
Attributable to:					
Owners of Gav-Yam	172	288	47	109	464
Non-controlling interests in Gav-Yam	30	87	13	41	100
Total comprehensive income for the period	202	375	60	150	564

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

Note 3 - Investee Companies (Cont.)

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

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

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

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

	As at September 30 2020	As at September 30 2019	As at December 31, 2019
	(Unaudited)	(Unaudited)	(Audited)
		NIS millions	
IDBG[(a),(b)]			
Cash and cash equivalents	18	10	12
Total current assets	30	71	72
Total non-current assets	868	858	848
Current financial liabilities (excluding trade payables, other payables and provisions)	(393)	(153)	(153)
Total current liabilities	(425)	(178)	(180)
Total non-current financial liabilities (excluding trade payables, other payables and provisions)	(473)	(751)	(740)

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

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

	For the nine months ended September 30 2020	For the nine months ended September 30 2019	For the three months ended September 30 2020	For the three months ended September 30 2019	For the year ended December 31 2019
	(Unaudited)		(Unaudited)		(Audited)
			NIS millions		
IDBG[(b)]					
Income	30	34	8	12	45
Financing expenses (income), net [(a)]	(3)	(20)	4	(39)	(15)
Loss for the period from continuing operations and total comprehensive loss for the period [(a)]	(3)	(16)	(3)	-	(16)
[(a)] Includes financing income with respect to shareholder's loans in the amount of	24	49	4	49	52

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

Note 3 - Investee Companies (Cont.)

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

	For the nine months ended September 30, 2020	
	Amount distributed	DIC share
	NIS millions	
Consolidated company		
Property & Building	100	69
Epsilon	2	1
Associate company		
Shufersal	80	21
		91

Note 4 - Events During the Reporting Period

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

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

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

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

(1) In case of a change in control of the Company (in case the Company's current controlling shareholder, Mr. Eduardo Elsztain, ceases to be its controlling shareholder), the vesting period of the unvested options will be accelerated, in a manner whereby all of the options will vest on the date of the change in control. As stated in Note 1.A above, in November 2020 Mr. Eduardo Elsztain ceased being the Company's controlling shareholder, and all of the aforementioned options vested, and the Company is expected to record, in the fourth quarter of 2020, an additional expense in the amount of NIS 3.3 million.

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

A. (Cont)

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

B. On April 7, 2020, S&P Maalot reduced the rating of the Company’s debentures from il/BBB (Negative) to il/BBB- (Negative). Following the rating reduction, the interest rate applicable to the Company’s debentures (Series J) was increased, beginning on April 7, 2020, from 4.80% to 5.05%. As at September 30, 2020, the Company is fulfilling all of the financial covenants in connection with the debentures (Series J). As at March 31, 2020, the Company’s net asset value and the ratio of net financial debt to asset value amounted to NIS 157 million and 95%, respectively. Following the non-fulfillment of financial covenants as at March 31, 2020, the interest rate applicable to the Company’s debentures (Series J) was increased, beginning from the publication date of the Company’s financial statements for the first quarter of 2020 on June 30, 2020, from 5.05% to 5.80%. As at June 30, 2020, the ratio between net financial debt and asset value was 81%. Due to the fulfillment of the financial covenant as at June 30, 2020, which the Company did not fulfill as at March 31, 2020, the interest rate was reduced, beginning from the publication date of the financial statements for the second quarter of 2020, on August 20, 2020, from 5.80% to 5.30%. As at September 30, 2020, the Company’s net asset value and the ratio of net financial debt to net asset value amounted to NIS 826 million and 67%, respectively. Due to the fulfillment of the financial covenant as at September 30, 2020, which the Company did not fulfill as at March 31, 2020, the interest rate was reduced, beginning from the publication date of the financial statements for the third quarter of 2020, from 5.30% to 5.05%. 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 4 - Events During the Reporting Period (Cont.)

C. Further to that stated in Note 31.B.1.(B) to the annual financial statements, regarding the cost distribution agreement (services agreement), on June 25 and 29, 2020, the Company's Audit Committee and Board of Directors approved, respectively, approved updates to the terms of the Company's engagement with IDB Development in the cost distribution agreement (services agreement), for a three year period, effective from July 1, 2020 to June 30, 2023 (the "Updated Services Agreement"). Under the updated services agreement, inter alia, it was determined that instead of the allocation ratio for the cost of the shared services (as defined in the foregoing note), as specified in the agreement, according to which the Company bears 60% of the compensation cost of the service providers (as defined in the foregoing note), and IDB Development bears 40% of said cost. In consideration of the performance of the shared work and the new service allocation ratio according to the updated services agreement, IDB Development will pay to the Company a fixed annual payment in the amount of NIS 3.3 million with respect to the first year (i.e., July 1, 2020 to June 30, 2021), and a total of NIS 2.5 million beginning from the end of the first year (plus VAT). Accordingly, further to the mechanism specified in the agreement regarding the distribution of uses and office expenses, as specified in Note 31.B.1.(A) to the annual financial statements, the cost ratio between the Company and IDB Development was updated such that, with respect to the costs addressed in the aforementioned agreement, IDB Development will bear an annual cost of NIS 700 thousand (plus VAT) with respect to the first year (beginning on July 1, 2020) and NIS 500 thousand with respect to the second year and thereafter. The engagement in accordance with the updated services agreement, as stated above, was approved in August 2020 by the Company's general meeting (by a majority among the shareholders who had no personal interest in the decision), and was approved by the competent organs of IDB Development.

   In October 2020, after the date of the statement of financial position, the trustee of IDB Development notified DIC of the termination of the updated services agreement and the annexes thereto, beginning on September 25, 2020. In light of the above, in the financial statements for the third quarter of 2020, the Company included a provision for doubtful debts in the amount of NIS 7 million, with respect to IDB Development's unsecured debt towards the Company. On November 5, 2020, the Company submitted a debt claim in connection with IDB Development's debt to the Company.

D. Further to that stated in Note 31.B.2.(A) to the annual financial statements, in connection with officers' liability insurance (policy for 2019-2020), regarding the Company's engagement in liability insurance policies for the Company's officers, including officers who are and/or whose relatives are controlling shareholders of the Company (from time to time), for the period from April 1, 2019 up to and including July 31, 2020 (the "Current Policies"), on August 13, 2020 the Company's Board of Directors approved (after approval was received for this purpose from the Company's Compensation Committee and Audit Committee) in accordance with the Regulations 1(4) and 1.B.1. of the Companies Regulations (Expedients Regarding Transactions with Interested Parties), 5760-2000, inter alia, as follows: (1) to approve (and ratify) the extension of the current policies by another 14 days, until August 14, 2020 (instead of July 31, 2020), with no change to the policy terms and with an additional proportional premium (according to the premium specified in the current policies) in the amount of approximately USD 23 thousand; (2) To approve the exercise of the Company's right under the current policies, and in accordance with the Company's compensation policy, and to approve the acquisition of insurance coverage according to which, beginning after the end of the insurance period of the Company's current policies (i.e., beginning on August 15, 2020), the aforementioned current insurance policies will be extended such that they will include a discovery period, and will provide insurance coverage during an additional seven year discovery period in connection with claims which may be initially filed during the aforementioned discovery period, with respect to actions which were performed prior to the effective date. In other words, converting the current insurance policies into run-off policies of sorts, with a period seven years after the initial date of the discovery period, with respect to events which occurred from December 1, 2013 up to and including August 14, 2020, under the same liability limits as those which applied to the current policies which concluded on August 14, 2020, as stated above (including the seven year discovery period) (the "Extended Discovery Period"). The premium which will be paid with respect to the foregoing extended discovery period is approximately USD 1.3 million (non-recurring).

<u>Note 4 - Events During the Reporting Period</u> (Cont.)

D. (Cont.)

With respect to the foregoing the Company recorded, in the third quarter of 2020, an expense in the amount of NIS 5 million. With respect to the share of Shufersal Ltd. (which is not participating in the activation of the extended discovery period), DIC, IDB Development and Property & Building will pay a proportional premium (pro-rata); (3) To approve the Company's engagement in an officers' liability insurance policy, including for officers who are controlling shareholders of the Company and/or relatives of theirs (from time to time) with Clal Insurance and a group of insurers in the international insurance market, for the period from August 15, 2020 up to and including August 14, 2021 (the "Insurance Period"). The engagement pertains to a basic officers' liability insurance policy which is shared by and its wholly owned companies, with a liability limit in the amount of USD 20 million per claim and cumulatively (the "Basic Policy"), plus additional reasonable defense expenses, including beyond the aforementioned liability limit, in the event that the total loss, including the defense expenses, exceeds the aforementioned liability limit.

The basic policy was prepared in parallel with the basic and separate insurance policies which were prepared by IDB Development division and its wholly owned companies, and by Property & Building and some of its investees, under similar conditions. The basic insurance policy (as well as each of the basic policies of IDB Development and Property & Building) included a condition stipulating that the insurer's liability for any claim which is shared by two or more of the aforementioned policies will not exceed the liability limit in the basic policy (which was increased to USD 30 million, as specified below). The deductible with respect to any claim under the new insurance policy is USD 150 thousand (except with respect to any claim filed in the United States or in Canada, on any matter associated with securities laws, in which case the deductible will be USD 500 thousand; or USD 350 thousand, insofar as the case involves another claim filed in the United States or in Canada). In accordance with the agreement of Company management to work towards increasing the liability limit with respect to the basic policy, the Company approved the extension of the liability limit in the basic policy in the additional sum of USD 10 million, to a total of USD 30 million. The premiums which were paid by the Company with respect to the basic policy for the insurance period, with a liability limit of USD 30 million, amount to a total of approximately USD 1.6 million (including fronting fees). The Company also engaged in a directors and officers liability insurance policy of the "Side A" type, with a liability limit of USD 10 million per claim and cumulatively, for the insurance period, covering claims against the Company's officers, including officers who are controlling shareholders of the Company and/or relatives of theirs (who hold office from time to time), in case the liability limits of the basic policy have been exhausted, and the Company is unable to indemnify the directors and officers. The premiums which were paid by the Company with respect to this policy amount to a total of approximately USD 400 thousand (including fronting fees). The premium and deductible specified in the basic policy are higher than the maximum premium and deductible which are specified in the Company's compensation policy. Therefore, the Company engaged in the aforementioned basic insurance policy, in accordance with the approval of the Company's Compensation Committee, Audit Committee and Board of Directors, and worked in parallel to convene a general meeting of the Company's shareholders, whose agenda includes an update to the Company's compensation policy, such that the limits which were determined with respect to the premium and the deductible will be erased, the Company's Compensation Committee will be authorized to determine the amounts of the premium and deductible in accordance with the market conditions which apply on the date when the insurance policies are purchased, in accordance with the update to Legal Staff Resolution no. 101-21: Compensation Policy (Best Practice), dated July 1, 2020, in order to allow the approval of the engagement in the basic policy to fulfill the conditions of expedient 1B.1. of the Expedient Regulations. On September 24, 2020, the general meeting of the Company's shareholders approved the aforementioned update to the Company's compensation policy.

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

D. (Cont.)

In accordance with the terms of the basic policy, a change in control of the Company constitutes a "transaction" event, which activates a section stating that the policy will be restricted, beginning from the date of the transaction event, to claims which have been filed during the remainder of the insurance period, due to unlawful actions which were performed prior to the date of the aforementioned transaction event. With respect to the foregoing, the Company is expected to record, in the fourth quarter of 2020, an expense in the amount of NIS 6 million. On November 20, 2020, the Court gave a decision regarding the approval of the sale of the Company's control shares to Mega Or. The Company received from the insurers an offer to prepare a liability insurance policy for the Company's officers, including officers who are and/or whose relatives are controlling shareholders of the Company (who hold office from time to time), for the period from the date of the occurrence of the transaction event (the date when the directors on behalf of the controlling shareholder were replaced), until 12 months later (the "New Insurance Period"). The engagement will pertain to an officers' liability insurance policy which will be shared by the Company and its wholly owned companies, with a liability limit in the amount of USD 15 million per claim and cumulatively (the "New Policy"), plus additional reasonable defense expenses, including beyond the aforementioned liability limit, in the event that the total loss, including the defense expenses, exceeds the aforementioned liability limit. The new policy includes an exception stipulating that the transfer of control (50% of the shares or of the right to appoint directors) in DIC, with the approval of the Court, will not constitute a transaction event for the purpose of the policy. Provided that the policy does not apply to any claim which has been filed by or initiated by the controlling shareholder, or any other party on its behalf, with respect to unlawful actions which were performed prior to the acquisition of ownership or voting rights, as stated above. The deductible with respect to any claim under the new insurance policy is USD 150 thousand (except with respect to any claim filed in the United States or in Canada, on any matter associated with securities laws, in which case the deductible will be USD 500 thousand; or USD 350 thousand, insofar as the case involves another claim filed in the United States or in Canada). The premiums which the Company will pay with respect to the new policy for the new insurance period, with a liability limit of USD 15 million, amount to a total of approximately USD 900 thousand (including fronting fees).

The Company's engagement in the new policy is subject to the approval of the Company's Compensation Committee, in accordance with Regulation 1B.1 of the Expedient Regulations.

E. On August 20, 2020, DIC's Board of Directors approved a plan for the self-purchase of its debentures (Series F and Series J), until December 31, 2021, at a total cost of up to NIS 300 million. The aforementioned debentures will be purchased in accordance with market opportunities, according to the dates, prices and scopes which will be determined by DIC management. In the third quarter of 2020 DIC acquired its debentures (Series F and Series J) for a total cost of NIS 110 million. As a result of the acquisitions, DIC recorded, in the financial statements profit from early redemption of the debentures in the amount of NIS 7 million.

Note 5 - Claims and Contingent Liabilities

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

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

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

1. Claims and contingent liabilities against DIC and derivative claim

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

2. **Claims against Cellcom**

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

Balance of the provision	Claim amount
NIS millions	
52	1,884(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 has additional exposure.

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

Claim amount	Number of claims	Claim amount NIS millions
Consumer claims - up to NIS 100 million	18	613
Consumer claims - NIS 100 million to NIS 500 million	2	555
Consumer claims in which the claim amount was not specified	15	-
Consumer claims in which the amount claimed from Cellcom and additional defendants was not specified	7	-
Consumer claims against Cellcom and additional defendants in which the amount claimed separately from Cellcom was not specified	2	700
Consumer claims against Cellcom and additional defendants together, in which the amount claimed separately from Cellcom was specified	1	3
Non-consumer claims - Up to NIS 100 million	28	13
Total	73	1,884

Note 5 - Claims and Contingent Liabilities (Cont.)

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

Subsequent to the date of the statement of financial position, four claims and motions to approve them as class actions against Cellcom were filed: one claim and a motion to approve it as a class action against Cellcom in the amount of NIS 50 million; two claims and motions to approve them as class actions against Cellcom in which the claim amount was not specified; and one claim and a motion to approve it as a class action against Cellcom and additional defendants, in an amount which was estimated by the plaintiffs at NIS 3 million. At this preliminary stage, it is not possible to estimate their chances of success.

Additionally, two claims and motions to approve them as class actions against Cellcom, in an amount which was estimated by the plaintiffs as NIS 34 million, concluded.

3. **Claims against Property & Building**

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

Balance of the provision	Total additional exposure	Total
NIS millions		
6	33	39

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

Claim amount	Number of claims	Claim amount NIS millions
Up to NIS 100 million	42	39

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 September 30, 2020		As at September 30, 2019		As at December 31, 2019	
	(Unaudited)				(Audited)	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
	NIS millions					
Financial liabilities						
Debentures [(a),(b)]	10,730	10,783	11,884	11,618	11,031	11,181
Long term loans from banks and others [(a),(b)]	1,909	1,919	2,194	2,202	1,835	1,849
	12,639	12,702	14,078	13,820	12,866	13,030

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

(b) The fair value of debentures traded on the stock exchange was estimated based on their quoted price, and the interest rate with respect to them reflects the yield to maturity embodied in the aforementioned quoted price. The fair value of long term loans from banks 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 1

The balance of assets financial assets measured at fair value through profit and loss as at September 30, 2020 includes, inter alia, an investment of Property & Building in the amount of NIS 129 million in ETF's tracking the prices of gold and silver, and an investment of NIS 84 million of Property & Building in securities and options of Norstar Holdings Inc. ("Norstar") which constitute 14.24% of Norstar's share capital, or 19.42% of the share capital, assuming full exercise of the options. After the date of the financial statements, Property & Building exercised the balance of the ETF's in consideration of a total of NIS 121 million. Property & Building's total profit from the investment in the ETF's amounted to approximately NIS 1 million. In light of the foregoing, Property & Building will record, in its financial statements in the fourth quarter of 2020, financial loss in the amount of NIS 8 million. DIC's share in the aforementioned loss is NIS 6 million.

Financial instruments measured at fair value level 2

	As at September 30, 2020	As at September 30, 2019	As at December 31, 2019
	(Unaudited)		(Audited)
	NIS millions		
Financial assets	25	115	117
Financial liabilities	(20)	(5)	(5)

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

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

Note 6 - Financial Instruments (Cont.)
B. Fair value hierarchy of financial instruments measured at fair value (Cont.)
Financial instruments measured at fair value level 3

	For the nine months ended September 30, 2020 (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, 2020	156	210	366
Total income (loss) recognized:			
Under profit and loss [a]	24[b]	(22)	(46)
Under other comprehensive income (in the item for the reserves from translation differences)	-	(2)	(2)
Investments	1	-	1
Realizations	(1)	-	(1)
Transition to initial measurement at fair value level 3	2	244[c]	246
Balance as at September 30, 2020	134[1]	430	564
(A) Total profit for the period included under profit and loss with respect to held assets as at September 30, 2020:			
Net loss from realization and increase (decrease) in the value of investments and assets	(24)	-	(24)
The Group's share in the net profit (loss) of investee companies accounted by the equity method, net	-	(22)	(22)

(B) Not including income from dividends in the amount of NIS 16 million.
(C) See Note 3.A.1.C. above.

	For the nine months ended September 30, 2019 (Unaudited)			
	Financial assets measured at fair value through profit or loss			
	Investments and derivatives	Loans to associate companies	Total	Financial liabilities measured at fair value through profit and loss
	NIS millions			
Balance as at January 1, 2019	179	-	179	(4)
Initial measurement at fair value due to the initial adoption of the amendment to IAS 28	-	315	315	-
Total income (loss) recognized:				
Under profit and loss [a]	(20)[b]	(41)	(61)	-
Under other comprehensive income (in the item for the reserves from translation differences)	(6)	(22)	(28)	-
Investments	1	-	1	-
Redemptions	(1)	(4)	(5)	-
Transfer from level 3	(2)	-	(2)	-
Transfers to level 3	9	-	9	-
Balance as at September 30, 2019	160[1]	248	408	(4)
[A] Total profit for the period included under the income statement in respect of held assets as at September 30, 2019:				
Net loss from realization and increase (decrease) in the value of investments and assets	(20)	-	(20)	
The Group's share in the net profit (loss) of investee companies accounted by the equity method, net	-	(41)	(41)	

[B] Not including income from dividends in the amount of NIS 6 million.

Note 6 - Financial Instruments (Cont.)

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

	For the three months ended September 30, 2020 (Unaudited)			
	Financial assets measured at fair value through profit or loss			
	nvestments and derivatives	Loans to associate companies	Total	Financial liabilities measured at fair value through profit and loss
	NIS millions			
Balance as at July 1, 2020	134	437	571	(1)
Total income (loss) recognized:				
Under profit and loss [(a)]	(2)	(4)	(6)	1
Under other comprehensive income (in the item for the reserves from translation differences)	-	(3)	(3)	-
Transition to initial measurement at fair value level 3	2	-	2	-
Balance as at September 30, 2020	[(1)]134	430	564	-
[(A)] Total profit for the period included under the income statement in respect of held assets as at September 30, 2020:				
Net loss from realization and increase (decrease) in the value of investments and assets	(2)	-	(2)	
The Group's share in the net profit (loss) of investee companies accounted by the equity method, net	-	(4)	(4)	

	For the three months ended September 30, 2019 (Unaudited)			
	Financial assets measured at fair value through profit or loss			
	Investments and derivatives	Loans to associate companies	Total	Financial liabilities measured at fair value through profit and loss
	NIS millions			
Balance as at July 1, 2019	163	282	445	(4)
Total income (loss) recognized:				
Under profit and loss [(a)]	(1)	(27)	(28)	-
Under other comprehensive income (in the item for the reserves from translation differences)	(2)	(7)	(9)	-
Investments	1	-	1	-
Redemptions	(1)	-	(1)	-
Balance as at September 30, 2019	[(1)]160	248	408	(4)
[(A)] Total profit for the period included under the income statement in respect of held assets as at September 30, 2019:				
Net loss from realization and increase (decrease) in the value of investments and assets	(1)	-	(1)	
The Group's share in the net profit (loss) of investee companies accounted by the equity method, net	-	(27)	(27)	

Note 6 - Financial Instruments (Cont.)

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

	For the year ended December 31, 2019 (Audited)			
	Financial assets measured at fair value through profit or loss			
	Investments and derivatives	Loans to associate companies	Total	Financial liabilities measured at fair value through profit and loss
	NIS millions			
Balance as at January 1, 2019	179	-	179	(4)
Initial measurement at fair value due to the initial adoption of the amendment to IAS 28	-	315	315	-
Total income (loss) recognized:				
Under profit and loss (a)	(23)(b)	(46)	(69)	4
Under other comprehensive income (in the item for the reserves from translation differences)	(6)	(23)	(29)	-
Investments	1	-	1	-
Redemptions	(2)	(8)	(10)	-
Fair value adjustments	-	(28)	(28)	-
Transfer from level 3	(2)	-	(2)	-
Transfers to level 3	9	-	9	-
Balance as at December 31, 2019	(1)156	210	366	-
(A) Total income (loss) for the period included under the income statement with respect to held assets as at December 31, 2019:				
Net loss from realization and increase (decrease) in the value of investments and assets	(23)	-	(23)	4
The Group's share in the net profit (loss) of investee companies accounted by the equity method, net	-	(46)	(46)	-

(B) Not including income from dividends in the amount of NIS 8 million.

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

Note 7 - Sales and Services

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2020	2019	2020	2019	2019
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
Telecommunication services	2,073	2,103	699	721	2,791
Sale of communication equipment	668	714	271	225	964
Building rentals	295	329	91	109	438
Sale of apartments and real estate	88	278	25	81	336
Income from the agriculture segment	527	-	124	-	-
Income from management and consulting fees of an investment house	42	35	20	15	50
Others	25	36	9	16	42
	3,718	3,495	1,239	1,167	4,621

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	Shufersal (1)	Other (Elron)	Adjustments for the consolidation	Consolidated
	NIS millions					
For the nine month period ended September 30, 2020 (Unaudited)						
Sales and services	2,703	284	(2)7,420	-	(6,689)	3,718
Segmental results - attributable to the owners of the Company	(58)	(176)	(3)83	(25)	(181)	(357)
For the nine month period ended As at September 30, 2019 (Unaudited)						
Sales and services	2,786	607	10,021	-	(9,919)	3,495
Segmental results - attributable to the owners of the Company	(540)	625	29	(34)	(146)	(66)
For the three month period ended September 30, 2020 (Unaudited)						
Sales and services	956	83	(2)-	-	200	1,239
Segmental results - attributable to the owners of the Company	(17)	(27)	(3)46	1	(58)	(55)
For the three month period ended As at September 30, 2019 (Unaudited)						
Sales and services	938	191	3,443	-	(3,405)	1,167
Segmental results - attributable to the owners of the Company	(1)	577	11	(10)	(10)	567
For the year ended December 31, 2019 (audited)						
Sales and services	3,708	627	13,360	-	(13,074)	4,621
Segmental results - attributable to the owners of the Company	(564)	666	56	(48)	(96)	14

(1) Discontinued segment, see Note 3.A.4. above.
(2) The data for Shufersal is in accordance with Shufersal's financial statements as at June 30, 2020.
(3) Including capital gain from realization of investment in Shufersal in the amount of NIS 39 million.

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 nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2020	2019	2020	2019	2019
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
Reversal of amounts with respect to the Shufersal operation	(7,420)	(10,021)	-	3,443	(13,360)
Sales of Mehadrin	565	-	137	-	-
Other adjustments	166	102	63	(38)	286
	(6,689)	(9,919)	200	(3,405)	(13,074)

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

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2020	2019	2020	2019	2019
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
Inclusion of the results of DIC headquarters (mostly general and administrative, financing and taxes)	(181)	(134)	(50)	(8)	(161)
Mehadrin's contribution to the Company's results	5	-	(8)	-	-
Other adjustments	(5)	(12)	-	(2)	65
	(181)	(146)	(58)	(10)	(96)

B. Segmental assets

	Cellcom	Property & Building	Shufersal	Other (Elron)	Adjustments for the consolidation	Consolidated
	NIS millions					
As at September 30, 2020 (Unaudited)	6,742	8,846	-	324	4,023	19,935
As at September 30, 2019 (Unaudited)	6,868	11,059	12,151	424	(8,554)	21,948
As at December 31, 2019 (Audited)	7,162	9,405	11,954	393	(8,805)	20,109

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

	As at September 30		For the year ended December 31
	2020	2019	2019
	(Unaudited)		(Audited)
	NIS millions		
Reversal of amounts with respect to the Shufersal segment, which is classified in the financial statements as an associate company	-	(12,151)	(11,954)
Inclusion of the investment amount in associate companies based on their book value, as included in the financial statements	6	1,364	1,598
Inclusion of adjustments to fair value of assets of subsidiaries and goodwill with respect to them in DIC	595	490	491
Inclusion of other assets of DIC headquarters	2,006	1,566	888
Inclusion of Mehadrin's assets	1,237	-	-
Other adjustments	179	177	172
	4,023	(8,554)	(8,805)

Note 8 - Operating Segments (Cont.)

C. Segmental liabilities

	Cellcom	Property & Building	Shufersal	Other (Elron)	Adjustmen for the consolidati	Consolidated
	NIS millions					
As at September 30, 2020 (Unaudited)	4,824	6,874	-	29	4,516	16,243
As at September 30, 2019 (Unaudited)	5,239	8,311	10,356	41	(6,027)	17,920
As at December 31, 2019 (Audited)	5,275	7,067	10,040	38	(6,202)	16,218

Composition of adjustments to segmental liabilities in the consolidated report:

	As at September 30		As at December 31
	2020	2019	2019
	(Unaudited)		(Audited)
	NIS millions		
Reversal of amounts with respect to the Shufersal segment, which is classified in the financial statements as an associate company	-	(10,356)	(10,040)
Inclusion of the liabilities of DIC headquarters	3,658	4,180	3,695
Inclusion of adjustments to the fair value of liabilities of subsidiaries in DIC	87	53	54
Inclusion of Mehadrin's liabilities	681	-	-
Other adjustments	90	96	89
	4,516	(6,027)	(6,202)

Note 9 - Pro Forma Data Regarding Golan Telecom

A. As stated in Note 3.A.2.E. above, with respect to Cellcom's acquisition of Golan Telecom, the purchase transaction constitutes a material business combination requiring the presentation of pro forma reports, as defined in regulation 38(B) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970. 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 each of the presented periods. The accounting policy which was applied in the preparation of the pro forma reports was as described in Note 2 to the Company's annual consolidated financial statements. The pro forma reports were also prepared based on the following assumptions:

1. The acquisition of Golan, as stated in section A above, was completed on the pro forma commencement date, i.e., on January 1, 2018;
2. Expenses with respect to 3G frequencies, which were carried to the item for other income (expenses) in Golan Telecom's 2019 reports, were canceled, including the cancellation of the recording of non-recurring income, in light of the Ministry of Communication's decision to cancel the allocation of those frequencies in 2019;
3. The purchase amount was attributed to Golan's net identifiable assets and to goodwill, as specified in Note 3.A.2.E. above. The pro forma consolidated statements of income include amortization of excess cost which were created in the acquisition, beginning from the pro forma commencement date. Excess costs attributed to intangible assets - customer relations and brand name were amortized as stated in Note 3.A.2.E. above, and were included under the item for selling and marketing expenses;

<u>Note 9 - Pro Forma Data Regarding Golan Telecom</u> (Cont.)

B. (Cont.)

4. In light of the acquisition of Golan Telecom, management fee expenses were canceled in the reports which were attributable to Electra Consumer Products (1971) Ltd. (Golan's former controlling shareholder), as well as payroll expenses with respect to the allocation of options to officers of Golan Telecom, which had been carried in Golan Telecom's financial statements.
5. These pro forma reports includes the cancellation of inter-company transactions between Golan Telecom and Cellcom, including, inter alia, interest expenses which materialized during the pro forma period between Golan Telecom and Cellcom, with respect to a loan which it took out from Cellcom, cancellation of revenues with respect to the sharing agreement which were recorded in Cellcom, cancellation of accounting records which were made in the financial statements of Golan Telecom with respect to the sharing agreement prior to the acquisition date, in order to reflect Golan Telecom's financial results after the closing of the transaction, and as reflected in the Company's consolidated financial statements;
6. The pro forma reports do not include non-recurring expenses which were carried in the reports of Golan Telecom in 2020, and which were due to the completion of the Golan acquisition transaction, such as bonus payments and professional fees, and the recording of a provision with respect to the repayment amount, as stated in Note 3.A.2.E. above;
7. The pro forma reports include a statutory tax rate of 23% on Golan Telecom's pre-tax profit, and on the pro forma adjustments which were made.

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

C. Condensed Statements of Income

Condensed Consolidated Interim Statements of Income for the Nine Month Period Ended September 30

	Before the pro forma event	Data regarding Golan Telecom	Adjustments with respect to pro forma data	Pro forma data	Before the pro forma event	Data regarding Golan Telecom	Adjustments with respect to pro forma data	Pro forma data
	2020				2019			
	(Unaudited)							
	NIS millions							
Income								
Sales and services	3,718	401	(176)	3,943	3,495	398	(142)	3,751
The Group's share in the net profit of investee companies accounted by the equity method, net	13	-	-	13	-	-	-	-
Profit from realization and increase in the value of investments, assets and dividends	52	-	-	52	27	-	-	27
Increase in fair value of investment property, net	-	-	-	-	73	-	-	73
Other income	40	-	68	108	19	123	(124)	18
Financing income	29	1	(3)	27	184	-	(3)	181
	3,852	402	(111)	4,143	3,798	521	(269)	4,050
Expenses								
Cost of sales and services	2,844	284	(150)	2,978	2,447	242	(100)	2,589
Research and development expenses	12	-	-	12	27	-	-	27
Selling and marketing expenses	427	49	9	485	494	56	16	566
General and administrative expenses	393	10	(3)	400	348	13	(3)	358
The Group's share in the loss of investee companies accounted by the equity method, net	-	1	-	1	68	1	-	69
Loss from realization, impairment, and write-down of investments and assets	75	-	-	75	698	-	-	698
Decrease in fair value of investment property, net	157	-	-	157	-	-	-	-
Other expenses	5	71	-	76	1	-	-	1
Financing expenses	603	40	(38)	605	603	38	(36)	605
	4,516	455	(182)	4,789	4,686	350	(123)	4,913
Profit (loss) before taxes on income	(664)	(53)	71	(646)	(888)	171	(146)	(863)
Income (expenses) from taxes on income	52	38	(42)	48	(53)	-	(5)	(58)
Profit (loss) from continuing operations	(612)	(15)	29	(598)	(941)	171	(151)	(921)
Profit from discontinued operations, after tax	83	-	-	83	1,216	-	-	1,216
Net profit (loss) for the period	(529)	(15)	29	(515)	275	171	(151)	295
Net profit (loss) attributable to:								
The Company's owners	(357)	(7)	13	(351)	(66)	76	(68)	(58)
Non-controlling interests	(172)	(8)	16	(164)	341	95	(83)	353
	(529)	(15)	29	(515)	275	171	(151)	295

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

C. Condensed Statements of Income (Cont.)

Condensed Consolidated Interim Statements of Income for the Three Month Period Ended September 30

	Before the pro forma event	Data regarding Golan Telecom	Adjustments with respect to pro forma data	Pro forma data	Before the pro forma event	Data regarding Golan Telecom	Adjustments with respect to pro forma data	Pro forma data
	2020				2019			
	(Unaudited)							
	NIS millions							
Income								
Sales and services	1,239	134	(77)	1,296	1,167	137	(47)	1,257
The Group's share in the net profit of investee companies accounted by the equity method, net	8	-	-	8	-	-	-	-
Profit from realization and increase in the value of investments, assets and dividends	21	-	-	21	10	-	-	10
Increase in fair value of investment property, net	-	-	-	-	33	-	-	33
Other income	25	-	68	93	7	117	(118)	6
Financing income	23	1	(1)	23	71	-	(1)	70
	1,316	135	(10)	1,441	1,288	254	(166)	1,376
Expenses								
Cost of sales and services	960	117	(81)	996	789	81	(33)	837
Research and development expenses	5	-	-	5	8	-	-	8
Selling and marketing expenses	153	17	(1)	169	171	19	6	196
General and administrative expenses	132	3	(2)	133	111	4	(2)	113
The Group's share in the loss of investee companies accounted by the equity method, net	-	-	-	-	29	-	-	29
Loss from realization, impairment, and write-down of investments and assets	2	-	-	2	69	-	-	69
Decrease in fair value of investment property, net	1	-	-	1	-	-	-	-
Other expenses	5	70	-	75	-	-	-	-
Financing expenses	181	18	(17)	182	148	11	(10)	149
	1,439	225	(101)	1,563	1,325	115	(39)	1,401
Profit (loss) before taxes on income	(123)	(90)	91	(122)	(37)	139	(127)	(25)
Income (expenses) from taxes on income	-	2	(2)	-	(38)	-	(1)	(39)
Profit (loss) from continuing operations	(123)	(88)	89	(122)	(75)	139	(128)	(64)
Profit from discontinued operations, after tax	46	-	-	46	973	-	-	973
Net profit (loss) for the period	(77)	(88)	89	(76)	898	139	(128)	909
Net profit (loss) attributable to:								
The Company's owners	(55)	(41)	41	(55)	567	61	(56)	572
Non-controlling interests	(22)	(47)	48	(21)	331	78	(72)	337
	(77)	(88)	89	(76)	898	139	(128)	909

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, 2019

	Before the pro forma event	Data regarding Golan Telecom	Adjustments with respect to pro forma data	Pro forma data
	(Audited)		(Unaudited)	
		NIS millions		
Income				
Sales and services	4,621	530	(190)	4,961
Profit from realization and increase in the value of investments, assets and dividends	108	-	-	108
Increase in fair value of investment property, net	106	-	-	106
Other income	25	124	-	149
Financing income	236	-	(4)	232
	5,096	654	(194)	5,556
Expenses				
Cost of sales and services	3,258	322	(133)	3,447
Research and development expenses	32	-	-	32
Selling and marketing expenses	669	74	21	764
General and administrative expenses	479	18	(3)	494
The Group's share in the loss of investee companies accounted by the equity method, net	19	1	-	20
Loss from realization, impairment, and write-down of investments and assets	735	-	-	735
Other expenses	6	-	124	130
Financing expenses	754	50	(47)	757
	5,952	465	(38)	6,379
Loss before taxes on income	(856)	189	(156)	(823)
Taxes on income	(70)	-	(8)	(78)
Loss from continuing operations	(926)	189	(164)	(901)
Profit from discontinued operations, after tax	1,243	-	-	1,243
Net income for the period	317	189	(164)	342
Net profit attributable to:				
The Company's owners	14	83	(72)	25
Non-controlling interests	303	106	(92)	317
	317	189	(164)	342

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

A. For details regarding the adjustment of the interest rate applicable to the Company's debentures (Series J), beginning on the publication date of the financial statements, from 5.30% to 5.05%. See Note 4.B above.

B. Process of a request for offers to acquire Company shares, and undertaking not to disturb or disrupt the process, and not to perform any activities outside of the ordinary course of business until the end of the process:

On October 14, 2020, the Court of Tel Aviv-Yafo approved the publication of a request for offers to acquire the Company's control shares (the "Bidding Process").

In light of the foregoing, understandings were reached between the Company's receivers and Mr. Eduardo Elsztain, Mr. Saul Zang, Mr. Alejandro Gustavo Elsztain, Mr. Mario Balchar and Mrs. Diana Elsztain Dan (who serve as directors in DIC and in corporations which it controls and holds; the "Directors"), which were given the force of court ruling on October 25, 2020 (the "Understandings"). According to the understandings, the directors undertook: (1) That each of them will exercise any authority they have in DIC, and in any corporation controlled or held by it, in order to ensure that the bidding process will not be disrupted or disturbed, and in order to ensure that, until the end of the bidding process, DIC and companies controlled or held by it will operate in the ordinary course of business only; (2) The directors will exercise any authority they have in the DIC corporations, in order to ensure that Itzik Idan, C.P.A., is appointed, as soon as possible, as a director in the Company; (3) If the Court approves a winner in the bidding process other than Mr. Eduardo Elsztain or a corporation under his control, then the directors will resign from their positions in all of DIC's member corporations, upon the receipt of the receivers' demand. For details regarding changes to the composition of the boards of directors of the Company and of companies under its control, see Note 1.A above.

On October 15, 2020, the receivers received the offer of Mega Or Holdings Ltd. and the group of investors under its leadership, for the acquisition of the control shares of DIC, for a total consideration of NIS 950 million (the "Mega Or's Offer"). In accordance with Mega Or's offer, the completion of the transaction will take place 30 days after the date of the Court's approval of the offer, and subject to the adjustments which were determined in the offer, and also subject to the receipt of approval from the Minister of Communications, certifying that the execution of the transaction in accordance with the offer will not result in a breach by Cellcom of the licenses by virtue of which it, or corporations under its control, operate (the "Transaction Closing Date").

It was further stated in Mega Or's offer that insofar as an offer is received in accordance with the foregoing, Mega Or intends to use the Company's cash balances to reduce the Company's leverage, while focusing the Company on the real estate segment, in parallel with the realization of operations outside of that operating segment. It was further clarified in the aforementioned offer that there is no certainty regarding the realization date of the aforementioned activities, and they depend, inter alia, on the decisions of the Company's competent organs, on the receipt of the legally required approvals, including the feasibility, from a business perspective, of realizing the aforementioned holdings.

On October 21, 2020, the receivers received Mega Or's offer for the acquisition of additional DIC shares which constitute approximately 12.12% of DIC's issued and paid-up capital, for a total consideration of NIS 164.5 million (the "Supplementary Offer" and the "Cash Consideration Alternative", respectively). In accordance with the supplementary offer and the understandings between the parties, the trustee is entitled to notify Mega Or, by December 3, 2020 (inclusive), that instead of the cash consideration alternative, the trustee or any other creditor of IDB Development (the holders of debentures (Series N and Series I) chose to receive the proportional part to which they are entitled out of the pledged shares, in consideration of their share in the total debt claims of IDB Development, according to the order of creditors determined in the Court's decision (the "Share Consideration Alternative").

It was further noted in the supplementary offer that the acquisition of the shares offered for acquisition thereunder is subject to the acquisition of the control shares in accordance with Mega Or's offer, as specified in the aforementioned supplementary offer.

In accordance with the supplementary offer, the closing date will be 5 business days after the issuance of approval by the Minister of Communications. However, insofar as the receipt of said approval is delayed, the parties will work to complete the transaction prior to the receipt of such approval, on a date which will be determined, including the imposition of restrictions on Mega Or, which will be approved by the Ministry of Communication.

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

B. (Cont.)

Mega Or's offer (including the supplementary offer) may expire upon the occurrence of each of the following events until the completion date of the transaction (which will be considered an event constituting a material change for the worse): DIC sells over 2% of Property & Building's shares; Property & Building sells over 1% of Gav-Yam shares; DIC sells over 3% of Cellcom shares; DIC sells over 3% of Mehadrin shares; DIC sells over 3% of Elron shares;

"Sale", for this purpose, includes an issuance, such that a share issuance of any of the foregoing corporations, at a rate exceeding the rate specified above, with respect to that corporation, out of that corporation's issued and paid-up capital, to a third party (other than DIC or any of its controlled corporations) will be considered an event which may result in the expiration of Mega Or's offer. Additionally, any share issuance by DIC will in itself be considered an event which may result in the expiration of Mega Or's offer.

It was also determined in Mega Or's offer that insofar as, prior to the aforementioned completion date, a distribution is made in the Company, as this term is defined in the Companies Law, 5759-1999 the distribution amount which will be received by the receivers with respect to the control shares will be subtracted from the consideration in accordance with Mega Or's offer. The foregoing provisions will also apply to the supplementary offer.

On November 20, 2020, further to offers for the acquisition of the Company's shares which were submitted by Mr. Eduardo Elsztain and Yad Leviim Ltd., and by Mega Or, the Court gave its decision, in which it approved the sale of approximately 99.3 million Company shares (which constitute approximately 70.14% of its issued capital), and the sale of 17.2 million additional Company shares (which constitute approximately 12.12% of its issued capital) to Mega Or. As at the present date, the foregoing transaction has not yet been completed.

C. In November 2020, Cellcom's partner in the shared mobile network, Marathon 018 Xfone Ltd. ("Xfone"), did not pay the monthly payment which was due on October 31, 2020, in accordance with the network hosting and sharing agreement (the "Debt"). Cellcom issued to Xfone a demand for immediate payment of the Xfone, and intends to work diligently to exercise its rights under the agreement. At this preliminary stage, Cellcom is unable to estimate the implications on Cellcom's results.

D. In November 2020, Cellcom issued to institutional investors, through an extension of its Series L, debentures in the amount of NIS 400 million par value, for a total gross consideration of NIS 391 million, reflecting an effective interest rate of 3.6%. The issuance is subject to the approval of the Tel Aviv Stock Exchange Ltd. For details regarding the terms of the aforementioned debentures (Series L), see Notes 15.A.1.(A).3. and 15.D.1. to the annual financial statements.

E. For details regarding claims which were filed against investee companies after the date of the statement of financial position, and regarding changes which occurred subsequent to the aforementioned date, in pending claims as at the date of the statement of financial position, see Note 5.B. above.

DIC

Discount Investment Corporation Ltd

Financial statements
of a material associated comapny

IDB GROUP USA INVESTMENTS INC.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

UNAUDITED

IN U.S DOLLARS

I N D E X

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

Introduction

We have reviewed the accompanying financial information of IDB Group USA Investment Inc. and subsidiaries (hereinafter - the "Company"), which comprises the condensed consolidated statement of financial position as of September 30, 2020 and the condensed consolidated statements of comprehensive loss, changes in equity and cash flows for the nine and three month periods then ended. The Company's board of directors and management are responsible for the preparation and presentation of this interim financial information for these interim periods in accordance with IAS 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

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

Haifa, Israel
November 26, 2020

Kesselman & Kesselman
Certified Public Accountants (lsr.)
A member firm of PricewaterhouseCoopers International Limited

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

U.S. dollars in thousands

	September 30		December 31
	2020	2019	2019
	Unaudited		Audited
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	**5,950**	2,754	3,567
Restricted cash	**1,200**	-	-
Receivables and prepayments	**1,492**	1,991	1,638
Land held for sale	**-**	15,600	15,600
Total current assets	**8,642**	20,345	20,805
NON-CURRENT ASSETS:			
Restricted cash	**5,171**	10,345	9,274
Investment property	**233,234**	221,200	221,599
Land inventory	**12,000**	12,500	12,500
Other assets	**2,043**	2,289	2,133
Total non-current assets	**252,448**	246,334	245,506
Total assets	**261,090**	266,679	266,311
LIABILITIES			
CURRENT LIABILITIES:			
Loans from bank and financial institution	**114,224**	43,879	44,235
Related parties	**5,604**	4,200	4,200
Tenant's security deposits	**1,102**	901	901
Accounts payable and accrued liabilities	**2,576**	2,153	2,779
Total current liabilities	**123,506**	51,133	52,115
NON-CURRENT LIABILITIES:			
Loans from shareholders	**137,584**	146,052	144,649
Loan from bank	**-**	69,494	69,547
Total non-current liabilities	**137,584**	215,546	214,196
Total liabilities	**261,090**	266,679	266,311
Equity attributable to equity owners of the Company			
Paid-in capital	**88,000**	88,000	88,000
Capital reserve from transactions with controlling shareholders	**1,838,051**	1,837,311	1,837,311
Capital reserve from transactions with non-controlling interest	**(190)**	(190)	(190)
Accumulated deficit	**(1,925,861)**	(1,925,121)	(1,925,121)
Total equity	**-**	-	-
Total liabilities and equity	**261,090**	266,679	266,311

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

November 26, 2020		
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

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2020	**2019**	**2020**	**2019**	**2019**
	Unaudited				**Audited**
REVENUES					
Rental revenue	**8,552**	9,378	**2,217**	3,263	12,568
EXPENSES					
Rental property expenses	**3,465**	4,476	**1,166**	1,552	6,016
General and administrative expenses	**2,064**	1,101	**629**	458	1,894
Valuation loss on investment property and land inventory	**4,613**	14,260	**-**	12,478	14,260
Financing income	**(15)**	(76)	**(3)**	(16)	(86)
Financing expenses on shareholders loans	**569**	8,252	**-**	1,625	9,914
Revaluation of shareholders loans measured in fair value	**(7,518)**	(22,504)	**(1,163)**	(15,802)	(25,683)
Financing expenses to others	**6,114**	8,192	**2,328**	2,968	10,576
Total expenses	**9,292**	13,701	**2,957**	3,263	16,891
Loss and total comprehensive loss for the period attributable to equity owners of the Company	**(740)**	(4,323)	**(740)**	-	(4,323)

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

U.S. dollars in thousands

	Attributable to equity owners of the Company				
	Paid-in capital	Capital reserve from transactions with controlling shareholders	Capital reserve from transactions with non-controlling interest	Accumulated deficit	Total
For the nine months ended September 30, 2020 (unaudited)					
Balance as of January 1, 2020 (audited)	**88,000**	**1,837,311**	**(190)**	**(1,925,121)**	**-**
Total comprehensive loss for the period	**-**	**-**	**-**	**(740)**	**(740)**
Capital reserve from transactions with controlling shareholders - see note 6(c)	**-**	**740**	**-**	**-**	**740**
Balance as of September 30, 2020 (unaudited)	**88,000**	**1,838,051**	**(190)**	**(1,925,861)**	**-**

	Attributable to equity owners of the Company				
	Paid-in capital	Capital reserve from transactions with controlling shareholders	Capital reserve from transactions with non-controlling interest	Accumulated deficit	Total
For the nine months ended September 30, 2019 (unaudited)					
Balance as of January 1, 2019 (audited)	88,000	1,764,086	(190)	(1,920,798)	(68,902)
Capital reserve from transactions with controlling shareholders - see note 6	-	73,225	-	-	73,225
Total comprehensive loss for the period	-	-	-	(4,323)	(4,323)
Balance as of September 30, 2019 (unaudited)	88,000	1,837,311	(190)	(1,925,121)	-

	Attributable to equity owners of the Company				
	Paid-in capital	Capital reserve from transactions with controlling shareholders	Capital reserve from transactions with non-controlling interest	Accumulated deficit	Total
For the three months ended September 30, 2020 (unaudited)					
Balance as of July 1, 2020 (unaudited)	**88,000**	**1,837,311**	**(190)**	**(1,925,121)**	**-**
Total comprehensive loss for the period	**-**	**-**	**-**	**(740)**	**(740)**
Capital reserve from transactions with controlling shareholders - see note 6(c)	**-**	**740**	**-**		**740**
Balance as of September 30, 2020 (unaudited)	**88,000**	**1,838,051**	**(190)**	**(1,925,861)**	**-**

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

U.S. dollars in thousands

	Attributable to equity owners of the Company				
	Paid-in capital	**Capital reserve from transactions with controlling shareholders**	**Capital reserve from transactions with non-controlling interest**	**Accumulated deficit**	**Total**
For the three months ended September 30, 2019 (unaudited)					
Balance as of July 1, 2019 (unaudited)	88,000	1,837,311	(190)	(1,925,121)	-
Total comprehensive income for the period	-	-	-	-	-
Balance as of September 30, 2019 (unaudited)	88,000	1,837,311	(190)	(1,925,121)	-

	Attributable to equity owners of the Company				
	Paid-in Capital	**Capital reserve from transactions with controlling shareholders**	**Capital reserve from transactions with non-controlling interest**	**Accumulated deficit**	**Total**
Balance as of January 1, 2019 (audited)	88,000	1,764,086	(190)	(1,920,798)	(68,902)
Capital reserve from transactions with controlling shareholders (audited) - see note 6	-	73,225	-	-	73,225
Total comprehensive loss for the year (audited)	-	-	-	(4,323)	(4,323)
Balance as of December 31, 2019 (audited)	88,000	1,837,311	(190)	(1,925,121)	-

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Nine months ended September 30, 2020	Nine months ended September 30, 2019	Three months ended September 30, 2020	Three months ended September 30, 2019	Year ended December 31, 2019
	Unaudited				Audited
Cash flows from operating activities:					
Loss	**(740)**	(4,323)	**(740)**	-	(4,323)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:					
Depreciation and amortization	**103**	70	**47**	25	91
Provision for doubtful accounts and bad debt expense	**1,247**	151	**343**	117	568
Valuation losses	**4,613**	14,260	**-**	12,478	14,260
Financing expense (income), net	**(850)**	(6,136)	**1,162**	(11,225)	(5,279)
Changes in operating assets and liabilities:					
Change in deferred rent receivable	**733**	150	**177**	(73)	2
Tenant receivables	**(1,022)**	(457)	**259**	(330)	(597)
Accounts payable and accrued liabilities	**(174)**	(6,197)	**1,019**	(1,272)	(4,454)
Other assets	**31**	(230)	**(388)**	(349)	(183)
Net cash provided by (used in) operating activities	**3,941**	(2,712)	**1,879**	(629)	85
Cash flows from investing activities					
Investment in real estate and other assets	**(802)**	(414)	**(190)**	-	(542)
Net cash provided by (used in) investing activities	**(802)**	(414)	**(190)**	-	(542)
Cash flows from financing activities					
Payment of interest	**(5,649)**	(3,828)	**(1,904)**	(431)	(7,068)
Decrease (increase) in restricted cash	**2,903**	856	**1,248**	(14)	2,127
Loans from related parties	**1,990**	4,200	**970**	-	4,313
Net cash provided by (used in) financing activities	**(756)**	1,228	**314**	(445)	(628)
Net change in cash and cash equivalents	**2,383**	(1,898)	**2,003**	(1,074)	(1,085)
Cash and cash equivalents, beginning of period	**3,567**	4,652	**3,947**	3,828	4,652
Cash and cash equivalents, end of period	**5,950**	**2,754**	**5,950**	2,754	3,567
Supplemental noncash disclosures					
Capital reserve from transactions with shareholders	**-**	73,225	**-**	-	73,225

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

NOTE 1:- GENERAL

IDB Group USA Investments Inc. ("the Company" or "IDBG") is a company domiciled in the United States. The Company was incorporated in 2005 and is held by Property & Building Corporation Ltd. ("PBC") (74.18%) and IDB Development Corporation Ltd. ("IDBD") (25.82%), for the purpose of investing in real estate projects in the USA. As to the change in the Company's shareholding, also see note 6(b) below.

On September 25, 2020 the District Court in Tel-Aviv-Jaffa ("Court") issued a judgement pursuant to which an order was awarded for the opening of proceedings against IDBD as well as an order for its liquidation. Pursuant to the judgment, a trustee was appointed to IDBD ("Trustee"). The Court also appointed receivers and the Trustee as the temporary receiver for the Discount Investments Corporation Ltd. (PBC's controlling shareholder, "DIC") shares constituting approx. 82% of the issued share capital of DIC (together- "Officials"), which are pledged in favor of holders of IDBD's debentures and of IDBD. On October 14, 2020, the Officials published an invitation for the submission of offers for the purchase of said DIC shares. For details regarding possible effects of the appointment of the trustee to IDBD on Israeli Institutional Loan, see Note 5 below.

These financial statements have been prepared in a condensed format as of September 30, 2020 and for the nine and three month periods then ended ("interim financial statements"). These financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2019 and for the year then ended and the accompanying notes ("annual financial statements").

<u>COVID-19</u>

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 30% in the current operating expenses of the center during the period from April – September, 2020.

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

NOTE 1:- GENERAL (cont'd)

The occupancy rate in the project prior to the outbreak of COVID-19 was 73%. During the closure period several tenants experienced difficulties and some announced the closure and subsequent liquidations of their businesses in the project. Also, a number of tenants announced that they would not be extending their lease agreements in the project and exercised their termination rights. On the other side, new leases were signed in this period increasing the occupancy back to 73% as of September 30, 2020. In March-September 2020 approximately 83% of the billed lease payments have so far been collected for the office tenants and for the retail and restaurant tenants. To date management has not established a policy for rent relief and all discussions are being handled on a case-by-case basis. To date limited number of tenants have been granted concessions of 60 to 90 days in return for an extension of the lease period by a similar period. The concession balance is not material for the Company's operation. The Company will continue working to complete the collection for the period.

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

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. The interim consolidated financial statements for the nine and three months periods ended September 30, 2020 have been prepared in accordance with IAS 34, "Interim Financial Reporting". The significant accounting policies and methods of computation adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the annual financial statements.

b. Use of estimates and judgments

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

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

NOTE 3:- INVESTMENT PROPERTY

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

Approximately 670,000 square feet were developed and are comprised of approximately 337,000 square feet of office space, and approximately 333,000 square feet of retail and restaurant (the "center"). Occupancy rate as of the end of September 30, 2020 is 73%. The rest of the Project remains under planning for development with no construction date specified at this date.

The Company obtained an independent third-party appraisal of its investment property in the nine month ended September 30, 2020. The valuation was performed mainly by discounting the future cash flows anticipated to be derived from the project. The discount rate used by the independent appraisers was 8%, and was selected based on the type of property and its intended use, its location and the quality of the lessees. The capitalization rate used was 6.5%. The valuation concluded that the fair value of the property as of March 31, 2020 to be $233 million. (September 30, 2019 - $237 million), including $15.0 million in respect of a parcel of land adjacent to the Project which was classified as held for sale.

Due to the change in fair value, the Company incurred a loss of approximately $4 million for the nine months period ended September 30, 2020 (September 30, 2019 – $13 million).

Investment property is under level 3 fair value hierarchy.

Movement:

	U.S. dollars in thousands
Balance as of January 1, 2020	237,199
Investments	148
Fair value adjustments (unrealized loss)	(4,113)
Balance as of September 30, 2020	233,234

NOTE 4:- LAND INVENTORY

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

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

NOTE 5:- LOANS FROM BANK AND FINANCIAL INSTITUTION

a. Loan from bank

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 September 30, 2020 is in the amount of $5.2 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 the Lender in Lender's sole and absolute discretion. The calculated LTV as of September 30, 2020, based on the GW's appraisal, is 30%.

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 a ratio of 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 Lender's demands, GW will immediately demand to partially repay the balance of the Bank Loan, to a balance that will allow the borrower to meet the aforementioned criterion. As of September 30, 2020, the DSCR is 2.00.

The Bank Loan Agreement includes a covenant that if the Israeli Institutional Loan (described in subsection (b) below) is not repaid in full by September 30, 2020 (the "Extension Deadline"), then GW shall be required to provide the Bank of Nevada with an extension of the Israeli Institutional Loan on or after the maturity date of the Bank Loan. On October 2, 2020 GW signed an amendment to the Bank Loan Agreement that amended the Extension Deadline until January 31, 2021. Due to the fact the amendment was signed in October, as of September 30, 2020 the Company presented the Bank Loan in its financial statements as a current liability. Based on the signed amendment to the Bank Loan Agreement, the Bank Loan will be presented as a non-current liability in the Company's financial statements as of December 31, 2020.

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, the Bank will have the option to call for immediate repayment of the Bank Loan.

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

b. Loan from an 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), matures (bullet) on January 6, 2021. The Israeli Institutional Loan includes 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. In October 2020, the Company used $0.91 million out of its interest reserve for the current interest payment.

2. The collateral (jointly, the “Collateral”) provided to the Israeli Lender is as follows: 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 September 30, 2020 is 49.1%.

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.

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

b. Loan from an Israeli Institutional Entity (cont'd)

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. PBC, IDBD and IDBG have 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, 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, based on consulting with legal counsel, is that as at the report date, IDBG has good defense arguments against calling for immediate repayment of the Israeli Institutional Loan only as a result of such ratings downgrade of June 27, 2019, if such measures are taken by the Israeli Institutional Lender.

NOTE 5:- LOANS FROM BANK AND FINANCIAL INSTITUTION (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. As of the date of the financial statements, the Israeli Institutional Lender did not call for immediate repayment of the Loan.

As of the date of the approval of the financial statements the Company is negotiating extension to the loan agreement with the Israeli institution. The Company does not have the liquidity to repay the Israeli Institutional Loan on / by January 6, 2021. If the Company will not complete the extension process with the Israeli Institutional Lender by the maturity date, the Israeli Institutional Lender will have the ability to call the loan for immediate payment and demand for realization of the Parent Guarantees from PBC or IDBD. As aforementioned, such material default will enable the Bank to call for immediate repayment of the Bank Loan, unless such material default will be contested by IDBG and the Israeli Institutional Lender will be prevented or stayed from obtaining a judgement in order to enforce its rights.

NOTE 6:- RELATED PARTIES AND LOANS FROM SHAREHOLDERS

a. PBC and IDBD provided loans (“shareholders’ loan's”) 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%.

b. <u>Credit Facility Granted by PBC:</u>

   Further to what is stated in note 8(b) to the annual financial statements, with respect to the loan maturity date, on September 20, 2019, the mechanism prescribed in the agreement was implemented, according to which the Company will issue additional shares to PBC. In addition, according to this mechanism, the terms of the outstanding credit facility (including the accrued interest) will be changed to the terms of the shareholders’ loans (see note 6a above.), and PBC's and IDBD's share in the shareholders' loans will change based on their share in the Company's equity after the abovementioned issuance of shares. During the period through the execution of the transaction, the credit facility will continue to accumulate interest in accordance with the provisions of the credit facility. On February 17, 2020, the transaction took place, and 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.

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

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

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

c. During the nine month period ended September 30, 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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DIC

Discount Investment Corporation Ltd

Interim Financial Statements September 30, 2020

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

Discount Investment Corporation Ltd.

Condensed Interim Separate Financial Information of the Company

As at September 30, 2020

(Unaudited)

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

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

Discount Investment Corporation Ltd.

Part D - Condensed Interim Separate Financial Information of the Company

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

Dear Sir / Madam,

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

Introduction

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

We have not reviewed the separate interim financial information from the financial statements of investee companies, whose total assets less total liabilities, net, amounted to a total of NIS 207 million as at September 30, 2020, and where the Company's share in the profits of those investee companies amounted to a total of NIS 1 million and NIS 5 million, respectively, for the nine and three month periods then ended. The financial statements of those companies were reviewed by other auditors, whose reports were presented to us, and our conclusion, insofar as it refers to the financial statements of those companies, is based on the review reports provided by the other auditors.

Scope of the Review

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

Conclusion

Based on our review, and on the review reports prepared by other auditors, we have not become aware of any information which would have caused us to believe that the aforementioned separate interim financial information has not been prepared, in all material respects, in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

Tel Aviv,
November 26, 2020

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

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

	Additional information	September 30 2020 (Unaudited)	September 30 2019 (Unaudited)	December 31 2019 (Audited)
		NIS millions		
Non-current assets				
Investment in investee companies	2	3,181	4,553[1]	4,671[1]
Other investments		37	40	41
Sublease receivables - related parties		-	7	7
Right-of-use assets		18	13	13
Fixed assets		2	-	-
		3,238	4,613	4,732
Current assets				
Current investments		195	591	533
Other receivables and debit balances		7	4	20
Cash and cash equivalents		1,716	711	224
		1,918	1,306	777
Total assets		5,156	5,919	5,509
Capital				
Share capital		810	810	810
Capital reserves		4,159	4,122	4,118
Accumulated losses		(3,460)	(3,182)	(3,104)
Total capital attributable to the Company's owners		1,509	1,750	1,824
Non-current liabilities				
Debentures		3,269	3,756	3,373
Lease liabilities		17	18	18
Employee benefits		-	1	-
		3,286	3,775	3,391
Current liabilities				
Current maturities of debentures		258	278	277
Other payables and credit balances		101	114	15
Lease liabilities		2	2	2
		361	394	294
Total capital and liabilities		5,156	5,919	5,509

Yoram Turbowicz	Doron Cohen	Haim Tabouch
Chairman of the Board	General Manager	VP Accounting

(1) Includes the investment in Shufersal, which was sold in July 2020. For additional details see section 2.D. below.

Approval date of the separate financial information: November 26, 2020

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

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

Profit and loss:

	Additional information	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
		2020	2019	2020	2019	2019
		(Unaudited)		(Unaudited)		(Audited)
		NIS millions				
Revenues						
Company's share in the net profit of investee companies, net		-	31[1]	-	560[1]	110[1]
Profit from realization and increase in the value of investments, assets and dividends		-	2	-	-	4
Other income		1	-	1	-	1
Financing income		8	101	21	49	128
		9	134	22	609	243
Expenses						
Company's share in the loss of investee companies, net		256	-	49	-	-
Loss from realization and impairment of investments and assets		3	-	2	-	-
General and administrative expenses	3	35	26	20	8	35
Financing expenses		155	203	52	45	250
		449	229	123	53	285
Profit (loss) from continuing operations		(440)	(95)	(101)	556	(42)
Profit from discontinued operations		83	29[1]	46	11[1]	56[1]
Net profit (loss) for the period attributable to owners of the Company		(357)	(66)	(55)	567	14

(1) Restated due to the presentation of Shufersal as a discontinued operation, for additional details see D.2. below.

Comprehensive income and loss:

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2020	2019	2020	2019	2019
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
Net income (loss) for the period attributable to owners of the Company	(357)	(66)	(55)	567	14
Components of other comprehensive income					
Components of other comprehensive income (loss) which will not be transferred to profit and loss, net of tax					
Other comprehensive loss with respect to investee companies	-	(7)	-	(3)	(10)
Other comprehensive income (loss) items after initial recognition under comprehensive income which have been transferred or will be transferred to profit and loss, net of tax					
Other comprehensive income (loss) with respect to investee companies	1	(117)	(2)	(40)	(129)
Total other comprehensive income (loss) for the period, net of tax	1	(124)	(2)	(43)	(139)
Total comprehensive income (loss) for the year	(356)	(190)	(57)	524	(125)
Comprehensive income (loss) for the year attributed to Company shareholders, due to:					
Continuing operations[1]	(442)	(210)	(109)	520	(172)
Discontinued operations [1]	86	20	52	4	47
Total comprehensive income (loss) for the period	(356)	(190)	(57)	524	(125)

(1) Restated due to the presentation of Shufersal as a discontinued operation, for additional details see D.2. below.

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

Condensed Interim Data Regarding Cash Flows Attributed to the Company Itself

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2020	2019	2020	2019	2019
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
Cash flows from operating activities					
Net profit (loss) for the period attributable to owners of the Company	(357)	(66)	(55)	567	14
Net income from discontinued operations, after tax	(83)	(1) (29)	(46)	(1) (11)	(1) (56)
Profit (loss) from continuing operations	(440)	(95)	(101)	556	(42)
Adjustments:					
Company's share in the profit (loss) of investee companies, net	256	(1) (31)	49	(1) (560)	(1) (110)
Received dividends (including from other investments)	70	(1)81	-	1	(1)84
Loss (profit) from realization and increase in the value of investments, assets and dividends, net	3	(2)	2	-	(4)
Financing expenses, net	147	102	31	(4)	122
Share-based payment expenses (income)	1	(1)	1	(2)	(1)
	477	149	83	(565)	91
Changes in other balance sheet items					
Decrease (increase) in other receivables and debit balances	14	2	7	2	(13)
Increase (decrease) in other payables, credit balances and others	1	(4)	4	2	(7)
Depreciation and amortization	1	-	-	-	-
Decrease in provisions and employee benefits	-	-	-	-	(1)
	16	(2)	11	4	(21)
Net cash from continuing operating activities	53	52	(7)	(5)	28
Net cash from discontinued operating activities	21	(1)42	-	-	(1)42
Net cash from (used in) operating activities	74	94	(7)	(5)	70
Cash flows from investing activities					
Current investments, net	315	(5)	-	5	65
Acquisition of shares of an associate company and rise to control	(39)	-	-	-	-
Investment in fixed assets	(1)	-	-	-	-
Non-current investments	(1)	-	-	-	-
Receipts from realization of non-current investments	1	-	-	-	-
Acquisition of shares in a subsidiary from a wholly owned company	-	(46)	-	-	(46)
Investment in wholly owned subsidiary	(52)	-	(33)	-	(20)
Interest received	3	18	1	6	23
Net cash from (used in) continuing investing activities	226	(33)	(32)	11	22
Net cash from discontinued investing activities	1,447	-	1,447	-	-
Net cash derived from (used in) investing activities	1,673	(33)	1,415	11	22

(1) Restated due to the presentation of the Shufersal operation under discontinued operations, for additional information see 2.D. below.

Condensed Interim Data Regarding Cash Flows Attributed to the Company Itself (Cont.)

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2020	2019	2020	2019	2019
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
Cash flows for financing activities					
Interest paid	(48)	(61)	-	-	(205)
Dividend paid	-	(40)	-	-	(40)
Acquisition of treasury shares	-	(96)	-	-	(96)
Repayment of debentures	-	(487)	-	(300)	(860)
Acquisition of shares in subsidiaries from non-controlling interests	(90)	(75)	(27)	-	(75)
Self-purchase of debentures	(110)	-	(110)	-	-
Repayment of lease liabilities	(2)	(1)	(1)	(1)	(1)
Net cash used in financing activities from continuing financing activities	(250)	(760)	(138)	(301)	(1,277)
Increase (decrease) in cash and cash equivalents from continuing operations	29	[(1)] (741)	(177)	(295)	[(1)] (1,227)
Increase in cash and cash equivalents from discontinued operations	1,468	[(1)]42	1,447	-	[(1)]42
Increase (decrease) in cash and cash equivalents	1,497	(699)	1,270	(295)	(1,185)
Effects of fluctuations in exchange rates on balances of cash and cash equivalents	(5)	(36)	(1)	(9)	(37)
Balance of cash and cash equivalents at start of period	224	1,446	447	1,015	1,446
Balance of cash and cash equivalents at end of period	1,716	711	1,716	711	224

(1) Restated due to the presentation of Shufersal as a discontinued operation, for additional details see D.2. below.

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

Additional Information

1. General

A. Further to that stated in section 3.F.1.C. to the annual financial statements for 2019, in connection with the Company's shares which are pledged in favor of IDB Development, through pledges of various ranks, which served as collateral for its debentures, on September 25, 2020 a ruling was given by the District Court of Tel Aviv-Yafo (the "Ruling" and the "Court"), in which an order was given to initiate proceedings against IDB Development, as well as an order to liquidate it. In accordance with the ruling, Adv. Ofir Naor was appointed as the trustee of IDB Development (the "Trustee of IDB Development"), and on October 12, 2020, the Court appointed the trustee of IDB Development as the provisional receiver of the Company's shares which are pledged in favor of IDB Development and some of its creditors (approximately 17.2 million DIC shares, which constitute approximately 12% of DIC's issued and paid-up capital). The Court also appointed the attorneys Raanan Kalir and Alon Binyamini to the position of provisional receivers for the Company's shares which are pledged in favor of the debenture holders (Series N) of IDB Development (approximately 99.3 million DIC shares, which constitute approximately 70.2% of DIC's issued and paid-up capital). On October 13, 2020, the provisional receivers were appointed by the Court as permanent receivers (the "Receivers"). On October 14, 2020, the receivers and the trustee of IDB Development (jointly: the "Functionaries") published a request for proposals to acquire the aforementioned shares of the Company. On November 20, 2020, further to offers for the acquisition of the Company's shares which were submitted by Mr. Eduardo Elsztain and Yad Leviim Ltd., and by Mega Or Holdings Ltd. and a group of investors led by it ("Mega Or"), the Court gave its decision, in which it approved the sale of approximately 99.3 million Company shares (which constitute approximately 70.14% of its issued capital), and the sale of 17.2 million additional Company shares (which constitute approximately 12.12% of its issued capital) to Mega Or. As at the present date, the foregoing transaction has not yet been completed. For details regarding understandings which received the force of ruling from the Court, in which the directors on behalf of Mr. Eduardo Elsztain (including Mr. Elsztain himself) (the "Directors") undertook not to disturb or disrupt the aforementioned sale process, and not to perform any activities outside of the ordinary course of business until the end of the process, including by corporations which are controlled or held by the Company, and if the Court approves a winner in the order process other than Mr. Eduardo Elsztain or a corporation under his control, then the directors will resign from their positions in all of DIC's member corporations, upon the receipt of the receivers' demand, see Note 10.B to the financial statements. In accordance with the decision of the general meeting of the Company's shareholders dated November 20, 2020, the tenure of directors serving in the Company on behalf of Mr. Eduardo Elsztain concluded (including Mr. Elsztain himself), and four new directors were appointed on behalf of the functionaries, in addition to the appointment of an additional director on their behalf by the Company's Board of Directors on October 1, 2020, in accordance with the aforementioned understandings. Additionally, proximate to the date of this report, the directors on behalf of Mr. Eduardo Elsztain (including Mr. Elsztain himself) resigned from their positions as directors in companies under the Company's control. For additional details, see Note 1.A. to the financial statements.

B. Method used to prepare the additional information

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

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

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

Additional Information (Cont.)

1. General (Cont.)

C. Presentation of transactions which were canceled in the consolidated statements

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

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

2. Investments in Investee Companies

A. In the second quarter of 2020, DIC acquired approximately 3.6% of the issued share capital of Property & Building, at a total cost of NIS 51 million. In the third quarter of 2020, DIC acquired approximately 1.7% of the issued share capital of Property & Building, at a total cost of approximately NIS 21 million, such that DIC's holding rate in Property & Building increased to approximately 74.1%. As a result of the aforementioned acquisitions, the Company recorded, in the first nine months of 2020, an increase in capital attributed to the Company's owners in the amount of NIS 29 million.

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

C. In the second quarter of 2020, the Company acquired approximately 3.5% of the issued share capital of Mehadrin, at a total cost of NIS 14 million. In the third quarter of 2020, the Company acquired approximately 0.8% of the issued share capital of Mehadrin, at a total cost of NIS 3 million, such that its holding rate in Mehadrin increased to approximately 44.5%. As a result of the aforementioned acquisitions, the Company recorded, in the first nine months of 2020, an increase in capital attributed to the Company's owners in the amount of NIS 10 million.

D. On July 26, 2020, the Company sold its entire stake in Shufersal (approximately 26%), for a total net consideration of approximately NIS 1,447 million. Due to the sale, the Company recorded, in the third quarter of 2020, profit in the amount of approximately NIS 39 million. This profit was included under the item for "profit from discontinued operations, after tax". Following the sale of the entire stake in Shufersal, the Shufersal operation is presented as a discontinued operation, while the comparative figures with respect to the results of Shufersal for the nine and three month periods ended September 30, 2019, and for the year 2019, were restated in order to present the discontinued operation of Shufersal separately from continuing operations.

E. In June and September 2020, Koor Industries Ltd., a wholly owned subsidiary of the Company, issued capital notes to the Company in consideration of a total of NIS 19 million and NIS 32.5 million, respectively. The capital notes do not bear interest and linkage, and they will mature no earlier than five years after their issuance date.

Additional Information (Cont.)

2. Investments in Investee Companies (Cont.)

F. In June 2020, Koor Industries Ltd., a wholly owned subsidiary of the Company ("Koor") exercised 3.8 million Cellcom options (Series 3), and in September 2020, Koor exercised 3.5 million Cellcom options (Series 4), at a total cost of NIS 66 million. Due to the above, and due to the exercise of additional option instruments of Cellcom by parties other than Koor, Koor's stake in Cellcom's issued share capital increased to approximately 46.1%, and the Company recorded, in the first nine months of 2020, an increase in capital attributed to the Company's owners in the amount of NIS 1 million. For additional details, see Note 3.A.2.A. to the financial statements.

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

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2020	2019	2020	2019	2019
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
Shufersal Ltd.	21	42	-	-	42
Property & Building Ltd.	69	78	-	-	78
Epsilon Investment House Ltd.	1	1	-	1	3
	91	121	-	1	123

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

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

3. General and administrative expenses

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2020	2019	2020	2019	2019
	(Unaudited)		(Unaudited)		(Audited)
	NIS millions				
Payroll and salaries [(1),(2)]	10	9	4	1	13
Consulting and legal (including directors' fees)	6	7	2	2	10
Insurance policies	[(3)]7	2	[(3)]6	1	2
Provision for doubtful and lost debts	[(4)]7	-	[(4)]7	-	-
Rent	1	3	1	2	3
Others	4	5	-	2	7
	35	26	20	8	35
[(1)] Including salary expenses (income) with respect to share-based payment.	1	(1)	1	(2)	(1)

[(2)] See section 5.D. below for additional information regarding the cost distribution agreement (services agreement) and the agreement for the distribution of uses and office expenses with IDB Development, and the announcement of the trustee of IDB Development regarding the termination of the services agreement and the annexes thereto.

[(3)] Includes an expense in the amount of NIS 5 million which the Company recorded in the third quarter of 2020, with respect to run-off insurance and high current insurance costs for officers' liability insurance. See Note 4.D to the financial statements.

[(4)] For additional details, see section 5.D. below regarding the recording of a provision for doubtful debts in the amount of NIS 7 million, with respect to IDB Development's unsecured debt towards the Company.

4. Claims and Contingent Liabilities

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

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

5. Events During the Reporting Period

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

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

C. Due to the declines which were recorded in stock markets, the Company recorded, in the first nine months of 2020, loss attributable to owners with respect to net change in the fair value of financial assets in the amount of NIS 20 million.

D. Further to that stated in Note 4.C to the financial statements regarding the cost distribution agreement (services agreement) and the agreement for the distribution of uses and office expenses with IDB Development, and the announcement of the trustee of IDB Development regarding the termination of the services agreement and the annexes thereto, beginning on September 25, 2020, the current balance of IDB Development's debt to the Company, as at September 30, 2020 and proximate to the approval date of the financial statements, amounts to a total of approximately NIS 11 million. The termination of the services agreement and of the annexes thereto, as stated above, is expected to increase the Company's annual administrative and general expenses by approximately NIS 9 million. The foregoing expectation is before taking into account increased efficiency measures which the Company intends to implement in order to reduce the aforementioned expenses, insofar as it will be implemented.

On September 25, 2020, the District Court of Tel Aviv decided to appoint a trustee, and to issue an order to liquidate IDB Development. In light of the above, in the financial statements for the third quarter of 2020, the Company included a provision for doubtful debts in the amount of NIS 7 million, with respect to the aforementioned unsecured debt. On November 5, 2020, the Company submitted a debt claim.

E. As at September 30, 2020, the Company is fulfilling all of the financial covenants in connection with the debentures (Series J). Following the reduction of rating of the Company's debentures on April 7, 2020, and the non-fulfillment of the financial covenants as at March 31, 2020, the interest rate applicable to the debentures (Series J) was increased, beginning on April 7, 2020, from 4.80% to 5.05%, and beginning on June 30, 2020, from 5.05% to 5.80%, respectively.

On June 30, 2020, the Company fulfilled one of the financial covenants which the Company had deviated from on March 31, 2020, and as a result, the interest rate decreased, beginning on August 20, 2020, from 5.80% to 5.30%.

On September 30, 2020, the Company fulfilled an additional covenant which the Company had deviated from on March 31, 2020, and as a result, the interest rate decreased beginning on the publication date of the financial statements for the third quarter of 2020, from 5.30% to 5.05%.

F. On August 20, 2020, the Company's Board of Directors approved a plan for the self-purchase of its debentures (Series F and Series J), until December 31, 2021, at a total cost of up to NIS 300 million. The aforementioned debentures will be purchased in accordance with market opportunities, according to the dates, prices and scopes which will be determined by Company management. In the third quarter of 2020, the Company purchased its debentures (Series F and Series J) at a total cost of NIS 110 million. As a result of the purchase, the Company recorded in the financial statements profit from the early redemption of debentures in the amount of NIS 7 million.

Additional Information (Cont.)

6. Events Subsequent to the Reporting Period

A. For details regarding the adjustment of the interest rate applicable to the Company's debentures (Series J), beginning on the publication date of the financial statements, from 5.30% to 5.05%. See Note 4.B below to the financial statements.

B. For details regarding the process of the request for offers to acquire the Company's shares, and the Court's decision in which it approved the sale of the shares to Mega Or, see the additional information in section 1 above. For details regarding the undertakings of directors on behalf of Mr. Eduardo Elsztain (including Mr. Elsztain himself) not to disturb or disrupt the aforementioned process, and not to perform any activities outside of the ordinary course of business until the end of the process, including by corporations which are controlled or held by the Company, see Note 10.B to the financial statements. Additionally, on November 20, 2020, the general meeting of the Company's shareholders approved the conclusion of the tenure of directors serving on behalf of Mr. Eduardo Elsztain, and the appointment of four new directors on behalf of the functionaries, in addition to the appointment of one additional director on their behalf to the Company's Board of Directors on October 1, 2020.