

# Discount Investment Corporation Ltd.

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## Consolidated Financial Statements as at June 30, 2009 (unaudited)

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*All these statements are translations from the Hebrew.*

# Discount Investment Corporation Ltd.

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## Board of Directors' Report for the Second Quarter of 2009

We are pleased to present the unaudited financial statements of Discount Investment Corporation Ltd. for the second quarter of 2009 which ended on June 30, 2009.

Discount Investment Corporation (the "Company"), a member of the IDB Group, is one of Israel's largest holding companies, which invests in companies that operate in a variety of areas. The Company together with its wholly owned subsidiaries ("DIC") generally invests in investee companies in a manner that vests in it influence on their direction and management. See the annex to the financial statements for details on the holdings of DIC.

The net profit in the financial statements relates to the Company's shareholders and to the minority interests. The net profit in this Board of Directors' report relates to the Company's shareholders net of the share of the minority, unless stated otherwise.

### **1. Business Operations Results**

The Company is a holding company, which mainly holds shares of investee companies. As such, its net profit mainly includes and is affected by the following components:

- The Company's share of the profit of investee companies, net.
- Net realization gains, adjustment of the value of investments and other non-recurring effects of the Company and its investee companies.
- The headquarters' activity of the Company, which includes net financing expenses, general and administrative expenses and revenues from management fees.

Furthermore, the equity of the Company is affected by capital reserves in respect of the revaluation to market value of investments accounted for as available-for-sale financial assets and in respect of capital reserves from translation of foreign operations.

The profits of the Company may fluctuate a great deal between the various reporting periods, mainly due to the timing of realizing investments by DIC and its investee companies, as well as due to changes in the financing expenses of the Company and its investee companies, the amount of which is affected by the net amount of debt, the linkage bases of the debt and net financial assets, and the rate of change in the Consumer Price Index (CPI) and the exchange rate of foreign currencies (mainly the dollar) in the reported period.

In the first six months of 2009 the net profit of DIC amounted to some NIS 1,228 million and to basic earnings per share of some NIS 14.4, compared with net profit of some NIS 255 million and basic earnings per share of some NIS 3.1 in the first six months of 2008. In the second quarter of 2009 DIC recorded net profit of some NIS 838 million, compared with net profit of some NIS 65 million in the second quarter of 2008. Basic earnings per share in the second quarter of 2009 amounted to some NIS 9.8, compared with basic earnings per share of some NIS 0.8 in the second quarter of 2008.

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### Composition of the business operations results of DIC:

	First six months		Second quarter		Year
	2009	2008	2009	2008	2008
	Unaudited		Unaudited		Audited
	N I S		m i l l i o n s		
DIC's share of the business operations results of investee companies	1,343	303	989	111	995
Gain from realization and revaluation of investments less reductions, net	30	313	48	141	526
Financing, management and other expenses, net	(145)	(361)	(199)	(187)	(505)
<b>Net profit</b>	<b>1,228</b>	<b>255</b>	<b>838</b>	<b>65</b>	<b>1,106</b>
Basic earnings per share (NIS)	14.4	3.1	9.8	0.8	11.9

### 1.1 DIC's share of the business operations results of investee companies

	DIC's share of profit (loss) for the first six months			DIC's share of profit (loss) for the second quarter		
	2009	2008	Change	2009	2008	Change
	N I S		m i	l l i o n s		
Cellcom	291	262	29	131	119	12
Koor	1,064	(63)	1,127	900	(58)	958
Shufersal	72	71	1	38	40	(2)
Property and Building Corp.	2	73	(71)	(41)	22	(63)
Given Imaging	3	1	2	3	1	2
Elron	(38)	(57)	19	(14)	(29)	15
Other companies	20	57	(37)	12	8	4
Amortization of excess cost	(71)	(41)	(30)	(40)	8	(48)
<b>Total share of DIC of profits of investee companies</b>	<b>1,343</b>	<b>303</b>	<b>1,040</b>	<b>989</b>	<b>111</b>	<b>878</b>

### 1.2 Realization of investments and reductions

	First six months		Second quarter	
	2009	2008	2009	2008
	N I S		m i l l i o n s	
Gain from realization and revaluation of investments less reductions, net	30	313	48	141

In the second quarter of 2009 this item mainly included a capital gain of some NIS 38 million from the sale of a holding in an available-for-sale security for some NIS 68 million

In the second quarter of 2008 this item mainly included a capital gain of some NIS 134 million from the sale of some 1.9% of the share capital of Cellcom for some NIS 217 million.

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### 1.3 Financing, management and other expenses, net

	First six months		Second quarter	
	2009	2008	2009	2008
	N I S	m i l	l i o	n s
Management, tax and other expenses, net	(20)	(27)	(12)	(14)
Financing expenses, net	(125)	(334)	(187)	(173)
<b>Total management, financing and other expenses, net</b>	<b>(145)</b>	<b>(361)</b>	<b>(199)</b>	<b>(187)</b>

The main effects on this item in the second quarter of 2009: In this quarter the Company recorded net financing expenses of NIS 187 million compared with expenses of NIS 173 million in the corresponding quarter of last year. This gap was due to:

1. A decrease of some NIS 26 million in interest income from the Company's bank deposits as a result of the decrease in the interest rate on such deposits.
2. A decrease of some NIS 15 million in the expenses from linkage differences on net balances of assets and liabilities linked to the CPI (known index) and from the Company's hedging transactions on the CPI (not including such balances in its investee companies), as a result of a lower increase of some 1.9% in the CPI (known index) in the current quarter, compared with an increase of some 2.4% in the corresponding quarter of last year.
3. An expense of some NIS 9 million from revaluation of the GVT option – see Note 6M to the financial statements.

## 2. **Business Operations Results of Investee Companies that Constitute a Reportable Segment**

The Company's segment report is based on the Company's investment in each company it owns. In this report the contribution to profit takes into account the Company's share of the profits of the investee company less/plus amortization of excess cost, and does not take into account any gain derived by the Company on the realization of holding in the investee company.

Presented below are the principal companies that are considered a reportable segment.

### 2.1.1 Cellcom

	First six months		Second quarter	
	2009	2008	2009	2008
	N I S	m i l	l i o	n s
Cellcom's contribution to profit	291	259	131	117
			June 30	
			2009	2008
			N I S m i l l i o n s	
Amount of the investment in Cellcom			1,917	2,073

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**Cellcom (held at the rate of some 47%\*), Israel's largest cellular communication services provider, reported the following business operations results:**

	First six months		Increase (decrease)	Second quarter		Increase (decrease)
	2009	2008		2009	2008	
	N I S m i l l i o n s		%	N I S m i l l i o n s		%
Revenues	3,169	3,195	(1)	1,608	1,600	0.5
EBITDA	1,264	1,241	2	637	633	0.6
Operating profit	881	856	3	444	431	3
Net profit	622	504	23	277	230	20

\* Some 52.3% of voting.

The revenues of Cellcom in the second quarter of 2009 amounted to some NIS 1,608 million, some 0.5% more than in the corresponding quarter of last year. The increase in revenues was mainly due to an increase of some 0.7% in revenues from services, which amounted in the second quarter of 2009 to some NIS 1,420 million, compared with NIS 1,410 million in the corresponding quarter of last year. This increase was partly offset by a decrease of 1.1% in revenues from end user equipment, from some NIS 190 million in the second quarter of last year to some NIS 188 million in the second quarter of 2009. The increase in revenues from services in the second quarter of 2009 was primarily the result of an increase of 30.6% in revenues from content and added value services (including SMS), compared with the corresponding quarter of last year. In the second quarter of 2009 revenues from content and added value services amounted to some NIS 209 million, constituting some 14.7% of total revenues from services. In addition, an increase in revenues from line communication services in the second quarter of 2009 also contributed to higher revenues from services. These increases were offset in part by the continuing erosion in air time tariffs, as well as a significant decrease in revenues from roaming services as a result of a substantial decrease in incoming and outgoing tourism because of the global economic slowdown.

In the second quarter of 2009 the EBITDA amounted to some NIS 637 million, compared with some NIS 633 million in the corresponding quarter of last year. The EBITDA in the second quarter of 2009 increased by some 0.6%, compared with the corresponding quarter of last year, and when excluding the effect of cancelling a non-recurring rent expense in the amount of some NIS 14 million in the second quarter of 2008 (which was recorded as a result of a clarification issued by the Israel Accounting Standards Board regarding the relevant accounting standard) the EBITDA in the second quarter of 2009 increased by some 2.9%, compared with the corresponding quarter of last year. In the second quarter of 2009 the rate of EBITDA from total revenues was 39.6%, the same as in the corresponding quarter of last year (without excluding the non-recurring effect mentioned above).

Net financing expenses in the second quarter of 2009 amounted to some NIS 67 million, compared with some NIS 109 million in the corresponding quarter of last year. The decrease was mainly the result of a lower increase of some 1.9% in the CPI in the second quarter of 2009, compared with an increase of some 2.4% in the CPI in the second quarter of last year, which was reflected in lower expenses from linkage differences on Cellcom's debentures. The decrease in financing expenses was also a result of the non-recurring cancellation in the second quarter of 2008 of financing income in the amount of some NIS 29 million with respect to embedded derivatives. On the other hand there was an increase in interest expenses in respect of an increase in Cellcom's debentures.

The net profit of Cellcom for the second quarter of 2009 amounted to some NIS 277 million, compared with some NIS 230 million in the corresponding quarter of last year, an increase of some 20.4%.

As at the end of June 2009, the customer base of Cellcom totaled some 3.228 million customers, while in the second quarter of 2009 Cellcom acquired some 20,000 new customers, net. In this framework, in the second quarter of 2009 some 44,000 new customers, net, were added to the third generation customer base which

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reached some 877,000 customers at the end of June 2009 and constituted some 27.2% of the total number of Cellcom's customers.

### 2.1.2 Shufersal

	First six months		Second quarter	
	2009	2008	2009	2008
	N I S m i l l i o n s		N I S m i l l i o n s	
Shufersal's contribution to profit	72	71	38	40
	June 30			
			2009	2008
			N I S m i l l i o n s	
Amount of the investment in Shufersal			623	609

**Shufersal (held at the rate of some 40%\*) reported the following business operations results:**

	First six months			Second quarter		
	2009	2008	Increase	2009	2008	Increase
	NIS millions			NIS millions		
			%			%
Revenues	5,415	5,373	1	2,784	2,788	0
Gross profit	1,399	1,445	(3)	719	748	(4)
Operating profit (after other income and expenses)	240	366	(34)	133	191	(30)
Net profit	182	173	5	96	101	(5)

\* DIC's holding rate of Shufersal brings into account a proportionate part of the shares of Shufersal that are held by a wholly owned subsidiary of Shufersal.

The economic slowdown continued in the second quarter of 2009 and the competition in the food retail market intensified. The Passover sales were reflected more significantly in the corresponding quarter of last year than in the second quarter of 2009 because of the timing of the holiday. In the second quarter of 2009 Shufersal recorded a slight decrease in the sales of the retail segment, which amounted to some NIS 2,769 million compared with some NIS 2,770 million in the corresponding quarter of last year. Same store sales in the second quarter of 2009 decreased by some 2.1%, compared with the corresponding quarter of last year, and sales per square meter also decreased by some 1.9%. On the other hand the sales were positively affected by an increase in selling space because of the opening of new branches. Revenues from the segment of revenue-generating real estate in the second quarter of 2009 amounted to some NIS 15 million, compared with some NIS 18 million in the corresponding quarter of last year, a decrease that was mainly due to the sale of investment property during 2008. The gross profit in the second quarter of 2009 eroded compared with the second quarter of 2008, and it constituted some 25.8% of sales compared with some 26.8% in the corresponding quarter of last year. The decrease was mainly due to the continuing competition in the food retail market. The erosion in operating profit in the second quarter of 2009 compared with the corresponding quarter of last year was due to a decrease in gross profit in the current quarter. Furthermore, in the second quarter of 2009 there was no change in the value of Shufersal's investment property whereas in the corresponding quarter of last year Shufersal recorded a gain of some NIS 35 million from the revaluation and sale of investment property. The operating profit before depreciation, amortization and revaluation of investment property (EBITDA) in the current quarter amounted to some NIS 188 million and constituted some 6.8% of sales, compared with some NIS 223 million constituting some 8% of sales in the corresponding quarter of last year. Shufersal recorded in the second quarter of 2009 net financing expenses

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in the amount of some NIS 3 million, compared with some NIS 37 million in the corresponding period of last year. The decrease in financing expenses was mainly due to income from revaluation of hedging transactions and the decrease in linkage differences on Shufersal's liabilities as the result of a smaller increase in the CPI in the current quarter compared with the corresponding quarter of last year. Furthermore, the tax expenses in the current quarter amounted to some NIS 34 million compared with some NIS 50 million in the corresponding quarter of last year, a decrease that resulted from the decline in profit before tax and the cancelling of tax expenses in respect of interest on a loan Shufersal granted to Clubmarket following approval of the merger.

### 2.1.3 Property & Building

	First six months		Second quarter	
	2009	2008	2009	2008
	N I S m i l l i o n s		N I S m i l l i o n s	
Property & Building's contribution to profit	2	119	(41)	49
	June 30			
			2009	2008
			N I S m i l l i o n s	
Amount of the investment in Property & Building			1,830	1,800

**Property & Building Corporation (held at the rate of some 83%) reported the following business operations results:**

	First six months		Increase (decrease)	Second quarter		Increase (decrease)
	2009	2008		2009	2008	
	NIS millions		%	NIS millions		%
Revenues	742	966	(23)	319	470	(32)
Profit before taxes	66	221	(70)	(60)	87	(169)
Net profit	3	119	(97)	(48)	40	(220)

The revenues of Property & Building from rental of assets in the second quarter of 2009 amounted to some NIS 122 million, compared with some NIS 129 million in the corresponding quarter of last year. The decrease in such revenues was due to the sale of properties at the end of 2008, mainly the Givataim Shopping Mall. The revenues of Property & Building from the sale of apartments and real estate in the second quarter of 2009 amounted to some NIS 63 million, compared with some NIS 82 million in the corresponding quarter of last year. The decrease in such revenues was due to a lower number of apartments that were delivered in the second quarter of 2009. In accordance with IFRS, revenues from the sale of apartments and real estate are recognized when the apartments are delivered to the buyers.

In the second quarter of 2009 there was an increase of some NIS 19 million in the fair value of Property & Building's investment property, compared with an increase of some NIS 162 million in the corresponding quarter of last year.

Property & Building's share of results of affiliated companies amounted to a loss of some NIS 4.3 million in the second quarter of 2009, compared with a profit of some NIS 6.8 million in the corresponding quarter of last year.

In the second quarter of 2009 the cost of apartments and real estate sold included a provision in the amount of some NIS 22 million in respect of the Florida project (Property & Building's share of this provision amounted to some NIS 17 million).

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The operating profit of Property & Building in the second quarter of 2009 amounted to some NIS 85 million, compared with some NIS 254 million in the corresponding quarter of last year.

There was no material change in the EBITDA of Property & Building between the periods and in the second quarter of 2009 it amounted to some NIS 96 million, compared with some NIS 97 million in the corresponding quarter of last year.

Net financing expenses in the second quarter of 2009 amounted to some NIS 145 million, compared with some NIS 167 million in the corresponding quarter of last year. The decrease in financing expenses was mainly due to a decrease in the linkage differences on Property & Building's liabilities as the result of a smaller increase of some 1.9% in the CPI in the second quarter of 2009, compared with an increase of some 2.4% in the CPI in the corresponding quarter of last year. The lease agreements of Property & Building are linked to the CPI and the fair value of its revenue-generating properties derives from, inter alia, the linked rent payments. Therefore, Property & Building considers its investment property as a long-term economic hedge of its financial liabilities which are mostly linked to the CPI.

In the second quarter of 2009 Property & Building recorded a net loss of some NIS 48 million, compared with a net profit of some NIS 40 million in the corresponding quarter of last year.

### 2.1.4 Makhteshim Agan

	First six months		Second quarter	
	2009	2008	2009	2008
	N I S m i l l i o n s			
Makhteshim Agan's contribution to profit	(3)	78	(39)	32
	June 30			
			2009	2008
	N I S m i l l i o n s			
Amount of the investment in Makhteshim Agan			2,909	1,789

The financial data in the tables above are according to the concatenated holding rate of DIC in Makhteshim Agan and take into consideration the effect of the excess cost allocated to it on the books of DIC.

### **Makhteshim Agan (held by Koor at the rate of some 42%) reported the following business operations results:**

	First six months		Increase (decrease)	Second quarter		Increase (decrease)
	2009	2008		2009	2008	
	\$ m i l l i o n s		%	\$ m i l l i o n s		%
Revenues	1,283	1,404	(9)	560	682	(18)
EBITDA	189	290	(35)	61	134	(55)
Operating profit	143	247	(42)	38	113	(67)
Net profit	80	160	(50)	2	69	(98)

The sales of Makhteshim Agan in the second quarter of 2009 amounted to some \$ 560 million, some 18% lower than in the corresponding quarter of last year. In the second quarter of 2009 Makhteshim Agan recorded revenues of some \$ 520 million from sales of plant protection products, compared with some \$ 630 million in the corresponding quarter of last year. The erosion in sales was the result of the weather conditions in the geographical areas of activity, the erosion in prices, credit pressures and the over cautiousness of farmers (mainly in developing markets), as well as the strengthening of the dollar in relation to the other currencies in which Makhteshim Agan conducts its sales, which resulted in a decrease in the dollar value of the sales.

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In the second quarter of 2009 the gross profit amounted to some \$ 155 million - some 27.6% of sales, compared with some \$ 239 million and some 35.1% of sales in the corresponding period of last year. Excluding non-recurring events that occurred in the second quarter of 2009, which included inter alia an inventory write-down and temporary restrictions that were imposed by the Brazilian authorities on a Brazilian subsidiary, whose effect on the cost of sales in the current quarter was some \$ 20.2 million, the gross profit of Makhteshim Agan amounted to \$ 175 million (some 31.2% of sales). The decrease in gross profit and in its rate from sales was mainly due to the decrease in the dollar value of the sales as a result of the appreciation of the dollar, the decrease in average selling prices compared with the corresponding quarter of last year, and to inventory that was purchased at higher prices and higher exchange rates in the course of 2008.

In the second quarter of 2009 the operating profit amounted to some \$ 38 million, which constituted some 6.7% of the sales, compared with some \$ 113 million and some 16.6% of sales in the corresponding quarter of last year. The decrease in the operating expenses made it possible for Makhteshim Agan to moderate the decline in operating profit compared with the decline in gross profit, notwithstanding a provision of some \$ 6.5 million that was included in selling, marketing, general and administrative expenses in respect of the aforementioned matters in the Brazilian subsidiary. The decrease in expenses was mainly due to a decrease in prices of transportation and energy, the control over operating expenses and the strengthening of the dollar.

The tax expenses in the second quarter of 2009 amounted to some \$ 3 million, compared with some \$ 11 million in the corresponding quarter of last year. Makhteshim Agan plans to take steps towards receiving income from dividends that will be distributed in 2009 by foreign companies in the Makhteshim Agan group, which will be subject to a reduced tax rate of only 5%. Accordingly, in the second quarter of 2009 Makhteshim Agan recorded a tax provision in the amount of some \$ 15 million. Excluding the said tax effect, in the second quarter of 2009 Makhteshim Agan had income from taxes in the amount of some \$ 12 million. The income from taxes in the current quarter was mainly due to the strengthening of the dollar in relation to its other operating currencies. In the second quarter of 2009 the net profit of Makhteshim Agan amounted to some \$ 2 million, compared with some \$ 69 million in the corresponding quarter of last year. Excluding the effects of the non-recurring events in the current quarter the net profit of Makhteshim Agan amounted to some \$ 36 million.

### 2.1.5 Credit Suisse Group AG

	First six months		Second quarter	
	2009	2008	2009	2008
	N I S m i l l i o n s		l i o n s	
Credit Suisse's contribution to profit	1,076	-	1,049	-
	June 30			
	2009		2008	
	N I S m i l l i o n s		m i l l i o n s	
Amount of the investment in Credit Suisse*	1,508		165	

\* The amount recorded on the books of Koor multiplied by the percentage of DIC's holding in Koor.

In the second quarter of 2009 Koor purchased and sold shares of Credit Suisse and took advantage of the opportunities that were created as the result of market fluctuations. In the second quarter of 2009 the purchases and sales generated for Koor a capital gain in the amount of NIS 1,599 million, and its shareholding in Credit Suisse generated for it a dividend in the amount of some NIS 9 million (DIC's share of the said amounts totaled some NIS 1,049 million).

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As at June 30, 2009 Koor together with its wholly owned subsidiary held in the aggregate some 13.42 million shares of Credit Suisse that constituted some 1.13% of the shares of Credit Suisse, the original cost of which being some NIS 1.81 billion and their price on the stock exchange was NIS some 2.4 billion on that day. See Section 4.5 hereunder for details on Koor's gains in the amount of NIS 305 million from purchases and sales of shares of Credit Suisse in the period subsequent to balance sheet date.

### 2.2 Principal results of other investee companies

#### 2.2.1 Koor

**Koor (held at the rate of some 63%) reported the following business operations results:**

	First six months		Increase (decrease)	Second quarter		Increase (decrease)
	2009	2008		2009	2008	
	NIS millions		%	NIS millions		%
Koor's share of the business operations results of investee companies, net	102	153	(33)	(20)	69	Transition to expense
Gain from realization of investments less reductions, net	1,640	42	3,805	1,608	(2)	gain
Financing, management and other expenses, net	(150)	(311)	(52)	(115)	(187)	(39)
Tax income (expenses)	29	-		(102)	-	
Net profit (loss)	1,621	(116)		1,371	(120)	

In the second quarter of 2009 Koor recorded a gain from the sale of shares of Credit Suisse and dividend income from its shareholding in Credit Suisse in the total amount of some NIS 1,608 million. Koor's financing expenses in the second quarter of 2009 decreased, compared with the corresponding period in 2008, mainly because of the decrease in the linkage differences on Koor's liabilities as the result of a smaller increase in the CPI in the second quarter of 2009, compared with the corresponding quarter of last year, and because of a sharp decrease in the exchange rate of the dollar in the current quarter.

#### 2.2.2 Given Imaging

**Given Imaging (held some 16% directly, and 30% directly and indirectly, by concatenation) reported the following business operation results** (the data presented hereunder in respect of Given Imaging is in accordance with IFRS):

	First six months		Increase (decrease)	Second quarter		Increase (decrease)
	2009	2008		2009	2008	
	\$ m i l l i o n s		%	\$ m i l l i o n s		%
Sales	66	60	10	36	33	9
Net profit	5	2	156	5	1	266

In the second quarter of 2009 Given Imaging presented growth of some 9% in sales, compared with the corresponding quarter of last year. In addition, both the gross profit rate and the operating profit rate in the second quarter of 2009 improved, compared with the corresponding quarter of last year. On June 30, 2009 Given Imaging signed a tax assessments agreement for the years 2004-2007, as a result of which it recorded in the second quarter tax income of some \$ 1.4 million.

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### 2.2.3 Elron

**Elron (held at the rate of some 49%) reported the following business operation results** (the data presented hereunder in respect of Elron is in accordance with IFRS):

	<u>First six months</u>		<u>Increase</u>	<u>Second quarter</u>		<u>Increase</u>
	<u>2009</u>	<u>2008</u>	<u>(decrease)</u>	<u>2009</u>	<u>2008</u>	<u>(decrease)</u>
	<u>\$ millions</u>		<u>%</u>	<u>\$ millions</u>		<u>%</u>
Net loss	(19)	(33)	(43)	(7)	(18)	(62)

In the second quarter of 2009 the main effects on the results of Elron were its share of the losses of investee companies. The decrease in the loss in the second quarter of 2009 compared with the corresponding quarter of last year was mainly due to the continued decrease in its corporate expenses and the realization of its investment in 3DV, which generated for Elron in the current quarter a capital gain in the amount of some \$ 4.4 million.

### 3. **Major Changes in the Holdings of the Company and Investee Companies in the Second Quarter of 2009**

The major changes are described in Note 4 to the Company's financial statements, among which the following changes are particularly noteworthy:

- 3.1 In the second quarter of 2009, Koor effected directly and through its wholly owned subsidiary purchases and sales of additional shares of Credit Suisse. In respect of these transactions Koor recorded in the second quarter of 2009 a gain of some NIS 1.6 billion. The Company's share of this gain amounted to some NIS 1 billion. For further details see Paragraph 3.e of Note 4.B to the financial statements.
- 3.2 In June 2009 the board of directors of Koor approved investing up to NIS 3.5 billion in shares of Carrefour SA. The investment will be made while taking advantage of purchase and sale opportunities considering the situation of the markets and according to the assessments of Koor from time to time, and there is no certainty regarding the amount of the investment. Koor classifies its investment in shares of Carrefour as an available-for-sale investment. As at June 30, 2009 and the date of publishing this report, Koor holds some 0.28% of the shares of Carrefour for an aggregate amount of investment of some NIS 318 million and the market value of this holding around the date of publishing this report is some NIS 344 million. For further details see Paragraph 3.f of Note 4.B to the financial statements.
- 3.3 In April and May 2009 the Company sold its entire holding of shares in a certain company that were acquired by it in March and April 2009. As a result the Company recorded in the second quarter of 2009 a gain of some NIS 38 million. For further details see Paragraph 4.b of Note 4.B to the financial statements.
- 3.4 In April 2009 Cellcom raised an amount of some NIS 1 billion in the framework of a public offering of debentures, of which some NIS 215 million was for debentures from an existing series of debentures (CPI-linked) and some NIS 785 million was for a new series of debentures (unlinked) that bear interest of 6.25% p.a. and will be repaid in 2012 through 2017. For further details see Paragraph 1.a of Note 4.B to the financial statements.

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**3.5** In July 2009 the authorities in Brazil conducted examinations in a Brazilian subsidiary of Makhteshim Agan (“the Brazilian Subsidiary”) relating to matters of regulatory permits for a number of formulations the Brazilian subsidiary produces and/or markets in Brazil. As a result of these examinations, it was determined that this company should refrain temporarily from producing and selling these formulations and that this restriction applies also to the inventory held by some of its customers in Brazil. The position the Brazilian Subsidiary as presented to the authorities is that the formulations it sells are similar to those sold on the Brazilian market by other companies and that the changes it made in the formulations are minor, intended at improving their quality, and that if there is any difference the issue is only administrative and procedural. In light of alternative measures that were taken by the Brazilian Subsidiary, Makhteshim Agan evaluates that the effect of the matter on its sales and profit for the second half of 2009 is not expected to be material. Makhteshim Agan recorded in the second quarter of 2009 a non-recurring provision in the amount of \$ 15.5 million in respect of inventory and merchandise that was sold in the past and expenses relating to the said events. DIC's share of the said provision amounts to some \$ 4 million. For further details see Paragraph 3.g of Note 4.B to the financial statements.

### **4. Major Events Succeeding the Date of the Balance Sheet**

The major events are described in detail in Note 6 to the Company's financial statements, among which the following events are particularly noteworthy:

- 4.1** In July 2009 the Company issued to the public Series I debentures (a new series) that bear interest of 6.7% p.a., will be repaid in 2010 through 2018 and are unlinked. The Company received total proceeds of some NIS 570 million from the issuance of these debentures. In addition, in July 2009 in a private placement to institutional investors the Company issued additional Series I debentures of a total par value of some NIS 534 million, in part against the purchase of some NIS 301 million par value of the Company's existing Series D debentures (which are CPI-linked) and in part against the purchase of some NIS 156 million par value of the Company's existing Series F debentures (which are CPI-linked). For further details see Paragraphs A and B of Note 6 to the financial statements.
- 4.2** In July 2009 Maalot the Israel Securities Rating Company Ltd. lowered the rating of the Series C, D, F, G and H debentures of the Company from AA/cw Negative to A+/stable.
- 4.3** In August 2009 the Company issued to the public additional Series I debentures of a total par value of some NIS 378 million, as well as some 1.9 million options (Series 2) that are exercisable into shares of the Company until November 5, 2009 in consideration of NIS 96 per share. The Company received total proceeds of some NIS 377 million from this issuance. If all the options (Series 2) that were issued are exercised the Company will receive an additional amount of some NIS 181 million. For further details see Note 6.G to the financial statements.
- 4.4** In August 2009 Shufersal raised some NIS 500 million in consideration of a public issuance of a new series of debentures (unlinked) that bear interest of 5.45% p.a. and will be repaid in 2010 through 2017. For further details see Paragraph D of Note 6 to the financial statements.
- 4.5** In July and August 2009 Koor sold part of its shares in Credit Suisse. In the third quarter of 2009 Koor anticipates recording in respect of these sales of Credit Suisse shares until the date of this report a net gain of some NIS 305 million. As at the date of this report, Koor holds some 2.0% of the shares of Credit Suisse, the original cost of which being some NIS 3.81 billion, and their price on the stock exchange at such date, which amounts to some NIS 4.63 billion, is some NIS 0.82 billion higher than their original cost. For further details see Note 6.I to the financial statements.

# Discount Investment Corporation Ltd.

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## Board of Directors' Report for the Second Quarter of 2009

- 4.6** In August 2009 the board of directors of Koor decided to increase the framework of its investment in shares of Credit Suisse from a maximum of NIS 5 billion to a maximum of NIS 6 billion. The said investment will be made while taking advantage of purchase and sale opportunities considering the situation of the markets and according to the assessments of Koor from time to time, with the aim of being a significant shareholder of Credit Suisse.
- 4.7** In August 2009 Koor raised some NIS 634 million in a public issuance of a new series of debentures (unlinked) that will be repaid in 2011 through 2015 and bear interest of 6.7% p.a. as well as non-recurring additional interest of 10% of the rate of increase in the share price of Credit Suisse on the New York stock exchange (if at all) in the 6 months from August 9, 2009, and this additional interest will be paid in March 2010. For further details see Note 6.J to the financial statements.
- 4.8** In August 2009 the second part of the transaction for the sale of the holdings of the Company and IDB Development Corporation Ltd. (the parent company) in shares of GVT was completed. In this framework the Company received consideration amounting to some NIS 116 million, and in the third quarter of 2009 the Company will record a gain of some NIS 75 million. The Company's overall gain from both parts of the transaction amounts to some NIS 52 million. For further details see Note 6.M to the financial statements.
- 4.9** In August 2009 the Company and Clal Industries and Investments Ltd. ("CII"), a subsidiary of IDB Development, entered into an agreement pursuant to which the Company and CII shall acquire from Elron its holding (some 15%) in shares of Netvision with the acquired shares being split between the Company and CII according to each company's current proportionate rate of holding in shares of Netvision (about 31% and 24%, respectively), so that the Company will acquire from Elron some 8.5% of Netvision for some NIS 128 million and CII will acquire from Elron some 6.7% of Netvision for some NIS 100 million. Completion of the transaction is contingent upon receipt of the approvals required by law, and at this point there is no certainty that it will indeed be completed. For further details see Note 6.P to the financial statements.
- 4.10** In August 2009 DIC entered into an agreement with CII pursuant to which DIC will sell its holding (some 21.5%) in shares of Hadera Paper to CII for a total consideration of NIS 246 million. Completion of the transaction is contingent upon receipt of the approvals required by law and at this point there is no certainty that it will indeed be completed. If and when the transaction is completed, DIC is anticipated to record in respect of this transaction a gain that is presently estimated at some NIS 70 million. For further details see Note 6.Q to the financial statements.
- 4.11** In August 2009 Koor published a special tender offer for the acquisition of up to some 5.06% of the issued share capital of Makhteshim Agan (about 5.11% of the voting power in Makhteshim Agan) at the price of NIS 16.2 per share. The last date for accepting the tender offer is September 10, 2009.

## **5. Dividend Distribution**

On the date of approval of the financial statements, the Company's Board of Directors decided to distribute a cash dividend in an amount of NIS 450 million, constituting NIS 5.28 per each ordinary share. The dividend shall be distributed on September 23, 2009 with the record date being September 6, 2009 and the ex-day being September 7, 2009.

# Discount Investment Corporation Ltd.

## Board of Directors' Report for the Second Quarter of 2009

### 6. Financial Position and Financing Sources

#### 6.1

	As at June 30, 2009	As at December 31, 2008
	(Unaudited)	(Audited)
	N I S m i l l i o n s	
Total assets in the consolidated balance sheet	34,407	32,380
Investments in affiliated and other companies in the consolidated balance sheet	10,467	11,689
Equity (including minority interests)	10,678	8,942
Surplus of current assets over current liabilities in the consolidated balance sheet	5,337	1,294
Surplus of financial liabilities over financial assets of DIC	(4,194)	(3,966)

#### 6.2

	First six months		Second quarter	
	2009	2008	2009	2008
	N I S m i l l i o n s			
Proceeds from the realization of non-current investments of DIC	29	549	19	219
Dividends from investee companies of DIC	800	800	621	748
Dividends distributed	774	150	774	150
Investments in investee companies of DIC	50	574	40	397

# Discount Investment Corporation Ltd.

## Board of Directors' Report for the Second Quarter of 2009

### 7. Information regarding the debentures of DIC

Data on debentures traded on the stock exchange that were issued by the Company (1), in NIS millions

Series	Original date of issuance	Par value on date of issuance	Data as at June 30, 2009					Data as at August 24, 2009		Interest rate (fixed)	Repayment dates of principal (2)		Interest payment dates (2)	Linkage terms	Trust company – name of person in charge, address and telephone number
			Outstanding par value	Linked outstanding par value	Amount of interest accrued on the books	Carrying amount of balance of debentures	Value on the stock exchange	Outstanding par value	Linked outstanding par value		First date	Last date			
C	April 18, 2005 November 22, 2005* April 5, 2006* May 30, 2006*	897	538	601	5	598	646	538	612	4.30%	April 18, 2008	April 18, 2012	April 18	CPI-linked	<b>Hermetic Trust (1975) Ltd.</b> Person in charge: Dan Avnon, Adv. 113 Hayarkon St., Tel Aviv 63573 Tel: 03-5274867
D	April 18, 2005 November 22, 2005* April 5, 2006* May 30, 2006* April 15, 2007*	2,263	2,263	2,526	26	2,534	2,671	1,962 (5)	2,232	5.00%	April 18, 2012	April 18, 2016	April 18	CPI-linked	<b>S.A.G. Trust Company Ltd.</b> Person in charge: David Gotliv, Adv. 7 Menachem Begin Rd., Ramat Gan 52681 Tel: 03-7549926
F(3)	December 28, 2006 April 1, 2007* June 28, 2007*	1,410	1,410	1,532	38	1,529	1,371	1,254 (5)	1,390	4.95%	December 31, 2017	December 31, 2025	December 31	CPI-linked	<b>U-Bank Trust Company Ltd.</b> Person in charge: Sarit Domani 38 Rothschild Blvd., Tel Aviv 66883 Tel: 03-5645205

\* On these dates the series was expanded. The data in the table relate to the entire series.

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Series	Original date of issuance	Par value on date of issuance	Data as at June 30, 2009					Data as at August 24, 2009		Interest rate (fixed)	Repayment dates of principal (2)		Interest payment dates (2)	Linkage terms	Trust company – name of person in charge, address and telephone number
			Outstanding par value	Linked outstanding par value	Amount of interest accrued on the books	Carrying amount of balance of debentures	Value on the stock exchange	Outstanding par value	Linked outstanding par value		First date	Last date			
G	December 28, 2006 May 1, 2007*	39	39	39	1	39	42	39	39	6.35%	December 31, 2012	December 31, 2016	December 31	Unlinked	<b>Kaldan Trust Company Ltd.</b> Person in charge: Roy Rozen, Adv. 7 Menachem Begin Rd., Ramat Gan 52681 Tel: 03-6109000
H	June 28, 2007	187	187	203	-	202	201	187	207	4.45%	June 28, 2014	June 28, 2019	June 28	CPI-linked	<b>Strauss, Lazar Trust Company (1992) Ltd.</b> Person in charge: Uri Lazar, CPA 17 Yitzchak Sadeh St., Tel Aviv 67775 Tel: 03-6237777
Total		4,796	4,437	4,901	70	4,902	4,981	3,980	4,480						

\* On these dates the series was expanded. The data in the table relate to the entire series.

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Series	Original date of issuance	Par value on date of issuance	Data as at June 30, 2009					Data as at August 24, 2009		Interest rate (fixed)	Repayment dates of principal (2)		Interest payment dates (2)	Linkage terms	Trust company – name of person in charge, address and telephone number
			Outstanding par value	Linked outstanding par value	Amount of interest accrued on the books	Carrying amount of balance of debentures	Value on the stock exchange	Outstanding par value	Linked outstanding par value		First date	Last date			
I	July 12, 2009 (4) July 21, 2009 (5) August 6, 2009*	1,482	-	-	-	-	-	1,482 (5)	1,482	6.70%	January 8, 2010 (6)	January 8, 2018 (6)	January 8	Unlinked	Reznik Paz Nevo Trusts Ltd. Person in charge: Yossi Reznik, CPA 14 Yad Harutzim St., Tel Aviv 67778 Tel: 03-6398311

### Notes:

- (1) The Company is in compliance with all the terms of the debentures as well as all the terms of the trust deed.
- (2) Annual payments.
- (3) A wholly owned subsidiary of the Company purchased NIS 20 million par value of this series.
- (4) In July 2009 the Company issued an additional series of debentures (Series I) – see Section 4.1.
- (5) In July 2009 the Company purchased Series D debentures and Series F debentures from institutional investors against an issuance of Series I debentures – see Section 4.1
- (6) The original amount of principal of the Series I debentures will be repaid in eight unequal payments. See Note 6.A to the financial statements.

\* On these dates the series was expanded. The data in the table relate to the entire series.

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### Details regarding the rating of the debentures

Series	Name of rating company	Rating as at June 30, 2009	Rating as at August 24, 2009	Rating on date of issuance of the series	The date for which the current rating of August 24, 2009 was given	Additional ratings between the original date of issuance and the current rating as at August 24, 2009	
						Date	Rating
C	Midrug Ltd.	Aa3	Aa3	Aa2	June 2009	Nov. 2005, Mar. 2006, July 2008	Aa2
D	Midrug Ltd.	Aa3	Aa3	Aa2	June 2009	Nov. 2005, Mar. 2006, July 2008	Aa2
F	Midrug Ltd.	Aa3	Aa3	Aa2	June 2009	Mar. 2007, June 2007, July 2008	Aa2
G	Midrug Ltd.	Aa3	Aa3	Aa2	June 2009	July 2008	Aa2
H	Midrug Ltd.	Aa3	Aa3	Aa2	June 2009	July 2008	Aa2
I	Midrug Ltd.	-	Aa3	Aa3	July 2009	-	-
C	S&P Maalot	AA/CW negative	A+	AA	July 2009	Nov. 2005, May 2006, Apr. 2007, June 2007, Nov. 2008	AA *
D	S&P Maalot	AA/CW negative	A+	AA	July 2009	Nov. 2005, May 2006, Apr. 2007, June 2007, Nov. 2008	AA *
F	S&P Maalot	AA/CW negative	A+	AA	July 2009	Apr. 2007, June 2007, Nov. 2008	AA *
G	S&P Maalot	AA/CW negative	A+	AA	July 2009	Apr. 2007, June 2007, Nov. 2008	AA *
H	S&P Maalot	AA/CW negative	A+	AA	July 2009	Nov. 2008	AA *

\* In November 2008 Maalot announced that the debentures issued by the Company were placed on credit watch negative. In June 2009 Midrug lowered the rating of the Company's debentures from Aa2/stable to Aa3/stable, and in July 2009 it granted an Aa3 rating to a framework of up to NIS 1 billion debentures. For further details see Note 15.F to the financial statements.

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## Board of Directors' Report for the Second Quarter of 2009

### 8. The Crisis on the Financial Markets

In 2008 the global financial markets were again considerably shaken with the collapse of a number of very large financial groups in the USA and other countries, and the strengthening of the crisis on the sub-prime mortgage market that dragged with it additional financial sectors. The worsening of the crisis resulted in, inter alia, severe damages to global capital markets, very significant declines and fluctuations in prices of securities on stock exchanges in Israel and around the world, including significant declines and fluctuations in the securities' prices of certain of the Company's investee companies, and worsening of the credit crisis. As a result of the aforementioned events, a number of countries have taken various measures to stabilize and prevent the deterioration of the financial markets, including by injecting funds to financial institutions and lowering interest rates, but there is no certainty that these measures will stop the crisis or its worsening.

The global financial crisis deepened, and with it also the slowdown in real economic activity, which spread from the USA to the entire world, and affected also the Israeli economy. The real economic crisis was reflected in a decline in the value of assets held by the public, a decrease in demands and a significant slowdown in economic and commercial activity, which intensified at the end of 2008 and the beginning of 2009 and brought to a slowdown in the growth rate of private consumption and to an increase in economic uncertainty. As a result of the economic crisis various economies around the world, including the USA and many European countries, entered into a deep recession that is reflected by, inter alia, a wave of cutbacks that even resulted in the discontinuance of operations and wide-spread dismissals of employees in various sectors, including real estate, industry, services and hi-tech. Also in Israel there are indications of a recession. As at the date of this report, it is impossible to evaluate the extent of the direct and indirect economic implications of the economic crisis around the world and in Israel, as well as its duration.

Alongside the aforementioned global financial crisis, there have been a number of other developments in the Israeli economy in recent months, including, inter alia, significant fluctuations in the exchange rates of principal foreign currencies in relation to the shekel, repeated and significant reductions in the Bank of Israel interest rate and a rise in inflation rates in the local economy.

The aforementioned developments in the markets may have significant and continuing effects on the business operations results of the Company and its investee companies, on their liquidity, the value of their assets, their ability to realize assets, the condition of their businesses, their financial covenants, their credit rating, their ability to distribute dividends, and their ability to raise financing for their current and long-term operations, as well as on the terms of the financing.

Nevertheless, in the first half of 2009 until the date of this report the capital market has recovered to some extent, the prices of securities listed on the stock exchange have risen significantly, the debt market has begun to recover and the business sector has started raising funds on the capital market again.

### 9. Report Regarding Exposure to and Management Methods of Market Risks

#### 9.1 The Company

In the reported period there were no material changes in the Company's exposure to market risks and in the methods of managing such risks in relation to the Company's report on this matter in the board of directors' report of the Company for 2008 dated May 20, 2009 that was included in the financial statements attached to the shelf prospectus of the Company. Subsequent to balance sheet date DIC converted into NIS foreign currency balances in the amount of some \$ 155 million and also swapped CPI-linked liabilities with unlinked NIS-denominated liabilities in the amount of some NIS 534 million, as mentioned in Section 4.1.

# Discount Investment Corporation Ltd.

## Board of Directors' Report for the Second Quarter of 2009

A. The Company does not manage its investee companies' risks. Below is the linkage balance of DIC as at June 30, 2009 for which the Company manages the currency exposure.

B. Linkage balance of DIC as at June 30, 2009 (in NIS millions):

	Linked to the Consumer Price Index	In dollars or linked thereto	Unlinked	Non- monetary items	Total
<b>Assets</b>					
Investments in investee and other companies	-	-	-	10,566	10,566
Long-term deposits and loans (including maturities)	60	-	-	-	60
Fixed assets, investment property and other assets	-	-	-	16	16
Current assets	28	735	217	1	981
<b>Total assets</b>	<b>88</b>	<b>735</b>	<b>217</b>	<b>10,583</b>	<b>11,623</b>
<b>Liabilities</b>					
Long-term liabilities (including maturities)	5,129	-	39	25	5,193
Current liabilities	74	2	63	78	217
<b>Total liabilities</b>	<b>5,203</b>	<b>2</b>	<b>102</b>	<b>103</b>	<b>5,410</b>
<b>Assets less liabilities, net</b>	<b>(5,115)</b>	<b>733</b>	<b>115</b>	<b>10,480</b>	<b>6,213</b>

C. Consolidated linkage balance as at June 30, 2009 (in NIS millions):

	Linked to the Consumer Price Index	In dollars or linked thereto	In Swiss francs or linked thereto	In other foreign currency or linked thereto	Unlinked	Non- monetary items	Total
<b>Assets</b>							
<b>Non-current assets</b>							
Investments in affiliated and other companies	-	129	2,405	433	39	7,461	10,467
Other non-current assets	93	62	-	-	1,301	98	1,554
Fixed assets, investment property, inventory and other assets	-	-	-	-	-	12,540	12,540
Current assets	232	1,049	2,146	373	4,812	1,234	9,846
<b>Total assets</b>	<b>325</b>	<b>1,240</b>	<b>4,551</b>	<b>806</b>	<b>6,152</b>	<b>21,333</b>	<b>34,407</b>

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	Linked to the Consumer Price Index	In dollars or linked thereto	In Swiss francs or linked thereto	In other foreign currency or linked thereto	Unlinked	Non- monetary items	Total
<b><u>Liabilities</u></b>							
Long-term financial liabilities (including maturities)	17,543	1,145	-	29	852	-	19,569
Other long-term liabilities (including maturities)	-	-	-	-	-	945	945
Current liabilities	363	306	350	90	1,310	796	3,215
Total liabilities	17,906	1,451	350	119	2,162	1,741	23,729
<b>Assets less liabilities, net</b>	<b>(17,581)</b>	<b>(211)</b>	<b>4,201</b>	<b>687</b>	<b>3,990</b>	<b>19,592</b>	<b>10,678</b>

### 9.2 Investee companies

During the reported period, no material changes occurred in the exposure of material investee companies of the Company to market risks and in the methods of managing such risks in relation to the Company's report on this matter in the explanations of the Company's Board of Directors for 2008 that were included in Section 7.6 of Chapter 7 of the Company's shelf prospectus dated May 20, 2009.

# Discount Investment Corporation Ltd.

## Board of Directors' Report for the Second Quarter of 2009

### 10. Sensitivity Tests

#### 10.1 Tables showing sensitivity tests of sensitive financial instruments included in the consolidated financial statements as at June 30, 2009 according to changes in market factors

##### Sensitivity test to changes in interest rate

Item	Fair value	Gain (loss) from changes in interest rate			
		Increase		Decrease	
		10%	5%	10%	5%
	N I	S	m i l l	i o n	s
Long-term loans to affiliates (including current maturities)	951	(10)	(5)	10	5
Long-term deposits and other loans (including current maturities)	134	-	-	-	-
Current investments, not including derivatives	500	(10)	(5)	10	5
Debentures	(15,641)	334	169	(350)	(173)
Long-term loans from banks and others (including current maturities)	(4,011)	57	28	(58)	(30)
<u>Interest rate swap</u> not recognized for accounting purposes	(9)	1	-	(1)	-
	<u>(18,076)</u>	<u>372</u>	<u>187</u>	<u>(389)</u>	<u>(193)</u>

# Discount Investment Corporation Ltd.

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### Sensitivity test to changes in dollar exchange rate

Item	Fair value N	Gain (loss) from changes in dollar exchange rate									
		Increase		Decrease							
		10%	5%	10%	5%						
		I	S	m	i	l	l	i	o	n	s
Long-term loans to affiliates (including current maturities)	741	74	37	(74)	(37)						
Long-term deposits and other loans (including current maturities)	63	6	3	(6)	(3)						
Other investments, not including derivatives	129	13	6	(13)	(6)						
Current investments, not including derivatives	85	8	4	(8)	(4)						
Short-term deposits and loans	6	1	-	(1)	-						
Trade and other receivables	37	4	2	(4)	(2)						
Cash and cash equivalents	834	83	42	(83)	(42)						
Long-term bank loans (including current maturities)	(1,049)	(105)	(52)	105	52						
Short-term loans	(60)	(6)	(3)	6	3						
Trade payables, other payables and credit balances	(185)	(18)	(9)	18	9						
<u>Forward dollar</u>											
Recognized as accounting hedge	3	28	14	(28)	(14)						
Not recognized as accounting hedge	(17)	50	25	(50)	(25)						
<u>Dollar options for hedging purposes – Not recognized for accounting purposes</u>											
Long	Call	1	5	1	(1)	(1)					
	Put	12	(9)	(8)	36	16					
Short	Call	-	(5)	(1)	1	-					
	Put	(1)	-	-	(1)	-					
		<u>599</u>	<u>129</u>	<u>61</u>	<u>(103)</u>	<u>(54)</u>					

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### Sensitivity test to changes in Swiss franc exchange rate

Item	Fair value N	Gain (loss) from changes in Swiss franc exchange rate			
		Increase		Decrease	
		10%	5%	10%	5%
		I	S	i	o
Other investments, not including derivatives	2,405	240	120	(240)	(120)
Cash and cash equivalents	2,146	215	107	(215)	(107)
Trade payables, other payables and credit balances	(169)	(17)	(8)	17	8
Short-term loans	(181)	(18)	(9)	18	9
	<u>4,201</u>	<u>420</u>	<u>210</u>	<u>(420)</u>	<u>(210)</u>

### Sensitivity test to changes in other exchange rates (mainly euro and pound sterling)

Item	Fair value N	Gain (loss) from changes in market factor			
		Increase		Decrease	
		10%	5%	10%	5%
		I	S	i	o
Long-term loans to affiliates (including current maturities)	214	21	11	(21)	(11)
Other investments, not including derivatives	433	43	22	(43)	(22)
Trade and other receivables	64	6	3	(6)	(3)
Cash and cash equivalents	308	31	15	(31)	(15)
Long-term bank loans (including current maturities)	(25)	(3)	(1)	3	1
Short-term loans	(29)	(3)	(1)	3	1
Trade payables, other payables and credit balances	(61)	(6)	(3)	6	3
	<u>904</u>	<u>89</u>	<u>46</u>	<u>(89)</u>	<u>(46)</u>

# Discount Investment Corporation Ltd.

## Board of Directors' Report for the Second Quarter of 2009

### Sensitivity test to changes in the CPI

Item	Fair value N	Gain (loss) from changes in the CPI									
		Increase		Decrease							
		2%	1%	2%	1%						
		I	S	m	i	l	l	i	o	n	s
Long-term deposits and other loans (including current maturities)	93	2		1				(2)			(1)
Current investments, not including derivatives	155	3		2				(3)			(2)
Debentures	(14,775)	(296)		(148)				296			148
Long-term loans from banks and others (including current maturities)	(2,948)	(59)		(29)				59			29
Trade payables, other payables and credit balances	(209)	(4)		(2)				4			2
<u>Forward CPI</u>											
Not recognized as accounting hedge	62	40		20				(40)			(20)
	<u>(17,622)</u>	<u>(314)</u>		<u>(156)</u>				<u>314</u>			<u>156</u>

### Sensitivity test to changes in marketable securities' prices

Item	Fair value N	Gain (loss) from changes in marketable securities' prices									
		Increase		Decrease							
		10%	5%	10%	5%						
		I	S	m	i	l	l	i	o	n	s
Investment in marketable securities – current	71	7		3				(7)			(3)
Investment in marketable securities – available for sale	3,232	323		162				(323)			(162)
	<u>3,303</u>	<u>330</u>		<u>165</u>				<u>(330)</u>			<u>(165)</u>

# Discount Investment Corporation Ltd.

## Board of Directors' Report for the Second Quarter of 2009

### Sensitivity test to changes in standard deviation

		Fair value	Gain (loss) from changes in standard deviation									
			Increase		Decrease							
			10%	5%	10%	5%						
Dollar options for hedging purposes		N	I	S	m	i	l	l	i	o	n	s
<u>Long</u>	Call	1	2	1	(1)	-						
	Put	12	5	3	(9)	(2)						
<u>Short</u>	Call	-	-	-	-	-						
	Put	(1)	(1)	(1)	1	-						
		12	6	3	(9)	(2)						

Changes in the exchange rates of the pound sterling and the Japanese yen do not have a material effect on the fair value of certain financial instruments, and therefore sensitivity tests were not presented in their respect.

### **10.2 Tables showing sensitivity tests of sensitive financial instruments included in the consolidated financial statements as at December 31, 2008 according to changes in market factors**

#### Sensitivity test to changes in interest rate

Item		Fair value	Gain (loss) from changes in interest rate									
			Increase		Decrease							
			10%	5%	10%	5%						
		N	I	S	m	i	l	l	i	o	n	s
Long-term loans to affiliates (including current maturities)		772	(8)	(3)	8	3						
Long-term deposits and other loans (including current maturities)		38	-	-	-	-						
Current investments, not including derivatives		407	(10)	(4)	10	4						
Debentures		(12,645)	461	233	(483)	(239)						
Long-term loans from banks and others (including current maturities)		(3,789)	83	43	(88)	(44)						
<u>Interest rate swap</u>												
Not recognized for accounting purposes		(12)	1	-	(1)	-						
		(15,229)	527	269	(554)	(276)						

# Discount Investment Corporation Ltd.

## Board of Directors' Report for the Second Quarter of 2009

### Sensitivity test to changes in dollar exchange rate

Item	Fair value N	Gain (loss) from changes in dollar exchange rate									
		Increase		Decrease							
		10%	5%	10%	5%						
		I	S	m	i	l	l	i	o	n	s
Long-term loans to affiliates (including current maturities)	551	55		28				(55)			(28)
Other investments, not including derivatives	39	4		2				(4)			(2)
Current investments, not including derivatives	16	2		1				(2)			(1)
Short-term deposits and loans	80	8		4				(8)			(4)
Trade and other receivables	75	7		4				(7)			(4)
Cash and cash equivalents	1,220	122		61				(122)			(61)
Long-term bank loans (including current maturities)	(1,096)	(110)		(55)				110			55
Short-term loans	(76)	(8)		(4)				8			4
Trade payables, other payables and credit balances	(215)	(21)		(11)				21			11
<u>Forward dollar</u>											
Recognized as accounting hedge	12	27		14				(27)			(14)
Not recognized as accounting hedge	9	57		29				(57)			(29)
<u>Dollar options for hedging purposes – Not recognized for accounting purposes</u>											
Long											
Call	2	10		4				(2)			(2)
Put	7	(6)		(4)				26			10
Short											
Call	(3)	(18)		(7)				4			3
Put	(1)	1		1				(4)			(2)
	<u>620</u>	<u>130</u>		<u>67</u>				<u>(119)</u>			<u>(64)</u>

### Sensitivity test to changes in Swiss franc exchange rate

Item	Fair value N	Gain (loss) from changes in Swiss franc exchange rate									
		Increase		Decrease							
		10%	5%	10%	5%						
		I	S	m	i	l	l	i	o	n	s
Other investments, not including derivatives	4,100	410		205				(410)			(205)
Short-term loans	(891)	(89)		(45)				89			45
	<u>3,209</u>	<u>321</u>		<u>160</u>				<u>(321)</u>			<u>(160)</u>

# Discount Investment Corporation Ltd.

## Board of Directors' Report for the Second Quarter of 2009

### Sensitivity test to changes in other exchange rates (mainly euro and pound sterling)

Item	Fair value N	Gain (loss) from changes in market factor									
		Increase		Decrease							
		10%	5%	10%	5%						
		I	S	m	i	l	l	i	o	n	s
Long-term loans to affiliates (including current maturities)	190	19		10				(19)			(10)
Long-term loans from banks (including current maturities)	(32)	(3)		(2)				3			2
Short-term loans	(18)	(2)		(1)				2			1
	140	14		7				(14)			(7)

### Sensitivity test to changes in the CPI

Item	Fair value N	Gain (loss) from changes in the CPI									
		Increase		Decrease							
		2%	1%	2%	1%						
		I	S	m	i	l	l	i	o	n	s
Long-term deposits and other loans (including current maturities)	55	1		-				(1)			-
Current investments, not including derivatives	421	8		4				(8)			(4)
Debentures	(12,607)	(252)		(126)				252			126
Long-term loans from banks and others (including current maturities)	(2,623)	(52)		(26)				52			26
Trade payables, other payables and credit balances	(52)	(1)		(1)				1			1
<u>Forward CPI</u>											
Not recognized as accounting hedge	(30)	86		43				(86)			(43)
	(14,836)	(210)		(106)				210			106

# Discount Investment Corporation Ltd.

## Board of Directors' Report for the Second Quarter of 2009

### Sensitivity test to changes in marketable securities' prices

Item	Fair value N	Gain (loss) from changes in marketable securities' prices								
		Increase		Decrease						
		10%	5%	10%	5%					
		I	S	m	i	l	l	i	o	n
Investment in marketable securities – current	121	12	6	(12)	(6)					
Investment in marketable securities – available for sale	4,551	455	228	(455)	(228)					
	<u>4,672</u>	<u>467</u>	<u>234</u>	<u>(467)</u>	<u>(234)</u>					

### Sensitivity test to changes in standard deviation

Dollar options for hedging purposes	Fair value N	Gain (loss) from changes in standard deviation								
		Increase		Decrease						
		10%	5%	10%	5%					
		I	S	m	i	l	l	i	o	n
<u>Long</u>										
Call	2	-	-	-	-					
Put	7	1	1	(1)	(1)					
<u>Short</u>										
Call	(3)	(1)	-	1	-					
Put	(1)	-	-	-	-					
	<u>5</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>(1)</u>					

\* Not recognized as an accounting hedge

# Discount Investment Corporation Ltd.

## Board of Directors' Report for the Second Quarter of 2009

### 10.3 Tables showing sensitivity tests of sensitive financial instruments included in the consolidated financial statements as at June 30, 2008 according to changes in market factors

#### Sensitivity test to changes in interest rate

Item	Fair value	Gain (loss) from changes in interest rate								
		Increase		Decrease						
		10%	5%	10%	5%					
N	I	S	m	i	l	l	i	o	n	s
Long-term loans to affiliates (including current maturities)	388	(3)		(2)			3			2
Other investments including short-term derivatives	93	(1)		-			1			-
Other long-term loans	13	-		-			-			-
Short-term loans and deposits	148	-		-			-			-
Cash and cash equivalents	1,064	(5)		(3)			5			3
Debentures	(13,760)	339		168			(336)			(168)
Loans from banks (including maturities)	(2,512)	32		16			(36)			(17)
Short-term financial liabilities	(67)	-		-			-			-
<u>Interest rate swap</u>										
Not recognized for accounting purposes	1	3		2			(3)			(2)
	<u>(14,632)</u>	<u>365</u>		<u>181</u>			<u>(366)</u>			<u>(182)</u>

# Discount Investment Corporation Ltd.

## Board of Directors' Report for the Second Quarter of 2009

### Sensitivity test to changes in dollar exchange rate

Item	Fair value	Gain (loss) from changes in dollar exchange rate								
		Increase		Decrease						
		10%	5%	10%	5%					
N	I	S	m	i	l	l	i	o	n	s
Long-term loans to affiliates (including current maturities)	194		19		10			(19)		(10)
Other investments including short-term derivatives	32		3		2			(3)		(2)
Short-term loans and deposits	111		11		6			(11)		(6)
Cash and cash equivalents	979		98		49			(98)		(49)
Loans from banks including current maturities	(964)		(96)		(48)			96		48
<u>Forward dollar</u>										
Recognized as accounting hedge	(51)		36		18			(36)		(18)
Not recognized as accounting hedge	(6)		23		12			(23)		(12)
<u>Dollar options for hedging purposes –</u>										
<u>Not recognized as accounting hedge</u>										
Long										
Call	1		8		3			(1)		(1)
Put	5		(3)		(3)			18		7
Short										
Call	-		(4)		(1)			-		-
Put	(2)		2		1			(5)		(2)
	<u>299</u>		<u>97</u>		<u>49</u>			<u>(82)</u>		<u>(45)</u>

### Sensitivity test to changes in euro exchange rate

Item	Fair value	Gain (loss) from changes in euro exchange rate								
		Increase		Decrease						
		10%	5%	10%	5%					
N	I	S	m	i	l	l	i	o	n	s
Long-term loans to affiliates (including current maturities)	81		8		4			(8)		(4)
Short-term loans and deposits	7		1		-			(1)		-
Cash and cash equivalents	13		1		1			(1)		(1)
Loans from banks (including current maturities)	(10)		(1)		(1)			1		1
	<u>91</u>		<u>9</u>		<u>4</u>			<u>(9)</u>		<u>(4)</u>

# Discount Investment Corporation Ltd.

## Board of Directors' Report for the Second Quarter of 2009

### Sensitivity test to changes in pound sterling exchange rate

Item	Fair value	Gain (loss) from changes in pound sterling exchange rate									
		Increase		Decrease							
		10%	5%	10%	5%						
N	I	S	m	i	l	l	i	o	n	s	
Long-term loans to affiliates (including current maturities)	116	12	6	(12)	(6)						
Cash and cash equivalents	5	1	-	(1)	-						
	<u>121</u>	<u>13</u>	<u>6</u>	<u>(13)</u>	<u>(6)</u>						

### Sensitivity test to changes in other exchange rates

Item	Fair value	Gain (loss) from changes in market factor									
		Increase		Decrease							
		10%	5%	10%	5%						
N	I	S	m	i	l	l	i	o	n	s	
Cash and cash equivalents	8	1	-	(1)	-						
Loans from banks (including current maturities)	(32)	(3)	(1)	3	1						
	<u>(24)</u>	<u>(2)</u>	<u>(1)</u>	<u>2</u>	<u>1</u>						

### Sensitivity test to changes in marketable portfolio prices

Item	Fair value	Gain (loss) from changes in marketable portfolio prices									
		Increase		Decrease							
		10%	5%	10%	5%						
N	I	S	m	i	l	l	i	o	n	s	
Investment in marketable portfolio	191	19	10	(19)	(10)						

### Sensitivity test to changes in standard deviation

CPI forward**	Fair value	Gain (loss) from changes in standard deviation									
		Increase		Decrease							
		10%	5%	10%	5%						
N	I	S	m	i	l	l	i	o	n	s	
<u>Long</u>	Call	1	-	-	-	-					
	Put	5	1	-	-	-					
<u>Short</u>	Call	*_	-	-	-	-					
	Put	(2)	-	-	-	-					
		<u>4</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>					

\* Less than NIS 1 million.

\*\* Not recognized as an accounting hedge

# Discount Investment Corporation Ltd.

## Board of Directors' Report for the Second Quarter of 2009

### Sensitivity test to changes in CPI

Forward CPI	Fair value	Gain (loss) from changes in CPI									
		Increase		Decrease							
		0.2%	0.1%	0.2%	0.1%						
	N	I	S	m	i	l	l	i	o	n	s
Not recognized as an accounting hedge	47		3		2			(3)			(2)

### **11. Disclosure Regarding the Process of Approving the Financial Statements**

The Company's Board of Directors is the body responsible for the corporate governance of the Company and the approval of its financial statements.

The Company's Board of Directors has appointed the Company's audit committee to act as a "balance sheet committee" that presents recommendations to it with respect to approval of the financial statements and the discussion of them before their approval. The "balance sheet committee" is comprised of four members: Gideon Lahav, Moshe Arad (external director), Gideon Dover (external director) and Prof. Niv Ahituv (external director with accounting and financial expertise). The Company's internal auditor and independent auditor are invited to participate in the meetings of the "balance sheet committee" as well as the meetings of the Board of Directors in which the financial statements are discussed and approved. In these meetings the independent auditor is requested to present the principal findings, if any, that arose from the audit or review process.

The "balance sheet committee" examines, by means of detailed presentations of officers and other persons of the Company, including the Company's President Ami Erel, Vice President and the Chief Financial Officer Michel Dahan, and the Comptroller Motti Berenstein, the significant issues of the financial report, including transactions not in the ordinary course of business, if there were any, the material evaluations and critical estimates that were implemented in the financial statements, the reasonability of the data, the accounting policy that was applied and any changes in it, and implementation of the principle of due disclosure in the financial statements and in the information accompanying it.

The "balance sheet committee" examines various aspects of control and risk management, both those reflected in the financial statements (such as the report on financial risks) and those that affect the reliability of the financial statements. If necessary, the "balance sheet committee" requests to receive comprehensive reviews of matters having a particularly material effect.

Approval of the financial statements involves at least two meetings: one - of the "balance sheet committee", held prior to the meeting of the Board of Directors, for a comprehensive discussion of the material reporting issues, and the second - of the Board of Directors, for discussion and approval of the financial statements.

### **12. Clarification regarding Implementation of the Company's Materiality Examination Policy with respect to the Necessity of Filing an Immediate Report by the Company in connection with Sales of Shares of Credit Suisse by Koor**

**12.1** Section 18 of the Board of Directors' report of the Company for 2007, which was included in Part B of the Company's periodic report for 2007, set forth guidelines and rules that the Company determined for itself for examining whether a certain event or matter of the Company and/or an investee company of the Company ("event") is material for the Company for the purpose of the obligation to file an immediate

# Discount Investment Corporation Ltd.

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## Board of Directors' Report for the Second Quarter of 2009

report on the event in accordance with Regulation 36 of the Securities Regulations (Periodic and Immediate Reports) – 1970. These guidelines and rules were determined taking into consideration that the Company is a holding company, and provide that each matter shall be examined to its merits and that a quantitative examination and qualitative examination will be performed with respect to the relevant event, on the basis of all the information, data, facts of the matter and evaluations, and while taking into consideration the overall relevant circumstances.

- 12.2** The investment of Koor in shares of Credit Suisse is characterized by special relevant circumstances, including the amount of the investment and its nature, the fact that the value of this investment and its effect on Koor, and indirectly on the Company, are largely derived from the market price of the shares of Credit Suisse, and are not exclusively affected by any particular sale of part of Koor's investment in Credit Suisse, and the fact that material relevant data regarding this investment are continuously open to the public. In view of these special characteristics, Koor adopted clarifications regarding implementation of the quantitative examination of the materiality of an event in which it sells shares of Credit Suisse. Taking into consideration these special circumstances, and the clarifications that were adopted by Koor, the Company adopted clarifications that are similar to those that were adopted by Koor regarding implementation of the quantitative examination of an event in which Koor sells shares of Credit Suisse as to the filing of an immediate report by the Company on the event, as described hereunder.
- 12.3** A sale of shares of Credit Suisse by Koor will be considered material for the Company from a quantitative point of view if the Company's share of the profit generated by the sale, together with previous sales of Koor that were not yet reported by the Company, is higher than 10% of the Company's share of the profit inherent in Koor's investment in Credit Suisse as calculated on the date of the sale, or during two consecutive trading days at a later time, provided that the Company's share of the profit on the said sale is higher than 20% of the average annual profit of the Company in the last three years, calculated on the basis of the last 12 quarters for which reviewed or audited financial statements were published. For this purpose:
- a. The inherent profit on any trading day will be calculated as the difference in NIS between the market value (according to the closing price) of Koor's entire reported holding in shares of Credit Suisse on the same trading day and the reported cost of Koor's investment in them. The reported holding and the reported cost of Koor's investment in shares of Credit Suisse will be according to the most recent data published by the Company (in an immediate, quarterly or annual report) regarding the investment of Koor in Credit Suisse before the date of sale.
  - b. "Profit", "inherent profit" and "average annual profit" – including loss, inherent loss and average annual loss, respectively. For purposes of the examination the amounts will be taken into account at their absolute values.
- 12.4** In any event that Koor publishes an immediate report on a sale of shares of Credit Suisse, the Company shall also publish an immediate report on the same event even if the sale event is not material for it from a quantitative point of view on the basis of the criteria detailed in Section 12.3 above.

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Nochi Dankner  
Chairman of the Board

Tel Aviv, August 24, 2009

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Ami Erel  
President and CEO

# Discount Investment Corporation Ltd.

## Board of Directors' Report for the Second Quarter of 2009

### Annex A to the Board of Directors' Report as at June 30, 2009

Disclosure regarding the fair value of assets and financial liabilities that were used to finance acquisition of the assets, presented according to different measurement bases (in NIS millions):

	June 30, 2009	December 31, 2008
<b>Fair value and carrying amount</b>		
<u>Shares of Credit Suisse that are pledged in favor of the credit provider</u>		
Value on the date of initial recognition	560	2,688
Carried directly to equity under reserve for available-for-sale financial assets	184	(151)
Total carrying amount	744	2,517
Total fair value	744	2,517
<b>Financial liabilities that were used to finance acquisition of the assets</b>		
<u>Shares of Credit Suisse</u>		
Value on the date of initial recognition	(167)	(811)
Carried to statement of income	(14)	(77)
Total carrying amount	(181)	(888)
Total fair value	(181)	(888)
	First six months of 2009	2008
<b>Changes in fair value and changes in carrying amount</b>		
<u>Shares of Credit Suisse</u>		
Carried to statement of income	1,315	-
Carried directly to other items of equity	335	(151)
Total carried to statement of income and equity	1,650	(151)
Total changes in fair value	1,650	(151)
<b>Financial liabilities that were used to finance acquisition of the assets</b>		
<u>Shares of Credit Suisse</u>		
Carried to statement of income	(43)	(77)
Carried directly to equity	-	-
Total carried to statement of income and equity	(43)	(77)
Total changes in fair value	(43)	(77)

# **Discount Investment Corporation Ltd.**

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## **Board of Directors' Report for the Second Quarter of 2009**

### **Annex B to the Board of Directors' Report as at June 30, 2009**

The following are updated rating reports (in Hebrew) of the rating companies Midrug Ltd. and Standard & Poor's Maalot Ltd. regarding the debentures of DIC.

6/7/2009

לכבוד,  
מר מישל דהן  
סמנכ"ל כספים  
חברת השקעות דיסקונט בע"מ

שלום רב,

הנדון: אישור מחדש של דירוג לגיוס סדרה חדשה

וועדת הדירוג של מידרוג בע"מ מתכבדת להודיעכם על מתן דירוג Aa3 באופק דירוג יציב לגיוס אג"ח בסך של עד 1,000 מיליון ש"ח בסדרה חדשה שתונפק על ידי חברת השקעות דיסקונט בע"מ. הסדרה החדשה המתוכננת הינה שקלית ועומדת לפירעון בשמונה תשלומים שנתיים בלתי שווים כדלקמן: בשנת 2010 ייפרע סך של 5% מהקרן, בשנת 2011 ייפרע סך של 20% מהקרן, בכל אחת מארבע השנים 2013-2016 (כולל) ייפרע סך של 10% מהקרן, בשנת 2017 ייפרע סך של 20% מהקרן ובשנת 2018 ייפרע 15% מהקרן. מח"מ הסדרה הינו כ-4.2 שנים.

מכתב זה בא במקום האמור בדוח פעולת הדירוג מחודש יוני 2009 בקשר עם סכום הגיוס ולוח הסילוקין של הסדרה החדשה. לא חל שינוי בשיקולי הדירוג, כמפורט בדוח פעולת הדירוג האמור.

מידרוג עוקבת אחר הדירוגים הניתנים על ידה. על כן הנכם מתבקשים להעביר למשרדי מידרוג כל מידע המסייע למעקב אחר הדירוג, לרבות פרטים אודות שינויים מהותיים במידע שנמסר למידרוג לקראת הדירוג וכן כל תיקון, הוספה או שינויים שנגעו בתיעוד שהוצג למידרוג ושנסקר על ידה.

דרוגים הנעשים על ידי מידרוג הנם בגדר חיווי דעה ואין הם מהווים המלצה לרכישה, למכירה או להחזקת אגרות חוב, ניירות ערך אחרים או מסמכים מדורגים אחרים.

ניתן למסור העתקים ממכתב זה וכן את דוח הדירוג למשקיעים בפועל ולמשקיעים בכוח, ובלבד שתוכנו של מכתב זה יימסר במלואו.

בכבוד רב,

גיל גזית  
סמנכ"ל

גדעון אילת  
יו"ר הדירקטוריון



# חברת השקעות דיסקונט בע"מ

פעולת דירוג ו יוני 2009

1

**מחבר:**

סיגל יששכר, ראש צוות בכירה

[i.sigal@midroog.co.il](mailto:i.sigal@midroog.co.il)

**אנשי קשר:**

אביטל בר דיין, סמנכ"ל בכירה - ראש תחום תאגידים ומוסדות פיננסיים

[bardayan@midroog.co.il](mailto:bardayan@midroog.co.il)

מגדל המילניום, רח' הארבעה 17 תל אביב 64739 טל. 03-6844700 פקס. 03-6855002 [www.midroog.co.il](http://www.midroog.co.il)



## חברת השקעות דיסקונט בע"מ

אופק דירוג: יציב	Aa3	דירוג סדרות
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מידרוג מורידה את דירוג האג"ח שהנפיקה חברת השקעות דיסקונט בע"מ ("דסק"ש" או "החברה") מ-Aa2 באופק דירוג יציב ל-Aa3 באופק דירוג יציב. בתוך כך, מידרוג מעניקה דירוג Aa3 למסגרת גיוס אג"ח שבכונת החברה להנפיק בסך של עד 1,000 מיליון ש"ח, מכך סך של 300 מיליון ש"ח לגיוס מיידי. הסדרה המתוכננת הינה שקלית ותפרע תפרע ב-7 תשלומים לא שווים, כדלקמן: בשנת 2011 ייפרע סך של 20% מהקרן, בכל אחת מארבע השנים 2013-2016 (כולל) ייפרע סך של 10% מהקרן בכל שנה ובכל אחת מהשנים 2017-2018 ייפרע סך של 20% מהקרן בכל שנה. מח"מ הסדרה הינו כ-4.7 שנים.

### נוסף לסדרה החדשה, להלן סדרות החוב במחזור שהנפיקה החברה ומדורגות על ידי מידרוג:

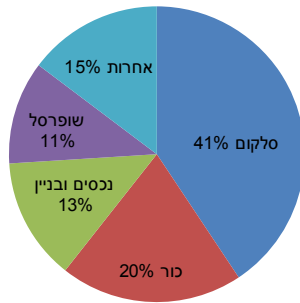
סדרה	מספר ני"ע	ריבית נקובה	הצמדה	יתרה בספרים 31/3/09 במיליוני ש"ח	תחילת פרעון קרן	סיום פרעון קרן
ג	6390140	4.3%	מדד	786	אפריל 2008	אפריל 2012
ד	6390157	5.0%	מדד	2,479	אפריל 2012	אפריל 2016
ו	6390207	4.95%	מדד	1,504	דצמבר 2017	דצמבר 2025
ז	6390215	6.35%	שקלי	39	דצמבר 2012	דצמבר 2016
ח	6390223	4.45%	מדד	199	יוני 2014	יוני 2019

הורדת הדירוג לסדרות הקיימות ולאג"ח החדש נובעת מהעלייה ברמת המינוף של החברה כתוצאה מתוספת מסגרת חוב בסך של 1.0 מיליארד ש"ח, וזאת לצד ירידה הדרגתית ביתרות המזומן בחברה בשנה החולפת. אופק הדירוג היציב נשען על רמת נזילות גבוהה המכסה במידה טובה את צורכי שירות האג"ח בשנתיים הקרובות. גיוס החוב הנוסף עשוי לשפר את רמת הנזילות. עומס הפירעונות בשנים הקרובות הינו נוח יחסית ותורם לגמישות הפיננסית.

יתרת החוב הפיננסי של החברה ליום 31/3/2009 עמדה על סך של כ-5.4 מיליארד ש"ח, וכללה ברובה אג"ח שהונפקו לציבור. יתרת האמצעים הנזילים לאותו מועד הסתכמה בסך של כ-1.7 מיליארד ש"ח. בהתאמה לתנועות תזרימיות הצפויות לאחר תאריך המאזן (ובעיקר - חלק החברה בדיבידנדים שהוכרזו על ידי חברות מוחזקות, דיבידנד לבעלי המניות שהוכרז לאחר תאריך המאזן ופירעונות חוב פיננסי לפי לוח הסילוקין), מסתכמת יתרת החוב הפיננסי נטו פרפורומה בסך של כ-4.1 מיליארד ש"ח. יחס החוב הפיננסי נטו לשווי השוק של תיק האחזקות (הנאמד בסך של כ-11.8 מיליארד ש"ח על בסיס שווי שוק הממוצע לאורך 24 החודשים האחרונים שעד ליום הבדיקה) עומד על שיעור של כ-34.4%. בתוספת מסגרת חוב שניתנה, בסך של 1.0 מיליארד ש"ח, עולה החוב הפיננסי נטו בסכום המסגרת, וכך גם שווי התיק לצורך חישוב יחס המינוף. לפיכך, יחס החוב הפיננסי נטו לשווי התיק המותאם (פרפורומה לאחר הגיוס) גדל לכ-39.5%. בבחינת הפרמטרים הפיננסיים, יחס מינוף זה תואם את החלק התחתון של קבוצת דירוג ה-Aa.

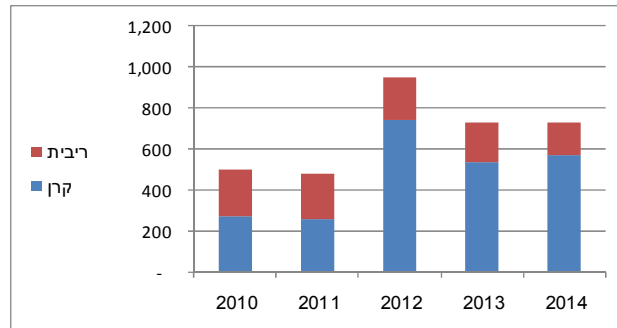
הורדת הדירוג נובעת גם מאופי ההשקעות במניות קרדיט סוויס ובמקרקעין לאס וגאס, שבוצעו על ידי חברות בנות בשליטת החברה, המצביעות, להערכת מידרוג, על מדיניות השקעה שונה באופייה ביחס ליתר תיק ההשקעות. אמנם מימוש חלק גדול מהאחזקה בקרדיט סוויס ברווח הון גבוה הוסיף לרווחיה של כור ושל החברה ולנזילות של כור, ברם, השקעה זו נתפסת כבעלת מאפיינים פיננסיים. כמו כן, נכסים ובניין ושותפיה לעסקת המקרקעין בלאס וגאס הודיעו על הארכת מועד פרעון ההלוואה למימון העסקה, בתנאים מסוימים עד לשנת 2012, התפתחות המצמצמת את החשיפה להשקעה זו בטווח הזמן הקרוב. הורדת הדירוג מביאה בחשבון גם את אי הוודאות לגבי ייעוד תמורת הגיוס המתוכנן.

**דסק"ש: התפלגות שווי השוק ממוצע של תיק האחזקות**



בשיקולים העיקריים לדירוג הובאו בחשבון החוזקות הבאות: לחברה אחזקות בעלות מיצוב עסקי ופיננסי חזק ויכולת ייצור תזרימים גבוהה, המתורגמת לכדי חלוקת דיבידנדים; חברות הליבה מציגות תוצאות טובות לאורך זמן; תיק אחזקות מאופיין בפיזור; לחברה שליטה גבוהה בחברות המוחזקות, הן מכוח שיעורי האחזקה והן מהמעורבות באסטרטגיה; לחברה גמישות פיננסית גבוהה הנסמכת על מרכיב גבוה של שווי סחיר ונזיל בתיק האחזקות; בצד הסיכונים נלקחה בחשבון מדיניות חלוקת הדיבידנדים המאפיינת את החברה ופוגעת בנזילותה וכן הישענות כושר הפירעון על תזרימים מחברות בנות ועל יכולת מחזור חוב.

**דסק"ש: לוח סילוקין אג"ח (קרן וריבית) - לפני גיוס נוסף (במיליוני ש"ח)**



**אופק הדירוג**

**גורמים אשר עשויים לשפר את הדירוג:**

- ירידה משמעותית, אשר תישמר לאורך זמן, ברמת המינוף
- הרחבת פיזור תיק האחזקות תוך שמירה על רמת סיכון עסקי משוקלל נמוך יחסית

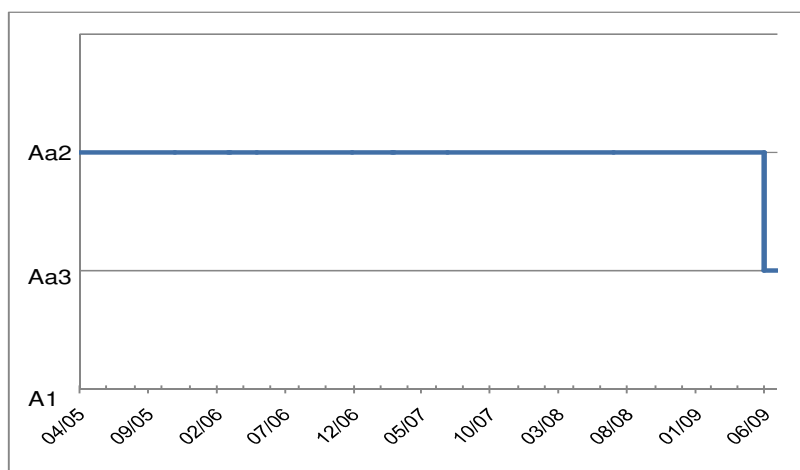
**גורמים אשר עלולים לפגוע בדירוג:**

- הרעה מהותית בפרופיל הפיננסי של החברה, תוך פגיעה ביחסי הכיסוי ביחסי האיתנות ועלייה ביחס החוב הפיננסי נטו לשווי השוק הממוצע של האחזקות לטווח של 40%-45%
- הרעה ברמת הנזילות של החברה ביחס ללוח הסילוקין
- עלייה ברמת הסיכון העסקי והפיננסי של השקעות עיקריות

## אודות החברה

דסק"ש הינה חברת אחזקות ציבורית אשר אחזקותיה העיקריות הינן: סלקום ישראל בע"מ (שיעור אחזקה של 46.9% בהון המניות המונפק), כור תעשיות בע"מ (62.7%), חברה לנכסים ולבנין בע"מ (83.4%), שופרסל בע"מ (39% אחזקה אפקטיבית), אלרון תעשייה אלקטרונית בע"מ (48.6%) ו-נטוויז'ן בע"מ (32.3%). לחברה אחזקות נוספות פחות מהותיות. כור תעשיות בע"מ הינה חברת אחזקות, אשר שתי אחזקותיה העיקריות הינן מכתשים אגן תעשיות בע"מ (41.9%) ו- CREDIT SUISSE GROUP AG (1.25%). בעלת השליטה בדסק"ש הינה אידיבי חברה לפתוח בע"מ ("אידיבי פתוח") - חברת אחזקות ציבורית (שנמחקה מהמסחר לאחרונה בעקבות הצעת רכש של בעלי השליטה), המחזיקה כ-74.4% מהון המניות של החברה. אידיבי פתוח מחזיקה גם בכלל תעשיות והשקעות בע"מ (60.5%) ובכלל עסקי ביטוח בע"מ (57.5%). כמו כן מחזיקה אידיבי פתוח, בחלקים שווים ביחד עם חברה לנכסים ולבנין בע"מ, בחברת IDB Group USA Investments Inc, המחזיקה במחצית ממניות מקרקעין פלאזה לאס וגאס. בעלת השליטה באידיבי פתוח הינה אידיבי אחזקות - חברת אחזקות ציבורית הנשלטת על ידי גנדין הולדינגס בע"מ (כ-55.3% מהון המניות המונפק של אידיבי אחזקות, חברה פרטית בשליטת ה"ה מר נוחי דנקנר ושלי ברגמן), מנור השקעות וליבנת השקעות.

## היסטוריית דירוג



**סולם דירוג התחייבויות**

דרגת השקעה	Aaa	התחייבויות המדורגות בדירוג Aaa הן, על פי שיפוט של מידרוג, מאיכות הטובה ביותר וכרוכות בסיכון אשראי מינימלי.
	Aa	התחייבויות המדורגות בדירוג Aa הן, על פי שיפוט של מידרוג, מאיכות גבוהה, וכרוכות בסיכון אשראי נמוך מאד.
	A	התחייבויות המדורגות בדירוג A נחשבות על ידי מידרוג בחלק העליון של הדרגה האמצעית, וכרוכות בסיכון אשראי נמוך.
	Baa	התחייבויות המדורגות בדירוג Baa כרוכות בסיכון אשראי מתון. הן נחשבות כהתחייבויות בדרגה בינונית, וככאלה הן עלולות להיות בעלות מאפיינים ספקולטיביים מסוימים.
דרגת השקעה ספקולטיבית	Ba	התחייבויות המדורגות בדירוג Ba הן, על פי שיפוט של מידרוג, בעלות אלמנטים ספקולטיביים, וכרוכות בסיכון אשראי משמעותי.
	B	התחייבויות המדורגות בדירוג B נחשבות על ידי מידרוג כספקולטיביות, וכרוכות בסיכון אשראי גבוה.
	Caa	התחייבויות המדורגות בדירוג Caa הן, על פי שיפוט של מידרוג, בעלות מעמד חלש וכרוכות בסיכון אשראי גבוה מאוד.
	Ca	התחייבויות המדורגות בדירוג Ca הן ספקולטיביות מאוד ועלולות להיות במצב של חדלות פרעון או קרובות לכך, עם סיכויים כלשהם לפדיון של קרן וריבית.
	C	התחייבויות המדורגות בדירוג C הן בדרגת הדירוג הנמוכה ביותר ובד"כ במצב של חדלות פרעון, עם סיכויים קלושים לפדיון קרן או ריבית.

מידרוג משתמשת במשתנים המספריים 1, 2 ו-3 בכל אחת מקטגוריות הדירוג מ-Aa ועד Caa. המשתנה '1' מציין שאגרת החוב מצויה בקצה העליון של קטגוריית הדירוג שאליה היא משתייכת, המצוינת באותיות. המשתנה '2' מציין שהיא נמצאת באמצע קטגוריית הדירוג; ואילו המשתנה '3' מציין שאגרת החוב נמצאת בחלק התחתון של קטגוריית הדירוג שלה, המצוינת באותיות.

דו"ח מספר: CHDIC0106091000M

מידרוג בע"מ, מגדל המילניום רח' הארבעה 17 תל-אביב 64739

טלפון 03-6844700, פקס 03-6855002, [www.midroog.co.il](http://www.midroog.co.il)

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מסמך זה, לרבות פסיקה זו, הוא רכוש הבלעדי של מידרוג והוא מוגן על ידי זכויות יוצרים ודיני הקניין הרוחני. אין להעתיק, לצלם, לשנות, להפיץ, לשכפל או להציג מסמך זה למטרה מסחרית כלשהי ללא הסכמת מידרוג בכתב.

כל המידע המפורט במסמך זה ושעליו הסתמכה מידרוג נמסר לה על ידי מקורות הנחשבים בעיניה לאמינים ומדויקים. מידרוג אינה בודקת באופן עצמאי את נכונותו, שלמותו, התאמתו, דיוקו או אמיתותו של המידע (להלן: "המידע") שנמסר לה והיא מסתמכת על המידע שנמסר לה לצורך קביעת הדירוג על ידי החברה המדורגת.

6

הדירוג עשוי להשתנות כתוצאה משינויים במידע המתקבל ו/או כתוצאה מקבלת מידע חדש ו/או מכל סיבה אחרת. עדכונים ו/או שינויים בדירוגים מופיעים באתר האינטרנט של מידרוג שכתובתו: [www.midroog.co.il](http://www.midroog.co.il). הדירוגים המתבצעים על ידי מידרוג הנם בגדר חוות דעת סובייקטיבית ואין הם מהווים המלצה לרכישה או להימנעות מרכישה של אגרות חוב או מסמכים מדורגים אחרים. אין לראות בדירוגים הנעשים על ידי מידרוג כאישור לנתונים או לחוות דעת כלשהן או כניסיונות לבצע הערכה עצמאית למצבה הכספי של חברה כלשהי או להעיד על כך, ואין להתייחס אליהם בגדר הבעת דעה באשר לכדאיות מחירן או תשואתן של אגרות חוב או של מסמכים מדורגים אחרים. דירוגי מידרוג מתייחסים במישרין רק לסיכונים אשראי ולא לכל סיכון אחר, כגון הסיכון כי ערך השוק של החוב המדורג ירד עקב שינויים בשערי ריבית או עקב גורמים אחרים המשפיעים על שוק ההון. כל דירוג או חוות דעת אחרת שמעניקה מידרוג צריכים להישקל כמרכיב בודד בכל החלטת השקעה הנעשית על ידי משתמש במידע הכלול במסמך זה או על ידי מי מטעמו, ובהתאם, כל משתמש במידע הכלול במסמך זה חייב ללמוד ולבצע הערכה של כדאיות השקעה מטעמו לגבי כל מנפיק, ערב, אגרת חוב או מסמך מדורג אחר שבכוונתו להחזיק, לרכוש או למכור. דירוגיה של מידרוג אינם מותאמים לצרכיו של משקיע מסוים ועל המשקיע להסתייע ביעוץ מקצועי בקשר עם השקעות, עם הדין או עם כל עניין מקצועי אחר. מידרוג מצהירה בזאת שהמנפיקים של אגרות חוב או של מסמכים מדורגים אחרים או שבקשר עם הנפקתם נעשה דירוג, התחייבו לשלם למידרוג עוד קודם לביצוע הדירוג תשלום בגין שרותי הערכה ודירוג הניתנים על ידי מידרוג.

מידרוג הינה חברת בת של מודי'ס אינבסטורס סרויס לטד. (Moody's Investors Service Ltd. להלן: "מודי'ס"), שלה 51% במידרוג. יחד עם זאת, הליכי הדירוג של מידרוג הנם עצמאיים ונפרדים מאלה של מודי'ס, ואינם כפופים לאישורה של מודי'ס. בו בזמן שהמתודולוגיות של מידרוג מבוססות על אלה של מודי'ס, למידרוג יש מדיניות ונהלים משלה וועדת דירוג עצמאית.

למידע נוסף על נהלי הדירוג של מידרוג או על ועדת הדירוג שלה, הנכם מופנים לעמודים הרלוונטיים באתר מידרוג.

29 יולי, 2009

**אי די בי אחזקות; אי די בי פתוח;  
דיסקונט השקעות; כלל תעשיות; כור**

**הורדת דירוג ל-'ilA+' לאי די בי אחזקות, אי די בי פתוח, דיסקונט  
השקעות וכלל תעשיות בשל  
עליה במנוף הפיננסי המצרפי ואישור דירוג 'ilA+' לכור; תחזית  
הדירוג יציבה**

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**תמצית**

- העלייה במנוף הפיננסי המצרפי של הקבוצה כפי שנמדד ביחס החוב (נטו) לשווי פורטפוליו, נובעת בעיקרה מירידה בערכי השוק של מרבית ההחזקות התפעוליות, במקביל להשקעת חלק ניכר מיתרות המזומן הגבוהות בהחזקות קיימות ובהשקעות חדשות. עם זאת חל שיפור ביחס זה בתקופה האחרונה.
- בהתאם לתפיסתנו המתודולוגית, אנו מתייחסים ובוחנים את חמש חברות המטה של אי די בי כמקשה אחת לצורך הערכת סיכוני אשראי. זאת לנוכח מבנה ההחזקות, מאפייני השליטה והניהול, החשיבות האסטרטגית של כל חברת מטה לקבוצה והזהות המיוחסת לחברות המטה כחלק מ"קבוצת אי די בי".
- ההחזקות התפעוליות העיקריות של הקבוצה המשיכו להפגין ביצועים טובים גם בשיאו של המשבר הנוכחי ובכך השכילו חברות המטה לשמור על יציבות בתקבולי הדיבידנדים, וכתוצאה מכך, על נזילות טובה אל מול חלויות החוב והוצאות המטה והריבית.
- אנו מורידים את הדירוג של אי די בי אחזקות לדירוג 'ilA+' מדירוג 'ilAA-'. אנו מורידים את הדירוג של אי די בי פתוח, דיסקונט השקעות וכלל תעשיות לדירוג 'ilA+' מדירוג 'ilAA' ומאשרים את דירוג 'ilA+' לכור.
- תחזית הדירוג היציבה משקפת את הערכתנו כי הקבוצה לא תחרוג מהותית מיחסי המינוף הנוכחיים ותמשיך לשמור על רמת נזילות גבוהה.

## פעולת הדירוג

ב-29 ביולי 2009, Standard & Poor's Maalot הורידה את דירוג סדרות האג"ח של אי די בי חברה לאחזקות בע"מ, אי די בי חברה לפתוח בע"מ, חברת השקעות דיסקונט בע"מ וכלל תעשיות והשקעות בע"מ לדירוג 'ilA+'. כמו כן, אישרה הוועדה את דירוג 'ilA+' שניתן לכור תעשיות בע"מ, והוציאה את כל החברות שהוזכרו לעיל מ-CreditWatch עם השלכות שליליות אליה הוכנסו ב-30 לנובמבר 2008. תחזית הדירוג הינה יציבה.

## שיקולים עיקריים לדירוג

הורדת הדירוג של הקבוצה משקפת בעיקר את העליה ברמת המינוף המצרפי של הקבוצה כפי שבא לידי ביטוי ביחס חוב (נטו) לשווי פורטפוליו (המחושב ע"י חלוקת החוב המצרפי של 5 חברות המטה בהיקף הנכסים המצרפי של 5 חברות המטה). יחס זה עומד כיום (במחירי ספוט) על כ-55%, זאת בהשוואה לכ-35% טרום המשבר בשווקים. להערכתנו המנוף הפיננסי של החברה גבוה בהשוואה לחברות החזקה אירופאיות, אך מתאים לדירוג הנוכחי בהינתן מאפייני הפורטפוליו של הקבוצה. בנוסף, הנהלת החברה נוקטת במדיניות פחות שמרנית מזו שנקטה בה בעבר, כפי שמשקפת בהמשך ביצוע השקעות חדשות גם בתקופות של ירידות בשווקים. מדיניות זו באה לידי ביטוי בימים אלה, בכל הנוגע להשקעות הגדולות ב-CS ויתכן כי גם בהשקעות אפשריות בעתיד בקרפור.

מנגד, הדירוג הנוכחי ממשיך להיתמך על ידי איכות האשראי הטובה מאד של ההחזקות העיקריות של הקבוצה; הפיזור העסקי והנכסי הגבוה, לרבות החזקות בחברות מבין המובילות בתחומיהן במשק הישראלי; תזרים הדיבידנדים היציב שתורם רבות לנזילות טובה בחברות המטה; נזילות טובה של הפורטפוליו בהשוואה לחברות החזקה ישראליות; והערכתנו כי מאפייני הנזילות והפיזור הגיאוגרפי של הפורטפוליו יוטבו עם מאמצי הקבוצה לבצע השקעות נזילות יותר בשווקים בינלאומיים.

בעוד שאנו מעריכים שהפרופיל העסקי של הקבוצה מתאים לדירוג בקבוצת ה-ilAA, דירוג החוב הנוכחי של הקבוצה מוגבל על ידי הערכתנו לפרופיל הפיננסי, ובפרט – לרמת המינוף. על מנת לשמר את הדירוג הנוכחי, ובהינתן המאפיינים העסקיים של הקבוצה, אנו מצפים שהקבוצה תשמור על רמת מינוף שלא תעלה מהותית על 60%, למעט חריגה לתקופות קצרות. בנוסף, אנו מצפים מחברות המטה לשמור על יחסי מינוף התואמים את ציפיותנו מהקבוצה כולה, משמע שהמינוף של כל חברת מטה לא יעלה על 60%, זאת לעומת יחסי מינוף הנמוכים מ-40% בדיסקונט השקעות ונמוכים מ-30% בכלל תעשיות ובכור. אנו מצפים כי הקבוצה תפעל בטווח הבינוני להורדת רמת החוב בחברות המטה של הקבוצה, ובדגש על אי די בי פיתוח ואי די בי אחזקות המרכזות כ-40% מסך החוב המצרפי של חברות המטה. ירידה ברמת החוב יכול שתעשה באמצעות אגירת מזומנים עקב צמצום דיבידנדים לבעלי השליטה בקבוצה ו/או ירידה בהשקעות, לרבות מימושים של חברות שלא נמנות עם פעילויות הליבה.

## נזילות

הנזילות של הקבוצה הינה טובה מאד ונתמכת בעיקר מיתרות מזומנים גבוהות, לוח סילוקין שטוח יחסית ונגישותה הטובה מאד למקורות מימון מקומיים ובינלאומיים. לתחילת יולי 2008 היקף המזומן בחברות המטה עמד על כ-5.3 מיליארד ₪ מול חלויות חוב ב-18 החודשים הקרובים של כ-1.7 מיליארד ₪. היקף הדיבידנדים המתקבלים בחברות המטה מכסה את הוצאות המטה והמימון של הקבוצה ואף מעבר לזה. אנו מעריכים כי הדיבידנדים שיתקבלו בשנים הקרובות יספיקו לצורך כיסוי הוצאות אלו ואף ישמשו לצורך תשלום חלק מחלויות החוב ובכך יתרמו להורדת המינוף. מרבית חברות המטה פועלות ללא התניות מהבנקים. לאי די בי פתוח מספר התניות פיננסיות, שהעיקרית שבהן הינה שמירה על חוב פיננסי נטו שלא יעלה על 6.7 מיליארד ₪. לכור מספר התניות פיננסיות ו-margin call על חלק מהשקעתה ב-CS. אי די בי פתוח וכור עומדות בהתניות אלו במרווח מספק. לקבוצה גמישות פיננסית גבוהה אינהרנטית מתוקף היותה חברת השקעות שכן מרבית החזקותיה הינן סחירות ואינן משועבדות.

## תחזית דירוג

תחזית הדירוג היציבה משקפת את הערכתנו שקבוצת אי די בי אכן תשמור לאורך זמן על LTV שלא יעלה על 60% למעט חריגות לתקופות קצרות; תשמור על נזילות מספקת תוך כדי מיקוד מאמצים בהורדת היקף החוב הפיננסי ברמת חברות המטה; ותמשיך ליהנות מפורטפוליו מפוזר, נזיל ובעל רמות סיכון נמוכות יחסית, אשר יניב לה דיבידנדים יציבים לאורך זמן. חריגה לאורך זמן מציפיות המינוף שלהערכתנו מתאימים לדירוג עלולה לשנות את תחזית הדירוג לשלילית ואף להוביל להורדת דירוג באם לא תנקוט ההנהלה צעדים בהתאם. שינוי תחזית הדירוג לחיובית או העלאת דירוג יישקלו במידה והחברה תציג שיעור LTV הנמוך מ-45% לאורך זמן.

דירוגי Standard & Poor's Maalot (להלן: "S&P Maalot") מבוססים על מידע שנתקבל מהחברה וממקורות אחרים אשר S&P Maalot מאמינה כי הנם מהימנים. S&P Maalot אינה מבקרת את המידע שנתקבל ואינה מאמתת את נכונותו או שלמותו.

מובהר בזאת כי דירוג S&P Maalot אינו משקף סיכונים הקשורים ו/או הנובעים מהפרות, במעשה או במחדל, של איזו מן ההתחייבויות הכלולות במסמכי האג"ח ו/או אי נכונות או אי דיוק באילו מן המצגים הכלולים במסמכי הקשורים להנפקת האג"ח נשוא דירוג זה, דוח S&P Maalot או העובדות שבבסיס חוות הדעת שניתנו ל-S&P Maalot כתנאי לקבלת הדירוג, פעולות או מחדלים שבוצעו במרמה או הונאה או כל פעולה אחרת בניגוד לדין.

הדירוגים עשויים להשתנות כתוצאה משינויים במידע המתקבל, או מסיבות אחרות. אין לראות בדירוג משום הבעת דעה לגבי מחיר ניירות הערך בשוק הראשוני או המשני. אין לראות בדירוג משום הבעת דעה על כדאיות קניה, מכירה או החזקה בנייר ערך כלשהו.

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## Somekh Chaikin

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## Review Report to the Shareholders of Discount Investment Corporation Limited

### *Introduction*

We have reviewed the accompanying financial information of Discount Investment Corporation Limited and its subsidiaries (hereinafter – “the Group”) comprising of the condensed consolidated interim statement of financial position as of June 30, 2009 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the six and three month periods then ended. The Board of Directors and Management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 “*Interim Financial Reporting*”, and are also responsible for the preparation of financial information for this interim period in accordance with Section D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed interim financial information of certain consolidated subsidiaries whose assets constitute 13% of the total consolidated assets as at June 30, 2009, and whose revenues constitute 6% and 4% of the total consolidated revenues for the six and three month periods then ended, respectively. Furthermore, we did not review the condensed interim financial information of equity accounted investees the investment in which amounted to NIS 1,614 million as at June 30, 2009, and the Group’s share in their profits amounted to NIS 4 million and NIS 16 million for the six and three month periods then ended, respectively. The condensed interim financial information of those companies was reviewed by other auditors whose review reports thereon were furnished to us, and our conclusion, insofar as it relates to amounts emanating from the financial information of such companies, is based solely on the said review reports of the other auditors.

### *Scope of Review*

We conducted our review in accordance with Standard on Review Engagements 1, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” of the Institute of Certified Public Accountants in Israel. 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 generally accepted auditing standards 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 and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying financial information was not prepared, in all material respects, in accordance with IAS 34.

In addition to that mentioned in the previous paragraph, based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not comply, in all material respects, with the disclosure requirements of Section D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Somekh Chaikin  
Certified Public Accountants (Isr.)

August 24, 2009

# Discount Investment Corporation Ltd.

## Consolidated Statement of Financial Position as at June 30, 2009

	June 30, 2009	June 30, 2008	December 31, 2008
	(unaudited)	(unaudited)	(audited)
	N I S   m i l l i o n s		
<b>Non-current assets</b>			
Investments in affiliated companies	7,461	4,450 *	7,344
Other investments	2,262	108	1,828
Other pledged investments	744	-	2,517
Loans and debit balances	237	71	103
Fixed assets	3,353	3,249 *	3,323
Investment property and other assets	5,295	5,554	5,709
Investment property under construction	240	198	228
Assets designated for the payment of employee benefits	10	8	15
Long-term trade receivables	552	539	541
Non-current inventory	263	222 *	283
Deferred expenses	558	473	487
Deferred tax assets	74	86 *	83
Intangible assets	2,831	3,072 **	2,900 **
	23,880	18,030	25,361
<b>Current assets</b>			
Current investments, including derivatives	651	1,124	632
Loans and short-term deposits	422	157	225
Receivables and debit balances	235	205 *	123
Current tax assets	49	32	27
Trade receivables	1,749	1,563	1,656
Inventory	288	278	309
Inventory of buildings held for sale	657	727	676
Assets classified as held for sale	122	-	16
Cash and cash equivalents	6,354	4,262	3,355
	10,527	8,348	7,019
<b>Total assets</b>	34,407	26,378	32,380

\* Reclassified. See note 3.C.

\*\* Retrospective implementation of new accounting policy – See note 3.E.

The accompanying notes and annex are an integral part of these consolidated interim financial statements.

# Discount Investment Corporation Ltd.

## Consolidated Statement of Financial Position as at June 30, 2009 (cont'd)

	June 30, 2009	June 30, 2008	December 31, 2008
	(unaudited)	(unaudited)	(audited)
	N I S   m i l l i o n s		
<b>Equity</b>			
Share capital	742	742	742
Other capital reserves	4,348	4,250	3,760
Retained earnings	1,123	321 **	633 **
Equity attributed to the Company's shareholders	6,213	5,313	5,135
Minority interests	4,465	1,908 **	3,807 **
	10,678	7,221	8,942
<b>Non-current liabilities</b>			
Debentures	13,842	12,447 *	13,344 *
Bank loans and other financial liabilities	3,752	2,634 *	3,494 *
Provisions	17	19	21
Deferred tax liabilities	904	764 *	801
Employee benefits	23	23 *	51 *
Other liabilities	1	1	2
	18,539	15,888	17,713
<b>Current liabilities</b>			
Current maturities of debentures	1,375	763 *	921 *
Bank credit and current maturities of bank loans and others	994	355 *	2,296 *
Payables and credit balances	1,606	1,123 *	1,299 *
Derivatives	43	59 *	95
Trade payables	894	675	849
Current tax liabilities	180	134 **	157 **
Overdraft	-	-	5
Deferred income	3	14	2
Provisions	95	146	101
	5,190	3,269	5,725
<b>Total equity and liabilities</b>	34,407	26,378	32,380

\* Reclassified. See note 3.C.

\*\* Retrospective implementation of new accounting policy – See note 3.E.

\_\_\_\_\_  
Nochi Dankner  
Chairman of the Board

\_\_\_\_\_  
Ami Erel  
President and CEO

\_\_\_\_\_  
Michel Dahan  
Vice President and CFO

Date of approval of financial statements: August 24, 2009

# Discount Investment Corporation Ltd.

## Consolidated Statements of Income

	6 months ended		3 months ended		Year ended
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	December 31, 2008
	(unaudited)		(unaudited)		(audited)
	N I S		m i l l i o n s		
<b>Income</b>					
Sales and services	4,124	3,853	2,028	1,912	7,901
Group's share in net profit (loss) of affiliates, net	25	(17)	(28)	(53)	(107)
Gain on sale of investments and assets, and dividend	1,765	327 *	1,699	138 *	911 *
Increase in market value of investment property	35	178	19	154	229
Other income	26	47	13	29	592
Financing income	266	251	72	128	505
	<u>6,241</u>	<u>4,639</u>	<u>3,803</u>	<u>2,308</u>	<u>10,031</u>
<b>Expenses</b>					
Cost of sales and services	2,283	2,046 *	1,113	977	4,297 *
Selling expenses	378	374	198	198	801
General and administrative expenses	428	405	220	210	858
Loss on sale and reduction of investments and assets	46	4	14	3	270
Decrease in market value of investment property	2	10	2	10	-
Other expenses	8	-	8	-	-
Financing expenses	730	966	592	576	1,688
	<u>3,875</u>	<u>3,805</u>	<u>2,147</u>	<u>1,974</u>	<u>7,914</u>
Earnings before income tax	2,366	834	1,656	334	2,117
Income tax expense	(230)	(252)	(183)	(117)	(551) *
<b>Earnings for the period</b>	<u>2,136</u>	<u>582</u>	<u>1,473</u>	<u>217</u>	<u>1,566</u>
<b>Attributable to:</b>					
Equity holders of the Company	1,228	255 *	838	65 *	1,016 *
Minority interests	908	327 *	635	152	550 *
	<u>2,136</u>	<u>582</u>	<u>1,473</u>	<u>217</u>	<u>1,566</u>
<b>Earning per share for the equity holders of the Company</b>	<u>NIS</u>	<u>NIS</u>	<u>NIS</u>	<u>NIS</u>	<u>NIS</u>
Basic earnings per share	<u>14.4</u>	<u>3.1</u>	<u>9.8</u>	<u>0.8</u>	<u>11.9</u>
Diluted earnings per share	<u>14.4</u>	<u>3.0</u>	<u>9.8</u>	<u>0.7</u>	<u>11.8</u>

\* Retrospective implementation of new accounting policy – See note 3.E.

The accompanying notes and annex are an integral part of these consolidated interim financial statements.

# Discount Investment Corporation Ltd.

## Consolidated Statement of Comprehensive Income

	6 months ended		3 months ended		Year ended
	June 30,	June 30,	June 30,	June 30,	December
	2009	2008 *	2009	2008 *	31,
	(unaudited)		(unaudited)		(audited)
	N I S		m i l l i o n s		
Profit for the period	2,136	582 **	1,473	217 **	1,566
<b>Other comprehensive income</b>					
Reserve from revaluation of investment following rise to control	-	13	-	13	4
Reserve for revaluation of investment following rise to control that was recognized in profit or loss	5	-	2	-	4
Actuarial gains (losses) from defined benefit plan, net of tax	-	-	-	1	(9)
Foreign currency translation differences for foreign operations, net of tax	30	(176)	(64)	(70)	(32)
Foreign currency translation differences for foreign operations that were recognized in profit or loss, net of tax	9	-	-	-	-
Effective portion of changes in fair value of cash flow hedges, net of tax	7	(43)	(15)	(12)	(12)
Net changes in fair value of cash flow hedges transferred to profit or loss, net of tax	(6)	15	(5)	9	35
Changes in fair value of available for sale financial assets, net of tax	2,024	-	1,315	10	(74) ***
Net changes in fair value of available-for-sale financial assets transferred to profit or loss, net of tax	(1,336)	-	(1,294)	-	(280) ***
Revaluation of fixed assets transferred to investment property, net of tax	-	-	-	-	42
Company's share of other comprehensive income (loss) of affiliated companies, net of tax	224	417	(335)	(172)	206
Other comprehensive income (loss) for the period, net of tax	957	608	(396)	(221)	(116)
Total comprehensive income (loss) for the period	3,093	(26)	1,077	(4)	1,450
<b>Attributable to:</b>					
Equity holders of the Company	1,852	(245) **	570	(113) **	1,027 **
Minority interest	1,241	219 **	507	109	423 **
Total comprehensive income (loss) for the period	3,093	(26)	1,077	(4)	1,450

\* The presentation of the statement of comprehensive income was changed as a result of the initial implementation of revised IAS 1 in these financial statements. See also note 3A regarding the initial implementation of new standards.

\*\* Retrospective implementation of new accounting policy – See note 3.E.

\*\*\* Reclassified, see note 3.C.

The accompanying notes and annex are an integral part of these consolidated interim financial statements.

# Discount Investment Corporation Ltd.

## Consolidated Statement of Changes in Equity

	Attributable to the equity holders of the Company							Total equity attributable to the equity holders of the Company	Minority interests	Total equity		
	Share capital	Share premium		Capital reserves from translation differences	Hedge reserves	Capital reserves in respect of available for sale financial assets	Revaluation reserves				Retained earnings	
	N	I	S	m	i	l	l	i	o	n	s	
<b>For the year ended December 31, 2008 (audited)</b>												
Balance as at January 1, 2008	742	5,014	(303)	(21)	53	1		222 **		5,708	2,404 **	8,112
Dividend paid to the equity holders of the Company	-	-	-	-	-	-		(600)		(600)	-	(600)
Distribution according to section 303 of the Companies Law	-	(1,000)	-	-	-	-		-		(1,000)	-	(1,000)
Share of the minority in dividends declared by subsidiaries	-	-	-	-	-	-		-		-	(866)	(866)
Increase in minority interests following issuance of rights in subsidiary	-	-	-	-	-	-		-		-	187	187
Acquisition of minority interests	-	-	-	-	-	-		-		-	(978)	(978)
Sales of rights to the minority *	-	-	-	-	-	-		-		-	42 **	42
Share-based payments granted by subsidiaries	-	-	-	-	-	-		-		-	38	38
Increase in minority interests following initial consolidation of subsidiary	-	-	-	-	-	-		-		-	2,557	2,557
Amortization against retained earnings of revaluation reserve in respect of step acquisition of subsidiary	-	-	-	-	-	(18)		18		-	-	-
Total (expense) income for the period	-	-	(115)	(18)	(106)	273		993 **		1,027	423 **	1,450
Balance as at December 31, 2008	<u>742</u>	<u>4,014</u>	<u>(418)</u>	<u>(39)</u>	<u>(53)</u>	<u>256</u>		<u>633 **</u>		<u>5,135</u>	<u>3,807 **</u>	<u>8,942</u>

\* Including issuance of shares to minority in subsidiary.

\*\* Retrospective implementation of new accounting policy – See note 3.E.

The accompanying notes and annex are an integral part of these consolidated interim financial statements.

# Discount Investment Corporation Ltd.

## Consolidated Statement of Changes in Equity (cont'd)

	Attributable to the equity holders of the Company								Minority interests	Total equity			
	Share capital	Share premium	Capital translation differences	Hedge reserves	Capital reserves from translation differences	Capital reserves in respect of available for sale financial assets	Revaluation reserves	Retained earnings			Total equity attributable to the equity holders of the Company		
	N	I	S	m	i	l	l	i	o	n	s		
<b>For the 6 months ended June 30, 2009 (unaudited)</b>													
Balance as at January 1, 2009	742	4,014	(418)	(39)	(53)	256		633 **		5,135		3,807 **	8,942
Dividend paid to the equity holders of the Company (See notes 5.C and 5.E) *	-	-	-	-	-	-	-	(774)		(774)		-	(774)
Share of the minority in dividends declared by subsidiaries	-	-	-	-	-	-	-	-	-	-		(550)	(550)
Acquisition of minority interests	-	-	-	-	-	-	-	-	-	-		(31)	(31)
Share-based payments granted by subsidiaries	-	-	-	-	-	-	-	-	-	-		(2)	(2)
Amortization against retained earnings of revaluation reserve in respect of step acquisition of subsidiary	-	-	-	-	-	(32)		32		-		-	-
Total (expense) income for the period	-	-	168	33	433	(14)		1,232		1,852		1,241	3,093
Balance as at June 30, 2009 (1)	<u>742</u>	<u>4,014</u>	<u>(250)</u>	<u>(6)</u>	<u>380</u>	<u>210</u>		<u>1,123</u>		<u>6,213</u>		<u>4,465</u>	<u>10,678</u>

\* See also note 6.T regarding a dividend that was proposed on the date of approval of the financial statements.

\*\* Retrospective implementation of new accounting policy – See note 3.E.

(1) See also note 6.G regarding options that were issued in August 2009.

The accompanying notes and annex are an integral part of these consolidated interim financial statements.

# Discount Investment Corporation Ltd.

## Consolidated Statement of Changes in Equity (cont'd)

	Attributable to the equity holders of the Company									Minority interests	Total equity	
	Share capital	Share premium	Capital reserves from translation differences	Hedge reserves	Capital reserves in respect of available for sale financial assets	Revaluation reserves	Retained earnings	Total equity attributable to the equity holders of the Company				
	N	I	S	m	i	l	l	i	o	n	s	
<b>For the 3 months ended June 30, 2009 (unaudited)</b>												
Balance as at April 1, 2009	742	4,014	33	(1)	373	226		616 **		6,003	4,308 **	10,311
Dividend paid to the equity holders of the Company (See note 5.E)*	-	-	-	-	-	-	-	(360)		(360)	-	(360)
Share of the minority in dividends declared by subsidiaries	-	-	-	-	-	-	-	-	-	-	(336)	(336)
Acquisition of minority interests	-	-	-	-	-	-	-	-	-	-	(10)	(10)
Share-based payments granted by subsidiaries	-	-	-	-	-	-	-	-	-	-	(4)	(4)
Amortization against retained earnings of revaluation reserve in respect of step acquisition of subsidiary	-	-	-	-	-	(18)		18		-	-	-
Total (expense) income for the period	-	-	(283)	(5)	7	2		849		570	507	1,077
Balance as at June 30, 2009 (1)	<u>742</u>	<u>4,014</u>	<u>(250)</u>	<u>(6)</u>	<u>380</u>	<u>210</u>		<u>1,123</u>		<u>6,213</u>	<u>4,284</u>	<u>10,678</u>

\* See also note 6.T regarding a dividend that was proposed on the date of approval of the financial statements.

\*\* Retrospective implementation of new accounting policy – See note 3.E.

(1) See also note 6.G regarding options that were issued in August 2009.

The accompanying notes and annex are an integral part of these consolidated interim financial statements.

# Discount Investment Corporation Ltd.

## Consolidated Statement of Changes in Equity (cont'd)

	Attributable to the equity holders of the Company								Minority interests	Total equity		
	Share capital	Share premium	Capital reserves from translation differences	Hedge reserves	Capital reserves in respect of available for sale financial assets	Revaluation reserves	Retained earnings	Total equity attributable to the equity holders of the Company				
	N	I	S	m	i	l	l	i	o	n	s	
<b>For the 6 months ended June 30, 2008 (unaudited)</b>												
Balance as at January 1, 2008	742	5,014	(303)	(21)	53	1		222 **		5,708	2,404 **	8,112
Dividend paid to the equity holders of the Company	-	-	-	-	-	-	-	(150)		(150)	-	(150)
Share of the minority in dividends declared by subsidiaries	-	-	-	-	-	-	-	-		-	(561)	(561)
Acquisition of minority interests	-	-	-	-	-	-	-	-		-	(254)	(254)
Sales of rights to the minority *	-	-	-	-	-	-	-	-		-	37 **	37
Share-based payments granted by subsidiaries	-	-	-	-	-	-	-	-		-	22 ***	22
Increase in minority interests following initial consolidation of subsidiary	-	-	-	-	-	-	-	-		-	41	41
Total (expense) income for the period	-	-	(508)	(10)	2	22		249 **		(245)	219 **	(26)
Balance as at June 30, 2008	<u>742</u>	<u>5,014</u>	<u>(811)</u>	<u>(31)</u>	<u>55</u>	<u>23</u>		<u>321 **</u>		<u>5,313</u>	<u>1,908 **</u>	<u>7,221</u>

\* Including issuance of shares to minority in subsidiary.

\*\* Retrospective implementation of new accounting policy and reclassification – See note 3.C and 3.E.

\*\*\* Reclassified – See note 3.C.

The accompanying notes and annex are an integral part of these consolidated interim financial statement

# Discount Investment Corporation Ltd.

## Consolidated Statement of Changes in Equity (cont'd)

	Attributable to the equity holders of the Company								Minority interests	Total equity		
	Share capital	Share premium	Capital reserves from translation differences	Hedge reserves	Capital reserves in respect of available for sale financial assets	Revaluation reserves	Retained earnings	Total equity attributable to the equity holders of the Company				
	N	I	S	m	i	l	l	i	o	n	s	
<b>For the 3 months ended June 30, 2008 (unaudited)</b>												
Balance as at April 1, 2008	742	5,014	(606)	(33)	42	10		407 **		5,576	2,038 **	7,614
Dividend paid to the equity holders of the Company	-	-	-	-	-	-	-	(150)		(150)	-	(150)
Share of the minority in dividends declared by subsidiaries	-	-	-	-	-	-	-	-		-	(128)	(128)
Acquisition of minority interests	-	-	-	-	-	-	-	-		-	(174)	(174)
Sales of rights to the minority *	-	-	-	-	-	-	-	-		-	6 **	6
Share-based payments granted by subsidiaries	-	-	-	-	-	-	-	-		-	16 ***	16
Increase in minority interests following initial consolidation of subsidiary	-	-	-	-	-	-	-	-		-	41	41
Total (expense) income for the period	-	-	(205)	2	13	13		64 **		(113)	109	(4)
Balance as at June 30, 2008	<u>742</u>	<u>5,014</u>	<u>(811)</u>	<u>(31)</u>	<u>55</u>	<u>23</u>		<u>383</u>		<u>5,313</u>	<u>1,908 **</u>	<u>7,221</u>

\* Including issuance of shares to minority in subsidiary.

\*\* Retrospective implementation of new accounting policy and reclassification – See note 3.C and 3.E.

\*\*\* Reclassified – See note 3.C.

The accompanying notes and annex are an integral part of these consolidated interim financial statement

# Discount Investment Corporation Ltd.

## Consolidated Statement of Cash Flows

	6 months ended		3 months ended		Year ended
	June 30,		June 30,		December
	2009	2008	2009	2008	31,
	(unaudited)		(unaudited)		2008
	N I S		m i l l i o n s		(audited)
<b>Cash flows generated by operating activities</b>					
Earnings for the period	2,136	582 **	1,473	217 **	1,566
Company's equity in the (net earning) losses of affiliated companies, net	(25)	17	28	53	107
Dividends received	96	198	40	146	379
Gain from realization and reduction of investments and assets, net	(1,719)	(323) **	(1,685)	(135) **	(642) **
Increase in fair value of investment property, net	(33)	(168)	(17)	(144)	(229)
Depreciation of fixed assets and deferred expenses	242	277	118	137	594
Depreciation of intangible assets	170	148 **	89	76 **	281 **
Financing costs, net	466	715	521	448	1,171
Taxes on income, net	230	252	183	117	551 **
Income tax paid, net	(264)	(301)	(151)	(129)	(530)
Other income in respect of negative goodwill	(13)	(46)	-	(28)	(576)
Proceeds (payments) from settlement of derivatives	61	(24) *	24	(10) *	(3)
Share-based payment transactions	(2)	22	(4)	16	38
	<u>1,345</u>	<u>1,349</u>	<u>619</u>	<u>764</u>	<u>2,707</u>
Increase in receivables and debit balances (including long-term amounts)	(83)	(85)	(11)	(34)	(56)
Decrease (increase) in trade receivables (including long-term amounts)	(47)	(111)	21	(22)	(99)
Decrease in inventory	114	144 **	111	93 ***	176 **
Increase in non-current inventory	(8)	(10)	(2)	(10) *	(15)
Change in provision and employee benefits	(4)	(1)	(3)	-	(9)
(Decrease) increase in long-term deferred income	2	-	2	-	(1)
Increase (decrease) in trade payables	101	(277)	58	(96)	(280)
Increase (decrease) in sundry payables and credit balances (including long-term amounts)	(39)	12	(81)	15	120
	<u>36</u>	<u>(328)</u>	<u>95</u>	<u>(54)</u>	<u>(164)</u>
Net cash inflow generated by operating activities	<u>1,381</u>	<u>1,021</u>	<u>714</u>	<u>710</u>	<u>2,543</u>

\* Reclassified see note 3.C.

\*\* Retrospective implementation of new accounting policy – See note 3.E.

\*\*\* Retrospective implementation of new accounting policy and reclassification – See notes 3.C and 3.E.

The accompanying notes and annex are an integral part of these consolidated interim financial statements.

# Discount Investment Corporation Ltd.

## Consolidated Statement of Cash Flows (cont'd)

	6 months ended		3 months ended		Year ended
	June 30,		June 30,		December
	2009	2008	2009	2008	31,
	(unaudited)		(unaudited)		(audited)
	N I S		m i l l i o n s		
<b>Cash flows generated by investing activities</b>					
Long-term deposits, loans and investments granted	(99)	-	(91)	-	(24)
Collection of long-term deposits and loans granted	3	64	1	1	95
Current investments that are not available-for-sale marketable securities, net	(130)	(365)	164	(390)	10
Current investment in available-for-sale marketable securities, net	-	-	(115)	-	478
Investments in investee companies	(166)	(441) *	(112)	(322) *	(676)
Acquisition of minority interests	(45)	(211) *	(37)	(149) *	(430)
Non current investments	(1,441)	-	(1,280)	-	(5,627)
Investment in investment property, in fixed assets in non-current inventory and in intangible assets	(387)	(560)	(157)	(271)	(1,054)
Payments in respect of hedge transactions from acquisition of fixed assets	-	(10)	-	(5)	(17)
Acquisition of subsidiaries net of cash acquired in the framework of their initial consolidation	10	(73)	-	(73)	842
Proceeds from sale of subsidiary net of cash disposed of in the framework of discontinuing in its consolidation	(2)	-	-	-	-
Proceeds from disposal of non current investments	5,568	549	5,054	219	4,220
Proceeds from disposal of investment property, fixed assets and other assets	505	53	42	-	223
Interest received	41	172	16	92	243
Net cash inflow (outflow) by investing activities	<u>3,857</u>	<u>(822)</u>	<u>3,485</u>	<u>(898)</u>	<u>(1,717)</u>
<b>Cash flows generated by financing activities</b>					
Non-current financial liabilities received	1,321	1,537	1,314	415	2,086
Current financial liabilities, net	(801)	(17)	(879)	(10)	692
Shares issued by subsidiaries to minority	-	-	-	-	185
Interest paid	(507)	(414)	(289)	(256)	(796)
Dividend paid	(774)	(150)	(774)	(150)	(600)
Distribution according to section 303 of the Companies Law	-	-	-	-	(1,000)
Dividend paid to minority shareholders of subsidiaries	(550)	(542)	(406)	(542)	(866)
Collection of non-current financial liabilities	(968)	(1,147)	(616)	(331)	(2,180)
Proceeds from settlement of derivatives	15	44 **	10	31 **	97
Receipts from external shareholders in subsidiaries, net	-	-	-	-	2
Net cash outflow generated by financing activities	<u>(2,264)</u>	<u>(689)</u>	<u>(1,640)</u>	<u>(843)</u>	<u>(2,380)</u>
Increase (decrease) in cash and cash equivalents	2,974	(490)	2,559	(1,031)	(1,554)
Cash and cash equivalents at the beginning of the period	3,350 *	4,894	3,882	5,349	4,894
Effect of exchange rate fluctuations on cash and cash equivalents	30	(142)	(87)	(56)	10
Cash and cash equivalents at the end of the period	<u>6,354</u>	<u>4,262</u>	<u>6,354</u>	<u>4,262</u>	<u>3,350 *</u>

\* After offsetting an overdraft in the amount of NIS 5 million.

\*\* Reclassified see note 3.C.

The accompanying notes and annex are an integral part of these consolidated interim financial statements.

# Discount Investment Corporation Ltd.

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## Notes to the Financial Statements as at June 30, 2009

### **Note 1 - Reporting Entity**

- A. Discount Investment Corporation Ltd. (hereinafter – the “Company”) is an Israeli resident company incorporated in Israel. The address of the Company’s registered office is 3 Azrieli Center, Triangle Tower, 44<sup>th</sup> floor, Tel Aviv. The Company’s parent company is IDB Development Corporation Ltd. (hereinafter – IDB Development), which is wholly owned by IDB Holding Corporation Ltd. (hereinafter – IDB Holding). The control nucleus of the Company is comprised of Ganden Holdings Ltd., Manor Holdings B.A. Ltd. and Avraham Livnat Ltd., which are have a voting agreement between them regarding their shares in IDB Holding. The ultimate parent company of IDB Holding is Ganden Holdings Ltd., and Mr. Nochi Dankner is the ultimate controlling shareholder.

The Company usually invests in investee companies at a level that enables it to be able to influence their direction and management. The shares of the Company are registered for trade on the Tel Aviv Stock Exchange.

### **B. Definitions**

In these financial statements:

DIC – The Company and its wholly owned subsidiaries.

The Group – DIC and its subsidiaries.

### **Note 2 - Basis of Preparation**

#### **A. General**

These interim financial statements have been prepared in a condensed format in accordance with IAS 34 *Interim Financial Reporting* and do not include all of the information required for full annual financial statements. They should be read in conjunction with the financial statements of the Company for the year ended December 31, 2008 that were authorized for issue on May 20, 2009 and are included in the prospectus the Company published on May 21, 2009 (hereinafter – the annual financial statements). Furthermore, these financial statements have been prepared in accordance with Section D of the Securities Regulations (Periodic and Immediate Reports) - 1970.

These condensed consolidated interim financial statements were authorized for issue by the Company’s Board of Directors on August 24, 2009.

#### **B. Use of estimates and judgments**

The preparation of the Group’s financial statements in conformity with IFRSs requires the managements of the Company and the investee companies 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 managements of the Company and the investee companies in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements.

# Discount Investment Corporation Ltd.

## Notes to the Financial Statements as at June 30, 2009

### Note 2 - Basis of Preparation (cont'd)

#### **B. Use of estimates and judgments (cont'd)**

The Group has balances of carried forward tax losses that have not yet been utilized, which it believes it will be able to utilize against taxable income. In order to determine the amount of carried forward losses that may be utilized and the amount that should be provided for deferred taxes, the managements of the Group companies are required to use judgment regarding the manner of offsetting the losses, the expected taxable income and its timing. Changes in these assessments may lead to changes in the value of the deferred taxes, the tax provisions and the results of operations.

#### **C. Functional currency and presentation currency**

The financial statements are presented in NIS, which is the Company's functional currency, and have been rounded to the nearest million. The NIS is the currency that represents the principal economic environment in which the Company operates.

#### **D. Details of the Consumer Price Index (CPI) and the dollar exchange rate:**

	Dollar exchange rate (in NIS)	Current month CPI (in points)
As at June 30, 2009	3.919	202.7
As at June 30, 2008	3.352	195.6
As at December 31, 2008	3.802	198.4

The rate of change:

	Dollar exchange rate	Current month CPI	Latest known CPI
For the six months ended June 30, 2009	3.1%	2.1%	1.2%
For the six months ended June 30, 2008	(12.8%)	2.3%	2.8%
For the three months ended June 30, 2009	(6.4%)	2.3%	1.9%
For the three months ended June 30, 2008	(5.7%)	2.2%	2.4%
For the year ended December 31, 2008	(1.1%)	3.8%	4.5%

# Discount Investment Corporation Ltd.

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## Notes to the Financial Statements as at June 30, 2009

### Note 3 - Significant Accounting Policies

Except as described below in Item A, the accounting policies applied by the Group in these financial statements are the same as those applied by the Group in its annual financial statements.

#### **A. Initial implementation of new standards**

Presented hereunder is a description of the changes in accounting policies that were applied in these financial statements and their effect

##### **1. Presentation of financial statements**

As from January 1, 2009 the Group implements revised IAS 1, *Presentation of Financial Statements* (hereinafter – IAS 1). IAS 1 allows the presentation of one statement of comprehensive income (a combined statement of income and of other comprehensive income) or two statements – a statement of income and a separate statement of comprehensive income. The Group has chosen to present income and expense items and components of other comprehensive income in two separate statements – a statement of income followed by a statement of comprehensive income. Furthermore, the Company presents a statement of changes in equity immediately after the statement of comprehensive income instead of in the notes. The statement includes changes in equity resulting from transactions with owners of the parent company in their capacity as owners (such as dividends, transactions with controlling shareholders, issuance of shares and/or options, etc.). IAS 1 is applied on a retrospective basis.

##### **2. Employee benefits**

As from January 1, 2009 the Group implements the amendment made to IAS 19, *Employee Benefits* (hereinafter – IAS 19) in the framework of the 2008 improvements to IFRSs project, pursuant to which employee benefits shall be classified as short-term or as other long-term benefits according to the date on which the benefit is payable. Accordingly, certain benefits were classified as short-term benefits. IAS 19 was adopted retrospectively.

As a result of the implementation of IAS 19, an amount of NIS 6 million was reclassified from employee benefits to payables and credit balance as at December 31, 2008 and an amount of NIS 3 million was similarly reclassified as at June 30, 2008.

##### **3. Investment property**

As from January 1, 2009 the Group implements the amendment made to IAS 40, *Investment Property* (hereinafter – IAS 40) in the framework of the 2008 improvements to IFRSs project, pursuant to which investment property under construction and/or development shall be measured in accordance with IAS 40 and not in accordance with IAS 16 regarding property, plant and equipment. IAS 40 was adopted on a prospective basis.

The Group measures its investment property according to the fair value model and therefore measures its investment property under construction as follows:

- (1) According to fair value when the fair value of the investment property under construction is reliably determinable; and
- (2) When the fair value is not reliably determinable, according to cost during the construction period until either construction is completed or its fair value becomes reliably determinable, whichever occurs earlier.

# Discount Investment Corporation Ltd.

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## Notes to the Financial Statements as at June 30, 2009

### Note 3 - Significant Accounting Policies (cont'd)

#### A. Initial implementation of new standards (cont'd)

##### 3. Investment property (cont'd)

The Group recognizes in profit or loss the difference as at January 1, 2009 between the fair value and the carrying amount of investment property under construction.

In the reporting period the Group performed a valuation of investment properties under construction that were completed in the first quarter of 2009, of investment property under construction and of certain properties regarding which a sale agreement was signed in the second quarter of 2009 but the possession of which will be transferred in the third quarter of the year. In the reporting period the Group recorded income from an increase in the fair value of investment property in the amount of NIS 35 million (after adjustment of the liability for betterment fees). Furthermore, the Group has a number of investment properties under construction that are presented at cost in accordance with the aforementioned.

#### B. New standards and interpretations not yet adopted

##### 1. Revised IFRS 3 *Business Combinations* and Revised IAS 27 *Consolidated and Separate Financial Statements* – The principal relevant revisions in these standards are as follows:

- a. Transactions resulting in discontinuance of consolidation are to be accounted for at full fair value, so that the residual holding after discontinuance of the consolidation is remeasured on the date of discontinuing the consolidation, at fair value, through profit or loss.
- b. Transactions resulting in the consolidation of financial statements (that were not consolidated before then) are to be accounted for at full fair value, so that the original holding before the consolidation is remeasured on the first date of consolidation, at fair value, through profit or loss.

See the annex to the financial statements for indication, in terms of present data, of possible quantitative effects of any transactions executed as mentioned in items a and b above. There is no certainty that any such transactions will be executed or regarding their dates and terms.

- c. Acquisitions of additional shares or partial sales of existing shares, without the Company discontinuing consolidation of the financial statements of the companies in respect of which the transactions were performed, are to be accounted for so that all the differences deriving from the transactions are included directly in equity (including differences that in the past would have been included in profit or loss or as goodwill).
- d. Transaction costs will be expensed as incurred.
- e. Measurement at fair value of contingent considerations in business combinations with changes in estimates relating to a contingent consideration that is a financial liability being recognized in profit or loss.
- f. Goodwill is not to be adjusted in respect of the utilization of carry-forward tax losses that existed on the date of acquiring businesses.

# Discount Investment Corporation Ltd.

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## Notes to the Financial Statements as at June 30, 2009

### Note 3 - Significant Accounting Policies (cont'd)

#### B. New standards and interpretations not yet adopted (cont'd)

##### 1. Revised IFRS 3 (cont'd)

- g. The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
- h. The non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.
- i. The attribution of comprehensive income to all the shareholders, even when the subsidiary has an equity deficiency.

These standards shall apply to annual periods beginning on or after July 1, 2009, and early adoption is permitted (both standards at the same time). Accordingly, the Group is examining the possibility of early adoption. The aforementioned standards may have a material effect on the results of operations and financial position of the Group, as from the date of their implementation.

As regards implementation in respect of 2009 or after then, the principal revisions of these standards shall be applied prospectively, meaning in respect of transactions as from the initial date of implementation.

- 2. **IFRIC 18, *Transfer of Assets from Customers*** (hereinafter – IFRIC 18). IFRIC 18 addresses the accounting treatment of transfers of fixed assets from customers to the reporting entity, in order to connect the customer to a network enabling the receipt of services or goods, or provide the customer with ongoing access to such services or goods, or both. IFRIC 18 provides guidance regarding recognition of the fixed assets and measurement on the date of initial recognition, as well as guidance regarding the method of recognizing revenue relating to the receipt of the asset. IFRIC 18 shall be effective for transfers of assets from customers that are received by the reporting entity on or after July 1, 2009 on a prospective basis. The initial implementation of IFRIC 18 is not anticipated to have a material effect on the Group's result of operations and financial position.

- 3. In the framework of the 2009 Improvements to IFRSs project, in April 2009 the IASB published and approved 15 amendments to various IFRS on a wide range of accounting issues. The amendments shall apply to periods beginning on or after January 1, 2010 and permit early adoption, subject to the specific conditions of each amendment.

Presented hereunder are the amendments that may be relevant to the Group and are expected to have an effect on the financial statements:

- **Amendment to IAS 17, *Leases – Classification of leases of land and buildings*** (hereinafter – IAS 17) – In accordance with IAS 17, a lease of land does not have to be classified as an operating lease in every case that ownership is not expected to pass to the lessee at the end of the lease period. In accordance with IAS 17, a land lease is to be examined according to the regular criteria for classifying a lease as a finance lease or as an operating lease.

# Discount Investment Corporation Ltd.

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## Notes to the Financial Statements as at June 30, 2009

### Note 3 - Significant Accounting Policies (cont'd)

#### B. New standards and interpretations not yet adopted (cont'd)

##### 3. (cont'd)

IAS 17 also provides that when a lease includes both a land component and a buildings component, the classification of each component should be based on the criteria of this standard, with the principal consideration regarding the classification of land being the fact that land normally has an indefinite useful life.

IAS 17 applies to financial statements for annual periods beginning on or after January 1, 2010. Earlier application is permitted with disclosure. IAS 17 is to be implemented retrospectively, which means that the classification of land leases is to be examined on the basis of the information that was available on the date of the lease agreement, and that in the event of reclassification of the lease, the provisions of IAS 17 are to be implemented retrospectively as from the date of the lease agreement. Nevertheless, if the entity does not have the information necessary to apply IAS 17 retrospectively, it should use the information available on the adoption date of IAS 17 and recognize the asset and liability related to a land lease that was classified as a result of IAS 17 as a finance lease according to their fair value as at that date. Any difference between the fair value of the asset and the fair value of the liability shall be recognized in retained earnings.

The Group is examining the effect of implementing IAS 17 on its financial statements.

- **Amendment to IAS 36, *Impairment of Assets* – Unit of accounting for goodwill impairment test** (hereinafter – IAS 36) – In accordance with IAS 36, for purposes of impairment testing the largest cash-generating unit to which goodwill should be allocated is the operating segment level as defined in IFRS 8 before applying the aggregation criteria in Paragraph 12 of IFRS 8. IAS 36 is to be applied prospectively for annual periods beginning on or after January 1, 2010. Earlier application is permitted with disclosure.

The Group is examining the effect of implementing IAS 36 on its financial statements.

- **IAS 39, *Financial Instruments: Recognition and Measurement*** (hereinafter – IAS 39) –
  - (a) IAS 19 exempts business combination contracts from its scope. IAS 39 clarifies that the scope exemption in IAS 39 is restricted to forward contracts between an acquirer and a seller with respect to the sale or acquisition of a controlled entity, in a business combination at a future acquisition date. In addition, the term of the forward should not be longer than the period normally necessary for obtaining the approvals required for the transaction. This change is to be applied prospectively to all unexpired contracts for annual periods beginning on or after January 1, 2010. Earlier application is permitted with disclosure.
  - (b) Furthermore, in accordance with IAS 39 if an exercise price of a loan prepayment option (penalty) reimburses the lender for an amount not exceeding the approximate present value of the excess interest payments that would have been received over the remaining term of the host contract (the loan), then the economic characteristics and risks of the prepayment option are closely related to the economic characteristics and risks of the host contract and the embedded derivative is not separated. This change is to be applied to all annual periods beginning on or after January 1, 2010.

# Discount Investment Corporation Ltd.

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## Notes to the Financial Statements as at June 30, 2009

### Note 3 - Significant Accounting Policies (cont'd)

#### **B. New standards and interpretations not yet adopted (cont'd)**

##### 3. (cont'd)

The Group is examining the effect of implementing IAS 39 on its financial statements.

Details of other new standards that have not yet been adopted are provided in the annual financial statements.

#### **C. Change in classification**

Comparative amounts were reclassified for consistency. These classifications did not affect equity or profit. Presented hereunder are the principal reclassifications:

1. In the statements of financial position as at December 31, 2008 and June 30, 2008:
  - a. The item of non-current financial liabilities was split into two items – debentures, and bank loans and other financial liabilities.
  - b. The item of current financial liabilities was split into two items – current maturities of debentures, and credit from banks and current maturities of loans from banks and others.
  - c. Amounts of NIS 6 million and NIS 3 million, respectively, were reclassified from the item of employee benefits to the item of payables and credit balances (see Paragraph 2 of Note 3.A).
2. In the statement of financial position as at June 30, 2008:
  - a. The item of payables, credit balances and current liabilities was split into two items – payables and credit balances, and derivatives.
  - b. An amount of NIS 3 million was reclassified from the item of deferred tax assets to the item of deferred tax liabilities.
  - c. An amount of NIS 712 million was reclassified from the item of non-current inventory to fixed assets.
  - d. The items of financial receivables and other receivables were combined into one item of receivables and debit balances.
  - e. An amount of NIS 30 million was reclassified from the item of receivables and debit balances to the item of investments in affiliated companies.
3. In the consolidated statement of changes in equity:

For the six and three month periods ended June 30, 2008, an amount of NIS 7 million was reclassified from the item of share-based payments granted by subsidiaries to the item sale of rights to the minority.

# Discount Investment Corporation Ltd.

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## Notes to the Financial Statements as at June 30, 2009

### Note 3 - Significant Accounting Policies (cont'd)

#### **B. New standards and interpretations not yet adopted (cont'd)**

4. In the statements of cash flows for the six and three month periods ended June 30, 2008:
  - a. In the cash flows from investing activities the item of investments in investee companies and subsidiaries was split into two items – acquisition of minority interests and investments in investee companies.
  - b. In the cash flows for the three month period ended June 30, 2008 an amount of NIS 2 million was reclassified from the item of increase in non-current inventory to the item of decrease in inventory.
  - c. The amounts of NIS 15 million and NIS 8 million, respectively, were reclassified from the item of proceeds (payments) from settlement of derivatives under operating activities to the item of proceeds from settlement of derivatives under financing activities.
5. In the statement of comprehensive income for the year ended December 31, 2008 an amount of NIS 95 million was reclassified from the item of net change in fair value of available-for-sale financial assets transferred to profit or loss net of tax, to the item of net change in fair value of available-for-sale financial assets net of tax.

- D.** Until December 31, 2008 a subsidiary of the Company presented its investment in an investee company, regarding which it has an agreement for joint control, according to the equity method. As from the financial statements for the first quarter of 2009 the investment in the said investee is presented on the books of the subsidiary and DIC by the proportionate consolidation method. Since the aforementioned change in presentation is immaterial to the financial statements of DIC, the comparative figures were not reclassified in these financial statements.

#### **E. Retrospective application of new accounting policy**

In these financial statements the Group changed its accounting policy for recognizing losses on subsidies of cellular handsets that are sold together with a fixed-term service agreement that includes guaranteed minimum revenue. In accordance with the Group's previous accounting policy on this matter, the Group recognized losses on the sale of such cellular handsets on the date they were delivered to the customer. In accordance with the new policy regarding such transactions, the Group capitalizes the losses on the sale of cellular handsets for as long as the flow of economic benefits from the fixed-term service agreement is considered enforceable. Such losses are capitalized as intangible assets and amortized on a straight-line basis over a period of 18 months, which reflects the expected life of the agreement with the subscriber, and is not longer than the minimum enforceable period of commitment with the subscriber.

The new accounting policy will better reflect the subscriber acquisition cost and the benefits arising from the subscriber, and will provide more relevant information regarding the Group's results of operations.

The change was adopted on a retrospective basis.

# Discount Investment Corporation Ltd.

## Notes to the Financial Statements as at June 30, 2009

### Note 3 - Significant Accounting Policies (cont'd)

#### E. Retrospective application of new accounting policy (cont'd)

Presented hereunder is the effect of the retrospective application on the relevant financial statement items:

	June 30, 2008 (Unaudited)	December 31, 2008 (Audited)
	N I S m i l l i o n s	
<b>Effect on the consolidated statement of financial position</b>		
Intangible assets as presented in the past	3,009	2,832
Effect of application of change in policy	63	68
Intangible assets after application of change in policy	<u>3,072</u>	<u>2,900</u>
Current tax liabilities as presented in the past	116	137
Effect of application of change in policy	18	20
Current tax liabilities after application of change in policy	<u>134</u>	<u>157</u>
Retained earnings as presented in the past	298	610
Effect of application of change in policy	23	23
Retained earnings after application of change in policy	<u>321</u>	<u>633</u>
Minority interests as presented in the past	1,886	3,782
Effect of application of change in policy	22	25
Minority interests after application of change in policy	<u>1,908</u>	<u>3,807</u>

# Discount Investment Corporation Ltd.

## Notes to the Financial Statements as at June 30, 2009

### Note 3 - Significant Accounting Policies (cont'd)

#### E. Retrospective application of new accounting policy (cont'd)

	Six-month period ended June 30, 2008	Three- month period ended June 30, 2008	Year ended December 31, 2008
	(Unaudited)	(Unaudited)	(Audited)
	N I S m i l l i o n s		
<b>Effect on the consolidated statement of income</b>			
Gain on sale of investments and assets and dividends as presented in the past	329	139	915
Effect of application of change in policy	(2)	(1)	(4)
Gain on sale of investments and assets and dividends after application of change in policy	327	138	911
Cost of sales and services as presented in the past	2,047	977	4,303
Effect of application of change in policy	(1)	-	(6)
Cost of sales and services after application of change in policy	2,046	977	4,297
Taxes on income as presented in the past	(252)	(117)	(549)
Effect of application of change in policy	-	-	(2)
Taxes on income after application of change in policy	(252)	(117)	(551)
Profit for the period as presented in the past	583	218	1,566
Effect of application of change in policy	(1)	(1)	-
Profit for the period after application of change in policy	582	217	1,566
Profit for the period attributable to equity holders of the Company as presented in the past	257	66	1,018
Effect of application of change in policy	(2)	(1)	(2)
Profit for the period attributable to equity holders of the Company after application of change in policy	255	65	1,016
Profit for the period attributable to the minority interests as presented in the past	326	152	548
Effect of application of change in policy	1	-	2
Profit for the period attributable to the minority interests after application of change in policy	327	152	550

# Discount Investment Corporation Ltd.

## Notes to the Financial Statements as at June 30, 2009

### Note 3 - Significant Accounting Policies (cont'd)

#### E. Retrospective application of new accounting policy (cont'd)

	Six-month period ended June 30, 2008	Three- month period ended June 30, 2008	Year ended December 31, 2008
	(Unaudited)	(Unaudited)	(Audited)
	N I S    m i l l i o n s		
<b>Effect on the consolidated statement of comprehensive income</b>			
Total comprehensive income (loss) for the period attributable to equity holders of the Company as presented in the past	(243)	(112)	1,029
Effect of application of change in policy	<u>(2)</u>	<u>(1)</u>	<u>(2)</u>
Total comprehensive income (loss) for the period attributable to equity holders of the Company after application of change in policy	<u>(245)</u>	<u>(113)</u>	<u>1,027</u>
Total comprehensive income for the period attributable to the minority interests as presented in the past	218	109	421
Effect of application of change in policy	<u>1</u>	<u>-</u>	<u>2</u>
Total comprehensive income for the period attributable to the minority interests after application of change in policy	<u>219</u>	<u>109</u>	<u>423</u>
<b>Effect on the consolidated statement of changes in equity</b>			
Sale of rights to the minority as presented in the past	35*	5*	38
Effect of application of change in policy	<u>2</u>	<u>1</u>	<u>4</u>
Sale of rights to the minority after application of change in policy	<u>37</u>	<u>6</u>	<u>42</u>

\* After reclassification – see Note 3.C.

# Discount Investment Corporation Ltd.

## Notes to the Financial Statements as at June 30, 2009

### Note 3 - Significant Accounting Policies (cont'd)

#### E. Retrospective application of new accounting policy (cont'd)

	Six-month period ended June 30, 2008	Three- month period ended June 30, 2008	Year ended December 31, 2008
	(Unaudited)	(Unaudited)	(Audited)
	N I S    m i l l i o n s		
<b>Effect on the consolidated statement of cash flows</b>			
<u>Cash flows from operating activities</u>			
(Gain) from realization and reduction of investments and assets, net, as presented in the past	(325)	(136)	(646)
Effect of application of change in policy	2	1	4
(Gain) from realization and reduction of investments and assets, net, after application of change in policy	(323)	(135)	(642)
Amortization of intangible assets as presented in the past	118	60	211
Effect of application of change in policy	30	16	70
Amortization of intangible assets after application of change in policy	148	76	281
Decrease in inventory as presented in the past	175	109*	252
Effect of application of change in policy	(31)	(16)	(76)
Decrease in inventory after application of change in policy	144	93	176

\* After reclassification – see Note 3.C.

# Discount Investment Corporation Ltd.

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## Notes to the Financial Statements as at June 30, 2009

### Note 4 - Investee Companies

In this note the share in profit attributable to the equity holders of the Company in respect of their share in the profit (or loss) of an investee company shall be called "DIC's share in the profit (or loss) of the investee company".

#### **A. Changes in investments during the first quarter**

1. **Cellcom Israel Ltd. (hereinafter – Cellcom), a 47% subsidiary of DIC**

In March 2009 Cellcom distributed a cash dividend in the total amount of NIS 270 million. DIC's share in the said dividend is NIS 127 million.

2. **Property & Building Corporation Ltd. (hereinafter – Property & Building), a 83% subsidiary of DIC**

a. In March 2009 the sale of all the rights of Property & Building (50%) in the Givataim Mall for the price of NIS 398 million was closed. The closing of the sale did not have an effect on the net profit in the first quarter of 2009, since in the annual financial statements the asset was presented according to the fair value determined in the sale transaction.

b. Investments in Las Vegas, Nevada, USA

The acquisition of real estate for the Plaza project in Las Vegas was financed by, inter alia, a loan from banking and financial institutions in the amount of \$ 625 million that was received by El Ad IDB Las Vegas LLC (hereinafter – the project company). The project company is held in equal parts by IDB Group USA Investments Inc. (hereinafter – "IDBG"), a subsidiary owned equally by Property & Building and IDB Development and by ElAd Properties Las Vegas LLC, a company of the Elad Group.

In March 2009 the project company and the lenders signed an amendment to the original loan agreement that extends the said loan period by 42 months (until August 2012), at the same interest terms provided in the original loan agreement. An amount of \$ 95 million will be deposited by the project company for the purpose of securing the interest payments on the loan that will be payable throughout the extension period (the share of Property & Building in the said deposit is \$ 23.75 million, according to its proportionate share in the project company). Furthermore, throughout the extension period, on specified dates, the project company shall deposit amounts, if and to the extent requested, as security for the payment of various expenses relating to the land, such as property tax and insurance, and as security for the balance of the interest payments. In the extension period the project company will not be required to comply with financial covenants, including those requiring a minimum ratio between the value of the said land and the balance of the debt in respect of the loan. In addition, the second lien on the land that was provided to IDBG and the entity of the Elad Group as security for a loan in the amount of \$ 100 million (principal) that each one of these entities granted to the project company as part of the original financing of the land was cancelled, and the payment of interest on this loan will be postponed until the repayment of the said loan of \$ 625 million. It was further agreed in the extension of the loan of \$ 625 million, that IDBG and the entity of the Elad Group will each acquire from one of the lenders a part of this loan in the amount of \$ 2.5 million (the share of Property & Building in this acquisition is \$ 1.25 million).

# Discount Investment Corporation Ltd.

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## Notes to the Financial Statements as at June 30, 2009

### Note 4 - Investee Companies (cont'd)

#### A. Changes in investments during the first quarter (cont'd)

##### 2. Property & Building Corporation Ltd. (cont'd)

##### b. Investments in Las Vegas, Nevada, USA (cont'd)

The extension of the loan was completed on April 1, 2009, including the deposit of \$ 95 million and the acquisition of part of the loan in the amount of \$ 5 million as aforementioned. Property & Building has invested an aggregate amount of \$ 225 million in the project (after depositing the interest and acquiring part of the loan as aforementioned).

The terms of the amended loan agreement provide, inter alia, that the project company is entitled at any time to made an early repayment of the loan principal, all or part (without an early repayment fee), and that it is required to make an early repayment under certain other circumstances. The loan agreement includes also restrictions on the actions of the project company (negative covenants) during the period of the loan, the principal ones being as follows: restrictions on assuming additional debts, restrictions on creating liens, restrictions on making investments not related to the Plaza project, restrictions on dividend distributions, restrictions on the sale of assets, restrictions on interested party transactions, restrictions on investments in the equity of certain entities related to the project, and restrictions on the early repayment of debts other than the loan included in the agreement. The loan agreement includes also standard causes that give to the lenders the right to demand the immediate repayment of the loan, the principal ones being as follows: failure to pay the principal or interest on the loan when due, or the breach of any other monetary payment higher than \$ 5 million, a material breach of a representation according to the loan agreement, failure to comply with reporting obligations to the lenders according to the loan agreement, breach of the negative covenants and certain changes in control in the borrower.

- c. In the first quarter of 2009 a wholly owned subsidiary of Property & Building purchased NIS 20 million par value of Series D debentures of Property & Building for a consideration of NIS 14 million. The said debentures were not delisted. As a result of the said purchase, Property & Building recorded a net gain of NIS 6 million. DIC's share in the said gain amounted to NIS 5 million.

##### 3. **Koor Industries Ltd. (hereinafter – Koor), a 63% subsidiary of the Company**

- a. In March 2009 Koor reached an agreement with Morgan Stanley by which the amount of the non-recourse credit facility that was provided to it by Morgan Stanley would be doubled, so that the maximum amount would be 330 million Swiss francs (hereinafter – the credit limit), by adding a credit limit of 165 million Swiss francs to the original credit limit of 165 million Swiss francs, which will be adjusted in September 2009 in accordance with the maximum amount actually withdrawn by Koor until that date. As at June 30, 2009, 52 million Swiss francs of the credit facility have been utilized (net of deposits in the amount of 32 million Swiss francs).

# Discount Investment Corporation Ltd.

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## Notes to the Financial Statements as at June 30, 2009

### Note 4 - Investee Companies (cont'd)

#### A. Changes in investments during the first quarter (cont'd)

##### 3. Koor Industries Ltd. (cont'd)

###### a. (cont'd)

The maximum amount considered having been withdrawn by Koor from the Morgan Stanley credit facility in the period from the signing of the loan agreements until the date of approval of these financial statements is 318 million Swiss francs. As at the date of approval of these financial statements the balance of the Morgan Stanley credit, net of deposits, amounts to 178 million Swiss francs.

###### b. In March 2009 Makhteshim Agan Industries Ltd. (hereinafter – Makhteshim Agan), a 42% affiliated company of Koor, issued debentures by means of expanding its existing series of debentures as follows:

1. Series C debentures of a total par value of NIS 661 million, issued at a price reflecting effective interest of 4.2% p.a.
2. Series D debentures of a total par value of NIS 472 million, issued at a price reflecting effective interest of 6.9% p.a.

Makhteshim Agan received a gross consideration in the amount of NIS 1,201 million from the issuance of the said two series of debentures and the issuance expenses amounted to NIS 10 million.

###### c. In March 2009 Koor signed agreements with Telrad Networks Ltd. (hereinafter – Telrad), an investee company of Koor, and with another shareholder of Telrad, pursuant to which Koor transferred to that shareholder part of its shares in Telrad, and part of Koor's right to the repayment of loans it had provided to Telrad, at no cost, so that Koor's holding in Telrad decreased to 10% and its share in the shareholders' loans that were granted to Telrad decreased to 10%. In addition, Koor undertook to provide to Telrad an amount of \$ 1 million in the framework of a future round of raising capital, in according with the conditions provided in the agreement. As from the date of signing the agreement, Koor does not participate in the appointment of Telrad's board of directors, and it has the right to tag along to a sale of shares of Telrad by the aforementioned other shareholder.

DIC recorded a gain in the amount of NIS 10 million as a result of the said transaction.

As from March 31, 2009 the investment in Telrad is accounted for as an available-for-sale asset as a result of the sale.

###### d. In the first quarter of 2009 Koor purchased and sold additional shares of Credit Suisse Group AG (hereinafter – Credit Suisse). In the first quarter of 2009 Koor and the Company recorded gains and capital reserves in respect of the investment in shares of Credit Suisse as follows:

# Discount Investment Corporation Ltd.

## Notes to the Financial Statements as at June 30, 2009

### Note 4 - Investee Companies (cont'd)

#### A. Changes in investments during the first quarter (cont'd)

##### 3. Koor Industries Ltd. (cont'd)

##### d. (cont'd)

	<u>On Koor's books</u>	<u>DIC's share</u>
	N I S	m i l l i o n s
Gain from selling shares of Credit Suisse	33	26
Income from recording deferred taxes in respect of the revaluation of the shares as at June 30, 2009, as explained in Paragraph d1 of Note 3F(3) of the annual financial statements	130	82
Total gain	<u>163</u>	<u>108</u>
Positive change, net, in balance of capital reserve in respect of shares of Credit Suisse (net of tax effect) in the first quarter of 2009	<u>637</u>	<u>396</u>
Positive balance of capital reserve (net of tax effect) as at March 31, 2009	<u>391</u>	<u>298</u>

As at March 31, 2009 Koor held 3.02% of the shares of Credit Suisse, the original cost of which was NIS 4.04 billion and their value on the stock exchange was NIS 4.57 billion as at that date. See also hereunder in Section 3.e of Note 4.B and Note 6.I regarding purchases and sales of Credit Suisse shares in the second quarter of 2009 and subsequent to balance sheet date.

##### 4. Shufersal Ltd. (hereinafter – Shufersal), a 40% held affiliate of DIC

In March 2009 Shufersal distributed a dividend in the total amount of NIS 104 million (net of dividend to subsidiary of Shufersal). The share of DIC in the said dividend amounted to NIS 41 million.

##### 5. Changes in other investments

- a. In February 2009 the Company, together with IDB Development, entered into an agreement with GVT (Holding) N.V. (hereinafter – GVT) – a private company in which the Company and IDB Development each hold 9.6% of its issued share capital, Global Village Telecom (Holland) B.V. (hereinafter – the Dutch company) – a private company wholly owned by GVT, and a foreign company from the Swarth group (hereinafter – the buyer), pursuant to which the Company and IDB Development shall sell to GVT their holdings in it, all or part, in two parts, for the net amount (net of taxes) that is received by the Dutch company from the sale of part of its holdings in GVT (Holding) S.A. – a Brazilian company the shares of which are traded in Brazil (hereinafter – the Brazilian company) to the buyer. On the date of signing the said agreement, the Dutch company held 18.9% of the share capital of the Brazilian company.

# Discount Investment Corporation Ltd.

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## Notes to the Financial Statements as at June 30, 2009

### Note 4 - Investee Companies (cont'd)

#### A. Changes in investments during the first quarter (cont'd)

##### 5. Changes in other investments (cont'd)

###### a. (cont'd)

In the framework of the first part of the transaction, the Dutch company sold to the buyer, in March 2009, 0.4% of the share capital of the Brazilian company (hereinafter – the shares of the first portion), at a consideration based on a price of 23.65 Brazilian real per share, net of Brazilian withholding tax (hereinafter – the first consideration). The first consideration (net of taxes related to the transfer) was transferred from the Dutch company to GVT. The net proceeds after taxes were used by GVT to acquire 1% of the issued share capital of GVT (on the basis of its issued share capital, net of treasury shares) from each of the Company and IDB Development. The Company received the amount of NIS 10 million in consideration for the shares sold as aforementioned. One of the other shareholders of GVT that at the time held 0.8% of its issued share capital (net of treasury shares), exercised its right to attach its shares in GVT to the sale of the Company's and IDB Development's holdings in GVT as aforementioned, and as a result the rate of the holdings in GVT that were purchased from the Company and IDB Development decreased proportionately. The other shareholders of GVT did not exercise their right to tag along in this transaction. As a result of completing the first part of the transaction, the rights of the buyer with respect to the sale of shares of GVT by the Company or IDB Development expired, as did the restrictions on sales to the benefit of the Company and IDB Development of part of the shares of the Brazilian company by the Dutch company.

In the framework of the second part of the transaction, the Dutch company granted to the buyer an option to purchase until September 31, 2009 3.2% of the share capital of the Brazilian company (hereinafter – the option and the shares of the second portion, respectively), for a consideration based on a price per share that is the higher of: (1) 23.65 Brazilian real; or (2) 80% of the average closing price of the Brazilian company's share on the stock exchange in Brazil in the 30 trading days prior to providing the notice regarding exercise of the option, all net of Brazilian withholding tax (hereinafter – the second consideration). The sale of the shares of the second portion, in the event of the option being exercised, will be completed within one week from the date notice was provided regarding exercise of the option. Immediately after completing the sale of the shares of the second portion, the second consideration will be transferred (net of taxes related to the transfer) from the Dutch company to GVT. The net proceeds after taxes will be used by GVT to acquire from both the Company and IDB Development the rest of their holdings in GVT.

In respect of the first part of the transaction the Company recorded a loss of NIS 15 million in the first quarter of 2009; this after recording an expense for accounting purposes in respect of the option, in the amount of NIS 19 million, which is required in accordance with accounting principles and will be recognized as income on the date the option is exercised in the third quarter of 2009 (see Note 6.M. regarding exercise of the said option in August 2009).

# Discount Investment Corporation Ltd.

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## Notes to the Financial Statements as at June 30, 2009

### Note 4 - Investee Companies (cont'd)

#### A. Changes in investments during the first quarter (cont'd)

##### 5. Changes in other investments (cont'd)

- b. In January 2009 the Company granted to Elron Electronic Industries Ltd. (hereinafter – Elron), a 49% affiliate of DIC, a loan in the amount of NIS 8 million. The loan is linked to the CPI and bears linked interest of 5.5% p.a. This loan is subordinate to existing bank credit of Elron in the amount of \$ 30 million. The loan is repayable in one payment in September 2011 or on the date Elron repays the said bank credit, whichever earlier. If the bank postpones the repayment date of the credit it provided to Elron, also the repayment date of the Company's loan to Elron will be postponed. Elron is allowed to make an early repayment of the Company's loan, all or part, subject to the consent of the bank. This loan is in addition to the loan in the amount of NIS 23 million the Company granted to Elron in November 2008. See also Section 4.d hereunder of Note 4.B.
- c. As a result of the deep crisis experienced by the Japanese economy in the last months of 2008, which also caused a significant decline in the sales of a Japanese subsidiary of Ham-Let (Israel Canada) Ltd. (hereinafter – Ham-Let), a subsidiary of the Company, the board of directors of Ham-Let decided in March 2009 to discontinue the manufacturing activity of the Japanese subsidiary and to concentrate all the manufacturing activity of Ham-Let in Israel. As a result, Ham-Let recorded expenses in the amount of NIS 3 million. DIC's share in the said expenses amounted to NIS 2 million.
- d. In March 2009 Given Imaging Ltd. (hereinafter – Given Imaging), an affiliate held 16% by the Company and 28% by Elron, distributed a cash dividend in the total amount of \$ 16 million. The share of DIC in the said dividend (in respect of its direct holding in Given Imaging) and of Elron (in respect of its direct and indirect holding in Given Imaging) amounts to NIS 11 million and NIS 19 million, respectively.

#### B. Changes in investments during the second quarter

##### 1. Cellcom

- a. In April 2009 Cellcom published a shelf registration offer in which it offered its debentures to the public. In the framework of tenders that were held in April, 2009, Cellcom issued as follows:
  1. NIS 186 million par value of debentures from Cellcom's existing Series D, issued at a price reflecting effective interest of 3.7% p.a. Cellcom received a total of NIS 215 million in respect of these debentures.
  2. NIS 789 million par value of Series E (new series) debentures of Cellcom, which bear interest of 6.25% p.a. that is payable annually. The Series E debentures are not linked and are repayable in the years 2012 through 2017. Cellcom received a total of NIS 785 million in respect of these debentures.

# Discount Investment Corporation Ltd.

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## Notes to the Financial Statements as at June 30, 2009

### Note 4 - Investee Companies (cont'd)

#### **B. Changes in investments during the second quarter (cont'd)**

##### **1. Cellcom (cont'd)**

###### **a. (cont'd)**

Cellcom received a total consideration in the amount of NIS 1,000 million from the issuance of the said two series of debentures.

- b. In June 2009 Cellcom distributed a cash dividend in the amount of NIS 330 million. The share of DIC in the dividend amounted to NIS 155 million.

##### **2. Property & Building**

- a. In April 2009 Property & Building distributed a cash dividend in the amount of NIS 200 million. The share of DIC in the said dividend amounted to NIS 167 million.

- b. In April 2009 Gav-Yam Land Corporation Ltd. (a subsidiary of Property & Building) issued debentures by means of expanding its existing Series E debentures for a total consideration of NIS 249 million. The debentures were issued at a price reflecting effective interest of 5.09% p.a.

###### **c. Investments in Las Vegas, Nevada, USA**

Further to that mentioned in Section 3.c.5 of Note 3.F to the annual financial statements regarding an agreement from July 2008 that extends the construction loan that was granted to one of the real estate companies with respect to a residential real estate project in Las Vegas, in which also IDBG participates, in May 2009 an agreement was signed regarding extension of the loan until the end of May 2010. In the framework of the extension an early repayment of a net amount of \$ 6 million was made on account of the loan, after which the balance of the loan principal amounts to \$ 86 million; the interest rate of the loan was adjusted so that in the first 6 months from the date of the extension agreement the interest will be Libor plus 4.75% and during the rest of the period it will increase by 0.5% (in the interest calculation the Libor rate will be no less than 2%). The letter of credit that was provided in the past as security for the construction loan was not extended since one of the holders of rights in the real estate project elected to not extend it and therefore the lenders withdrew the amount of the letter of credit in order to repay part of the loan. The said letter of credit was in the amount of \$ 50 million of which the share of Property & Building is \$ 12.5 million. Upon execution of the partial repayment, the principal of the construction loan amounts to \$ 36 million.

- d. In May 2009 Property & Building published a shelf registration prospectus on the basis of its financial statements as at December 31, 2008, in the framework of which it will be able to offer to the public shares, convertible debentures, non-convertible debentures, and options exercisable into shares and into debentures.

# Discount Investment Corporation Ltd.

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## Notes to the Financial Statements as at June 30, 2009

### Note 4 - Investee Companies (cont'd)

#### **B. Changes in investments during the second quarter (cont'd)**

##### **2. Property & Building (cont'd)**

- e. Property & Building and an American partner that hold an American company at the rate of 75% (indirectly) and 25%, respectively, held negotiations for the acquisition of the bank loan that was granted in order to finance a residential project in Florida, USA, in consideration for a significant reduction in the amount of the loan. The balance of the loan was \$ 44 million. The loan was granted against a pledge of the project's real estate and partial guarantees of the American partner, and it is non-recourse to Property & Building. Property & Building and the American partner did not reach an agreement with the lender regarding the consideration for their acquisition of the loan, and therefore in July 2009 the project's real estate was transferred to the ownership of the lender, according to the procedure provided in the loan agreement, in consideration for writing-off the balance of the loan. As a result of the aforementioned, Property & Building recorded in the second quarter of 2009 a provision for loss in the amount of NIS 17 million. The share of DIC in the loss amounts to NIS 14 million.

##### **3. Koor**

- a. In April 2009 a wholly owned subsidiary of Koor signed an agreement to sell its shares (33%) in A.H.A. Development Ltd. (hereinafter – A.H.A.) to the other shareholders of A.H.A. The transaction was completed in July 2009. A total amount of NIS 81 million was received in this transaction, which is subject to certain adjustments if and insofar as the buyers sell the said shares within 12 months from the date of the transaction. This transaction did not have an effect on the profit of Koor and the Company. As from March 31, 2009 the investment in A.H.A. is classified as an asset held for sale.
- b. In May 2009 Koor repaid all the non-recourse credit in the amount of 214 million Swiss francs that was provided to it by Goldman Sachs.
- c. In May 2009 a wholly owned subsidiary of Koor sold NIS 76 million par value of the Series H debentures of Koor for a consideration of NIS 80 million.
- d. In June 2009 Koor distributed a cash dividend in the amount of NIS 432 million. The share of DIC in the dividend amounted to NIS 271 million.
- e. In the second quarter of 2009 Koor purchased and sold additional shares of Credit Suisse directly and through a wholly owned subsidiary. In the second quarter of 2009 Koor and the Company recorded gains and capital reserves in respect of the investment in shares of Credit Suisse as follows:

# Discount Investment Corporation Ltd.

## Notes to the Financial Statements as at June 30, 2009

### Note 4 - Investee Companies (cont'd)

#### B. Changes in investments during the second quarter (cont'd)

##### 3. Koor (cont'd)

##### e. (cont'd)

	On Koor's books	DIC's share
	N I S	m i l l i o n s
Gain from selling shares of Credit Suisse	1,599	1,044
Tax expenses (mainly from reversal of tax asset recorded in the first quarter, as detailed in Paragraph 3.d of Note 4.A)	(102)	(64)
Total gain	<u>1,497</u>	<u>980</u>
Net change in positive balance of capital reserve in respect of shares of Credit Suisse (net of tax effect) in the second quarter of 2009	<u>50</u>	<u>(10)</u>
Positive balance of capital reserve (net of tax effect) as at June 30, 2009	<u>441</u>	<u>288</u>

As at June 30, 2009 Koor has significant profits on its investment in Credit Suisse, which in its opinion and on the basis of a professional opinion, it will be able to offset from carried forward losses accumulated in prior years and in the first half of this year. In the financial statements of Koor, its management is required to use judgment regarding the manner of offsetting the losses, the expected taxable income and its timing, since the tax laws and legal requirements on this matter are subject to different interpretations. See also Note 2.B. above.

As at June 30, 2009 Koor held 1.13% of the shares of Credit Suisse, the original cost of which was NIS 1.81 billion and their value on the stock exchange was NIS 2.4 billion as at that date. See also Note 6.I hereunder regarding purchases and sales of Credit Suisse shares subsequent to balance sheet date.

- f. In June 2009 the board of directors of Koor approved investing in shares of Carrefour SA (hereinafter – Carrefour). The acquisitions are executed by means of a wholly owned subsidiary of Koor. A framework investment of up to NIS 3.5 billion was approved. The investment will be made while taking advantage of purchase and sale opportunities and according to the situation of the markets and the assessments of Koor from time to time, and there is no certainty regarding the amount of the investment.

Koor classifies its investment in shares of Carrefour as an available-for-sale investment, and therefore the investment in these shares is presented at fair value on each reporting date, with the changes in fair value net of tax being carried directly to equity (providing that the changes are not a significant and/or permanent impairment), under a capital reserve for available-for-sale financial assets.

# Discount Investment Corporation Ltd.

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## Notes to the Financial Statements as at June 30, 2009

### Note 4 - Investee Companies (cont'd)

#### **B. Changes in investments during the second quarter (cont'd)**

##### **3. Koor (cont'd)**

###### **f. (cont'd)**

As at June 30, 2009 Koor held 0.28% of the shares of Carrefour for a total aggregate investment of NIS 318 million and a fair value of NIS 330 million. The difference, net of fees expected to be paid to bank HSBC with respect to the acquisition of shares of Carrefour, was carried to a capital reserve in respect of available-for-sale financial assets.

g. In July 2009 the authorities in Brazil conducted tests in a Brazilian subsidiary of Makhteshim Agan (“the Brazilian subsidiary”) with respect to the licensing of a number of formulations the Brazilian subsidiary produces and/or markets in Brazil. As a result of these tests, it was decided that this company should refrain temporarily from producing and selling these formulations and that this prohibition applies also to the inventory held by some of its customers in Brazil. The Brazilian subsidiary is the process of discussing this with the authorities. The position the Brazilian subsidiary presented before the authorities is that the formulations it sells are similar to those sold on the Brazilian market by other companies and that the changes it made in the formulations are minor, intended at improving their quality, and that if there is any difference it is only an administrative and procedural matter, and that it is careful to implement advanced technologies in the formulation process so as to meet the most strict standards for public health. Even if the discussions between the Brazilian subsidiary and the Brazilian authorities are unsuccessful, in light of other solutions that it applied in order to supply most of the formulations the manufacture and sale of which were temporarily suspended, Makhteshim Agan evaluates as at the date of approval of the financial statements that the effect of the matter on its sales and profit for the second half of 2009 will be immaterial. Makhteshim Agan recorded a non-recurring provision in the amount of \$ 15.5 million in the second quarter of 2009 in respect of inventory and merchandise that was sold in the past and expenses relating to the said events. The share of DIC in the said provision is \$ 4 million.

h. In the framework of that mentioned in Note 5.A. hereunder, with respect to the temporary provisions deriving from Amendment No. 169 to the Income Tax Ordinance that makes it possible for Makhteshim Agan, only in the 2009 tax year, to pay a reduced rate of tax of 5% instead of 25% on dividends drawn from foreign related companies, the board of directors of Makhteshim Agan approved a one-time withdrawal of profits from foreign investee companies of up to \$ 300 million. The profits that will be received will be used by Makhteshim Agan for its current needs and serve as a reserve for a dividend distribution. The financial statements of Makhteshim Agan include a tax provision in the amount of \$ 15 million (about 5% of the amount of the dividend). The withdrawal of the profits as aforementioned does not change the dividend distribution policy of Makhteshim Agan and/or its timing.

# Discount Investment Corporation Ltd.

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## Notes to the Financial Statements as at June 30, 2009

### Note 4 - Investee Companies (cont'd)

#### **B. Changes in investments during the second quarter (cont'd)**

##### **4. Changes in other investments**

- a. In April 2009 Netvision Ltd. (hereinafter – Netvision), an affiliate held by the Company at the rate of 31% and by Elron at the rate of 15%, distributed a cash dividend in the amount of NIS 90 million. The share of DIC in the said dividend (in respect of its direct holding in Netvision) and of Elron amounts to NIS 29 million and NIS 14 million, respectively.
- b. In April and May 2009 the Company sold all its shares in a certain company that were acquired by it in March and April 2009 for a total consideration of NIS 68 million. As a result the Company recorded a gain of NIS 38 million in the second quarter of 2009.
- c. In June 2009 the Company acquired 14% of the issued share capital of Ham-Let (net of treasury shares held by Ham-Let) from the founders of Ham-Let for a total consideration of NIS 38 million. The option that had been granted to the founders of Ham-Let to sell to the Company 7% of the shares of Ham-Let was cancelled on the date of the acquisition. As a result of the acquisition and the cancelling of the option, DIC acquired goodwill in the amount of NIS 17 million and its holding in Ham-Let increased to 60%.
- d. In June 2009 the Company granted to Elron a loan in the amount of NIS 27 million. The loan is linked to the CPI and bears linked interest of 3.23% p.a. This loan is subordinate to existing bank credit of Elron in the amount of \$ 30 million. The loan is repayable in one payment in September 2011 or on the date Elron repays the said bank credit, whichever earlier. If the bank postpones the repayment date of the credit it provided to Elron, also the repayment date of the Company's loan to Elron will be postponed. Elron is allowed to make an early repayment of the Company's loan, all or part, subject to the consent of the bank. This loan is in addition to the loans in the amount of NIS 23 million and NIS 8 million that the Company granted to Elron in November 2008 and January 2009, respectively.

### Note 5 - Events in the Current Period

- A. The Law for the Amendment of Income Tax Ordinance (No. 169 and Temporary Order) – 2009 came into effect on January 1, 2009. The Amendment provided a temporary order by which under certain circumstances a reduced tax rate of 5% will apply to a dividend originating from outside of Israel that is received by an Israeli company in 2009. See also Section 3.h. of Note 4.B.

# Discount Investment Corporation Ltd.

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## Notes to the Financial Statements as at June 30, 2009

### Note 5 - Events in the Current Period (cont'd)

- B.** In the first half of 2009 the exchange rate of the dollar increased by 3.1%. In the second quarter of 2009 the exchange rate of the dollar decreased by 6.4%. As a result, DIC recorded in the first half of 2009 income in the amount of NIS 27 million, and in the second quarter of 2009 an expense in the amount of NIS 50 million, on balances of assets and liabilities, net, denominated in dollars or linked thereto (not including such balances in its investee companies).  
Furthermore, in the first half and second quarter of 2009 the CPI (latest known index) increased by 1.2% and 1.9%, respectively. As a result, DIC recorded in the first half and second quarter of 2009 an expense in the amount of NIS 59 million and NIS 98 million, respectively, on balances of assets and liabilities, net, linked to the latest known CPI (not including such balances in its investee companies).
- C.** In April 2009 the Company paid a cash dividend in the amount of NIS 414 million, constituting NIS 4.86 per each ordinary share.
- D.** In May 2009 the Company published a shelf registration prospectus on the basis of its financial statements as at December 31, 2008, in the framework of which the Company will be able to offer to the public shares, convertible debentures, non-convertible debentures, options exercisable into shares and into debentures and commercial securities.
- E.** In June 2009 the Company paid a cash dividend in the amount of NIS 360 million, constituting NIS 4.22 per each ordinary share.
- F.** In June 2009 Midrug Ltd. lowered the rating of the Company's debentures from Aa2/stable to Aa3/stable. See Notes 6.A., 6.B. and 6.G. regarding the rating granted to the raising of additional capital of up to NIS 1 billion debentures subsequent to balance sheet date and the replacement of debentures in the framework of the said rating.

# Discount Investment Corporation Ltd.

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## Notes to the Financial Statements as at June 30, 2009

### Note 6 - Subsequent Events

**A.** In July 2009 the Company issued a shelf registration offer in accordance with the Company's shelf registration prospectus that was issued in May 2009 (see Note 5.D.), pursuant to which it offered its debentures to the public. In the framework of the tender that took place in July 2009 the Company issued Series I debentures (new series) having a par value of NIS 570 million that bear interest of 6.7% p.a., and are repayable annually from January 2010 until January 2018. The Series I debentures (principal and interest) are unlinked and the original amount of the principal will be repaid in eight unequal payments as follows: in January 2010 – 5%; in January 2011 – 20%; four equal payments in January of each of the years 2013-2016 (inclusive) – 10%; in January 2017 – 20%; in January 2018 – 15%. The Company received total proceeds of NIS 570 million from the issuance of these debentures.

In July 2009 Midrug Ltd. granted an Aa3/stable rating to a framework of up to NIS 1 billion debentures from the aforementioned series.

**B.** In July 2009 the Company executed a private placement to institutional investors of additional Series I debentures (which are unlinked), by means of expanding the series, against the purchase of Series D and F debentures (which are linked to the known CPI) held by those institutional investors. In the framework of two separate tenders that were held in July 2009 the Company issued as follows:

- NIS 374 million par value of Series I debentures against the purchase of Series D debentures of a par value of NIS 301 million.
- NIS 160 million par value of Series I debentures against the purchase of Series F debentures of a par value of NIS 156 million.

In the two aforementioned tenders the purchase price of the Series D and F debentures was determined in advance, and the tenders were regarding the price of the Series I debentures issued by the Company. The Series I debentures issued as aforementioned were registered for trade on the stock exchange and the Series D and F debentures that were purchased by the Company as aforesaid expired and were delisted.

As a result of the replacement of the debentures, the Company will record in the third quarter of 2009 a loss in the amount of NIS 26 million in respect of the difference between the carrying amount of the Series D and F debentures that were purchased and the fair value of the Series I debentures that were issued (as determined according to their price on the stock exchange prior to the issuance). The said fair value reflects an effective interest rate of 6.28%. In addition, the Company will recognize income in the amount of NIS 10 million in respect of the difference between the said fair value of the Series I debentures and their liability value (principal plus interest on the debentures), as at their date of issuance. This income is reflected in the aforementioned effective interest rate and it will be recognized in profit or loss over the life of the Series I debentures.

The rating granted by Midrug Ltd. to the Series I debentures of the Company, as mentioned in Note 6.A. above, applies also to the aforementioned expansion of the series.

**C.** In July 2009 Standard and Poor's Maalot Ltd. lowered the rating of the Series C, D, F, G and H debentures of the Company from AA/cw Negative to A+/stable.

# Discount Investment Corporation Ltd.

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## Notes to the Financial Statements as at June 30, 2009

### Note 6 - Subsequent Events (cont'd)

- D.** In July 2009 Shufersal published a shelf registration prospectus on the basis of its financial statements as at March 31, 2009, in the framework of which Shufersal will be able to offer to the public shares, convertible debentures, non-convertible debentures, options exercisable into shares and into debentures and commercial securities. In August 2009 Shufersal issued a shelf registration offer in accordance with the said shelf registration prospectus, pursuant to which it offered its debentures to the public. In the framework of the tender that took place in August 2009 Shufersal issued Series C debentures (new series) having a par value of NIS 500 million that bear interest of 5.45% p.a. and are repayable annually in February of each of the years from 2010 until 2017. The Series C debentures are unlinked and will be repaid in eight equal annual payments in February of each of the years from 2010 until 2017. Shufersal received total proceeds of NIS 500 million from the issuance of these debentures.
- E.** In July 2009 the board of directors of Shufersal decided to distribute a cash dividend in the amount of NIS 144 million (net of a dividend to a subsidiary of Shufersal) that will be paid in September 2009. The share of DIC in the dividend will amount to NIS 57 million.
- F.** In July 2005 the Knesset passed the Law for the Amendment of the Income Tax Ordinance (No. 147) – 2005, which provides, inter alia, for a gradual reduction in the company tax rate to 25% as from the 2010 tax year. In July 2009, the Knesset passed the Economic Efficiency Law (Legislation Amendments for Implementation of the 2009 and 2010 Economic Plan) – 2009, which provided, inter alia, an additional gradual reduction in the company tax rate to 18% as from the 2016 tax year. In accordance with the aforementioned amendments, the company tax rates applicable as from the 2009 tax year are as follows: In the 2009 tax year – 26%, in the 2010 tax year – 25%, in the 2011 tax year – 24%, in the 2012 tax year – 23%, in the 2013 tax year – 22%, in the 2014 tax year – 21%, in the 2015 tax year – 20% and as from the 2016 tax year the company tax rate will be 18%. The effect of the aforementioned change in the tax rates will be reflected in the financial statements of DIC for the third quarter of 2009 in a decrease in the deferred taxes of DIC and its investee companies. As a result, DIC will record income in the amount of NIS 90 million in that quarter.
- G.** In August 2009 the Company issued a shelf registration offer in accordance with the Company's shelf registration prospectus that was issued in May 2009 (see Note 5.D.). In the shelf registration offer, the Company offered to the public 400 thousand units by way of a tender on the price of the unit. Each unit included NIS 1,000 par value of debentures (Series I) and 5 options (Series 2). Each option is exercisable into one ordinary share as from the date the options are registered for trade on the stock exchange, until and including November 5, 2009, against the payment of NIS 96 per option. The exercise price of the Series 2 options is not linked to any index or currency. A price per unit of NIS 999 was determined in the tender, which is also the minimum price per unit that was provided in the shelf registration offer. The Company issued NIS 378 million par value of Series I debentures and 1,889,180 Series 2 options for a consideration of NIS 377 million. If all the Series 2 options that were issued are exercised, the Company will receive an additional amount of NIS 181 million. In light of the fair value of the debentures (that was determined according to their price on the stock exchange prior to the issuance), all the proceeds from the

# Discount Investment Corporation Ltd.

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## Notes to the Financial Statements as at June 30, 2009

### Note 6 - Subsequent Events (cont'd)

#### G. (cont'd)

issuance of the aforementioned units were attributed to the debentures and the effective interest of the debentures that is reflected in the said proceeds is 6.92%.

The rating granted by Midrug Ltd. to the Series I debentures of the Company, as mentioned in Note 6.A. above, applies also to the debentures included in the aforementioned issuance of units.

#### H. In July 2009, Koor and a wholly owned subsidiary of Koor entered into a non-recourse credit facility agreement (hereinafter – the “Citi Credit”) with a corporation in Citigroup (hereinafter – “Citi”). The Citi Credit may be utilized by Koor and/or a certain wholly owned subsidiary of Koor (at any proportion between the two companies). The maximum total amount of the Citi Credit that may be withdrawn is 330 million Swiss francs. In January 2010, this amount will be updated to the maximum amount that was actually withdrawn until such date. At the date of approval of these financial statements, the net balance of the loan withdrawn in the Citi Credit facility is 55 million Swiss francs (which also constitutes the maximum amount withdrawn until that date).

The Citi Credit will come due in July 2010, with Koor and its subsidiary having the right to extend the credit period for two additional periods of one year each, subject to the payment of an extension fee. Koor and its subsidiary are allowed to repay the Citi Credit in early repayment, subject to the payment of a fee. The interest on the Citi Credit will be monthly interest, at the relevant LIBOR rate (on the Swiss franc), plus a margin ranging between 2.75% and 4%, based on the ratio of the collateral to the net loan balance, as it is from time to time (plus an increment for grossing up withholding tax, if any). To secure the Citi Credit, Koor and its subsidiary will pledge and/or lend the shares of Credit Suisse in favor of Citi, while it is agreed that in the event of deviation from a certain ratio between the value of the collateral and the value of the debt balance (which is subject to changes in certain circumstances), Koor and its subsidiary will be required to furnish a cash deposit as additional collateral, in an amount that will result in compliance with the agreed upon collateral to debt ratio.

Within the framework of the Citi Credit, Koor and its subsidiary have undertaken to maintain available cash balances at an amount equal to the lower of 5% of the initial value of the collateral or 5% of the value of the collateral as it is from time to time. Citi has undertaken to make maximum efforts to enable Koor and its subsidiary to vote the shares that will be furnished as collateral in the general meetings of Credit Suisse. Koor and its subsidiary will be allowed to withdraw the current dividends that will be distributed for the shares furnished as collateral, provided that the required collateral to debt ratio is met. Special dividends of Credit Suisse for the shares that will be furnished as collateral, if distributed, will be held by Citi together with the collateral. Furthermore, the Citi Credit includes provisions regarding forced immediate repayment events, including cases of a change in control in Koor, in its subsidiary or in Credit Suisse, a material worsening of the credit rating of Credit Suisse, extremely low trading volumes in the shares of Credit Suisse, or a drastic drop in the price of the share. Under the terms of the Citi Credit, Koor has guaranteed certain liabilities of its subsidiary. It was further agreed that the collateral furnished by Koor would also secure the liabilities of its subsidiary and vice versa.

Incidental to the Citi Credit undertaking, a coordinating agreement was signed between Morgan Stanley and Citi (as lenders) and between Koor and its subsidiary (as borrowers), whereby, inter alia, if a significant term in the credit agreements with one lender is amended, the other lender will be offered the possibility of making the same amendment. Moreover, the coordinating agreement relates to the transfer of

# Discount Investment Corporation Ltd.

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## Notes to the Financial Statements as at June 30, 2009

### Note 6 - Subsequent Events (cont'd)

#### **H. (cont'd)**

information between the lenders in connection with certain matters related to the credit and to the coordinating mechanism between the lenders in all that involves the realization of collateral or the sale of shares furnished as collateral in certain cases of early termination of the credit provided by one of the lenders.

- I.** In August 2009 the board of directors of Koor decided to increase the framework of its investment in shares of Credit Suisse from a maximum of NIS 5 billion to a maximum of NIS 6 billion. The said investment will be made while taking advantage of purchase and sale opportunities and according to the situation of the markets and the assessments of Koor from time to time, with the aim of becoming a significant shareholder of Credit Suisse. In July and August 2009 Koor purchased and sold additional shares of Credit Suisse. In the third quarter of 2009 Koor will record a net gain of NIS 305 million in respect of shares of Credit Suisse sold subsequent to balance sheet date and until the date of approval of these financial statements. The share of DIC in the said gain will amount to NIS 195 million.

As at the date of approval of these financial statements Koor holds 2.0% of the shares of Credit Suisse, which have an original cost of NIS 3.81 billion, and their price on the stock exchange, which amounts to NIS 4.63 billion, is NIS 0.82 billion higher than their original cost.

As at the date of approval of these financial statements, Koor has a debt of 233 million Swiss francs to financial institutions (net of deposits) with respect to its investment in shares of Credit Suisse.

- J.** In August 2009 Koor issued a shelf registration offer, pursuant to which it offered its debentures to the public. In the framework of the said shelf registration offer Koor issued a new series of debentures (Series I) having a par value of NIS 634 million. The Series I debentures are unlinked (principal and interest) and the original amount of the principal will be repaid in five annual equal payments as from March 2011. The debentures bear an interest rate of 6.7%. The fixed annual interest will be paid in semi-annual payments in March of each of the years 2010 through 2015 and in September of each of the years 2010 through 2014. The debentures are also subject to an additional non-recurring payment of interest in the amount of 10% of the rate of increase in the share price of Credit Suisse on the New York Stock Exchange in the six-month period from August 6, 2009, which will be paid if the share price of Credit Suisse rises in that period, in addition to the semi-annual payment of the fixed annual interest that is due in March 2010. Such additional interest will be accounted for by Koor separately from the debenture and will be measured at fair value through profit or loss in each period. Taking into account the value of the derivative on the date of issuance of the debentures and the issuance expenses, the effective interest rate of the debentures will be 7.77%. Koor received total proceeds of NIS 634 million from the issuance of these debentures.

- K.** In August 2009 Koor published a special purchase offer for the acquisition of 5% of the issued share capital of Makhteshim Agan at the price of NIS 16.2 per share. The last date for accepting the purchase offer is September 10, 2009.

# Discount Investment Corporation Ltd.

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## Notes to the Financial Statements as at June 30, 2009

### Note 6 - Subsequent Events (cont'd)

- L.** In August 2009 the board of directors of Makhteshim Agan decided to distribute a cash dividend in the amount of NIS 70 million that will be paid in October 2009. The share of Koor in the dividend will be NIS 29 million.
- M.** Further to that mentioned in Paragraph 5.a. of Note 4.A, in August 2009 the option to sell shares of the Brazilian company was exercised in the framework of the second part of the transaction for the sale of the Company's and IDB Development's holdings in GVT. The shares of the Brazilian company were sold for the price of 27.3 Brazilian real per share. This completed the sale of the remaining holdings of the Company and IDB Development in GVT, and in this framework the Company received the amount of NIS 116 million.  
As a result of completing the second part of the transaction, the Company will record a gain in the amount of NIS 75 million in the third quarter of 2009; after recording accounting income from the exercise of the aforementioned option (reversal of the accounting expense the Company recorded in respect of the option before its exercise) in the amount of NIS 27 million. The overall gain of the Company from completing both parts of the transaction amounts to NIS 52 million.
- N.** In July 2009 Cellcom signed an agreement with Apple regarding the purchase and distribution of iPhone instruments in Israel. In the aforementioned agreement Cellcom undertook to purchase a minimum number of instruments over a period of 3 years, which is expected to constitute a significant portion of the purchases of Cellcom's instruments in that period. The overall amount of the purchase depends on the price of the instruments on the date they are purchased.
- O.** In August 2009 the board of directors of Cellcom decided to distribute a dividend in the amount of NIS 300 million that will be paid in September 2009. The share of DIC in the dividend will be NIS 141 million.
- P.** In August 2009 the Company and Clal Industries and Investments Ltd. ("CII"), a subsidiary of IDB Development, entered into an agreement pursuant to which the Company and CII shall acquire from Elron its holding (15%) in shares of Netvision with the acquired shares being split between the Company and CII according to each company's current proportionate rate of holding in shares of Netvision (about 31% and 24%, respectively), so that the Company shall acquire from Elron 8.5% of Netvision for the price of NIS 128 million and CII shall acquire from Elron 6.7% of Netvision for the price of NIS 100 million. The price of Elron's shares in Netvision was determined in negotiations between the parties and took into consideration the valuation that was performed with respect to the shares by an independent valuer that was mutually appointed for this purpose by the three parties, and is net of the share of Elron in the dividend Netvision declared in August 2009 as mentioned in Paragraph R hereunder. Completion of the transaction is contingent upon receiving the approvals of the parties' general meetings and regulators. At this point there is no certainty that the transaction will indeed be completed. If and when the transaction is

# Discount Investment Corporation Ltd.

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## Notes to the Financial Statements as at June 30, 2009

### Note 6 - Subsequent Events (cont'd)

- P. (cont'd)**  
completed Elron expects to record in its respect a gain that is presently estimated to amount to NIS 82 million, and the share of DIC in the said gain is estimated to amount to NIS 17 million. The said estimates are based on the equity of Netvision as at June 30, 2009 and are subject to any changes in it until the date of completing the transaction.
- Q.** In August 2009 DIC entered into an agreement with CII pursuant to which DIC shall sell its holding (21.5%) in shares of Hadera Paper Ltd. (hereinafter – “Hadera Paper”) to CII for a total consideration of NIS 246 million. The price of DIC’s shares in Hadera Paper was determined in negotiations between the parties and took into consideration the valuation that was performed with respect to the shares by an independent valuer that was mutually appointed for this purpose by both parties. Completion of the transaction is contingent upon receiving the approvals of the parties’ general meetings.  
At this point there is no certainty that the transaction will indeed be completed. If and when the transaction is completed DIC expects to record in its respect a gain that on the basis of the equity of Hadera Paper as at June 30, 2009 is presently estimated to amount to NIS 70 million and is subject to any changes in the equity until the date of completing the transaction.
- R.** In August 2009 the board of directors of Netvision decided to distribute a cash dividend in the amount of NIS 26 million that will be paid in September 2009. The share of DIC in the dividend (in respect of its direct holding in Netvision) and the share of Elron in the same dividend will be NIS 8 million and NIS 4 million, respectively.
- S.** Further to that mentioned in Paragraph c.5. of Note 3.F.3 to the annual financial statements regarding the financing framework that was approved by Property & Building with respect to three projects in Las Vegas, USA, that are being executed by real estate companies, in August 2009 the board of directors of Property & Building approved that Property & Building would be permitted to provide additional financing to IDBG, together with IDB Development, to the extent required (even beyond the framework of \$ 120 million that was approved in the past), for the purpose of financing the projects of the said real estate companies and purchasing additional rights in them and in their properties, on the condition that the financing is provided pro-rata by Property & Building and IDB Development according to their relative share in the equity of the real estate companies.  
The decision is subject to the approval of the general shareholders’ meeting of Property & Building, and the approval of the authorized bodies of IDB Development and IDB Holding.
- T.** On the date of approval of these financial statements, the Company’s Board of Directors decided to distribute a cash dividend in the amount of NIS 450 million, constituting NIS 5.28 per each ordinary share (on the basis of the number of the Company’s shares on the date of approval of these financial statements). The dividend shall be distributed on September 23, 2009 with the date of record being September 6, 2009 and the ex-day being September 7, 2009.

# Discount Investment Corporation Ltd.

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## Notes to the Financial Statements as at June 30, 2009

### Note 7 - Contingent Liabilities

*The amounts of the claims described below are true for the dates on which they were filed, unless otherwise indicated.*

- A. As regards contingent liabilities and claims pending against the Company and its investee companies as at the date of approval of these interim financial statements, see Notes 26 and 27 of the Company's financial statements for the year ended December 31, 2008, which were authorized for issue on May 20, 2009 and are included in the prospectus the Company published on May 21, 2009.
- B. Changes after approval of the annual financial statements with respect to claims and contingent liabilities described in those financial statements**
1. Further to that mentioned in Paragraph 1.u of Note 26B of the annual financial statements regarding a claim and request to certify the claim as a class action in the amount of NIS 800 million against Cellcom, its CEO and some of its directors (including a number of directors who are also officers of DIC), that were filed in March 2009 with the District Court of Central Region: In June 2009 the officers of Cellcom that were named as defendants in this proceeding were removed from the claim with the consent of the plaintiff.
  2. Further to that mentioned in Note 27.B.5 of the annual financial statements regarding the investigation against Shufersal that was opened by the Restrictive Trade Practices Authority: In June 2009 the Restrictive Trade Practices Authority notified Shufersal that it is recommending to indict Shufersal, its CEO and its Deputy CEO for violations of the Restrictive Trade Practices Law – 1988, and that they are provided the opportunity to present their arguments to the Restrictive Trade Practices Authority in writing, within 30 days from the date of receiving the notice, and to explain why they should not be indicted.  
A draft of the indictment against Shufersal and the aforementioned officers was attached to the notice. The draft indictment is regarding alleged violations of non-compliance with the terms provided in the approval of the merger between Shufersal and Clubmarket Marketing Chains Ltd. and an attempt to conduct a restrictive arrangement – which are violations of the Restrictive Trade Practices law – 1998 and the Penal Law – 1977.  
In July 2009 a hearing was held for Shufersal and the aforementioned officers with respect to the draft indictment. Shufersal has not yet been notified whether an indictment will be filed against it and/or any of its officers, of its precise language and of the violations included in it, if at all.  
In the opinion of the management of Shufersal, and on the basis of the opinion of its legal counsel, if and to the extent it is decided to conduct a criminal proceeding against Shufersal and the indictment filed against it is the same as the draft indictment, and if and to the extent that at the end of such a proceeding, which Shufersal is unable to assess when it will be concluded and what the results will be, Shufersal is found to be guilty of the charges against it, then Shufersal is exposed to the payment of a penalty (according to the charges included in the indictment). In the opinion of Shufersal, the payment of such a penalty will not have a material effect on it.

# Discount Investment Corporation Ltd.

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## Notes to the Financial Statements as at June 30, 2009

### Note 7 - Contingent Liabilities (cont'd)

#### **B. Changes after approval of the annual financial statements with respect to claims and contingent liabilities described in those financial statements (cont'd)**

3. Further to that mentioned in Paragraph 3.f of Note 26.C of the annual financial statements regarding a claim and request to certify the claim as a class action in the amount of NIS 321 million that were filed against Shufersal in May 2009 with the District Court of Central Region:  
The current assessment of Shufersal, after taking into consideration the early stage of the proceedings and after it performed some initial examinations, and on the basis of the opinion of its legal counsel, is that the chances of the claim and request being accepted are slim. Therefore, no provision was included in the financial statements of Shufersal in respect of the aforementioned claim and request.
4. Further to that mentioned in Paragraph 3.g. of Note 26.C. of the annual financial statements regarding a claim and request to certify the claim as a class action in the amount of NIS 50 million that were filed against Shufersal in May 2009 with the Jerusalem District Court:  
The current assessment of Shufersal after an initial examination it performed, is that the chances of the request to certify the claim as a class action being accepted are lower than the chances of it being denied. Therefore, no provision was included in the financial statements of Shufersal in respect of the aforementioned claim and request.
5. Further to that mentioned in Paragraph 3.b. of Note 26.C. of the annual financial statements regarding a claim and request to the certify the claim as a class action in the amount of NIS 70 million that were filed against Shufersal in January 2008 with the Tel Aviv-Jaffa District Court:  
In August 2009 the Court denied the claim and the request to certify it as a class action.
6. Further to that mentioned in Paragraph 1.q of Note 26.B. of the annual financial statements regarding a claim and request to the certify the claim as a class action in the amount of NIS 440 million that were filed against Cellcom in March 2008 with the District Court of Central Region:  
In August 2009 the Court decided to approve the aforementioned request and to hear the claim as a class action. The decision of the Court relates to the allegation that Cellcom has violated agreements between it and its subscribers by charging them for the service of providing them with details of calls that were made, which before then were provided by Cellcom free of charge, without obtaining their consent. On the basis of the opinion of its legal counsel, Cellcom believes that the aforementioned decision of the Court is wrong, and it plans to file an appeal on it. At this stage Cellcom evaluates, on the basis of the opinion of its legal counsel and taking into consideration the appeal it plans to file as aforementioned, that the chances of the aforementioned allegation being ultimately accepted are no higher than the chances of it being ultimately denied. Therefore, no provision was included in these financial statements in respect of the aforementioned claim and request.

# Discount Investment Corporation Ltd.

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## Notes to the Financial Statements as at June 30, 2009

### Note 7 - Contingent Liabilities (cont'd)

#### **B. Changes after approval of the annual financial statements with respect to claims and contingent liabilities described in those financial statements (cont'd)**

7. Further to that mentioned in Paragraph 1.j of Note 26.B. of the annual financial statements regarding a claim and request to the certify the claim as a class action in the amount of NIS 449 million that were filed against Cellcom and two other cellular service providers in February 2007 with the Tel Aviv-Jaffa District Court:  
In August 2009, at the request of the plaintiffs, the claim was denied and the request to certify it as a class action was struck out.

#### **C. Claims and contingent liabilities filed after the approval of the annual financial statements**

1. In May 2009 a claim and request to certify the claim as a class action were filed against Cellcom with the Tel Aviv-Jaffa District Court by plaintiffs contending to be subscribers of Cellcom. In the claim it is alleged that Cellcom illegally charges its customers for cellular internet packages without receiving their permission to do so. The plaintiffs estimate their claim to amount to NIS 1.2 billion should it be certified as a class action. At this early stage Cellcom is unable to evaluate the chances of the claim and request to certify it as a class action.
2. In July 2009, subsequent to balance sheet date, a criminal complaint was filed in the Beer Sheba Magistrate's Court against Agan Chemical Manufacturers Ltd., a wholly owned subsidiary of Makhteshim Agan (hereinafter – Agan), directors, officers and an executive in Agan, by a group of residents of the moshav Nir Galim ("the Complainants"). In the complaint, the Complainants assert that there were several instances during the years 2007-2009, in which the Ashdod plant of Agan produced strong and unreasonable odor nuisances in violation of the provisions of the Abatement of Nuisances Law, 1961. Furthermore, the Complainants assert that during the fire that occurred in the Agan plant in January 2009, as described in Paragraph 2.e. of Note 26.B. of the annual financial statements, strong and unreasonable air pollution was caused and hazardous materials were emitted into the air, contrary to the terms of Agan's business license and in violation of the Poisons Permit, and contrary to the Businesses Licensing Law, 1968 and the Hazardous Materials Law, 1993. In the complaint, the Complainants are petitioning to convict the defendants and to impose penalties and/or imprisonment, based on the provisions of the relevant laws ("the Complaint").  
In July 2009, subsequent to balance sheet date, a lawsuit was filed in the Beer Sheba District Court against Agan, directors, officers and an executive in Agan, by a group of residents of Nir Galim ("the Plaintiffs"), asserting damages they allegedly sustained due to the nuisances of bad odor, noise and air pollution originating in the Agan plant. In the statement of claim, the plaintiffs are petitioning the court to issue a restraining order and a mandatory injunction against Agan and to require Agan to pay damages totaling NIS 59 million.  
As at the approval date of the financial statements, the complaint and the statement of claim have not yet been furnished to Agan as required by law. At this early stage Agan is unable to assess the prospects of these proceedings.

# Discount Investment Corporation Ltd.

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## Notes to the Financial Statements as at June 30, 2009

### Note 7 - Contingent Liabilities (cont'd)

#### **C. Claims and contingent liabilities filed after the approval of the annual financial statements (cont'd)**

3. In August 2009, subsequent to balance sheet date, a claim and request to certify the claim as a class action were filed with the Tel Aviv-Jaffa District Court against Cellcom, another cellular service provider and a third party, by a plaintiffs contending to be a subscriber of Cellcom and of the other cellular service provider. In the claim it is alleged that Cellcom charged its customers in respect of messages that were sent to them by the third party without receiving the consent of the subscribers to do so. Should the claim be certified as a class action, the plaintiff estimates its overall amount at NIS 33 million, without specifying the amount claimed from each defendant. At this early stage Cellcom is unable to evaluate the chances of the claim and request to certify it as a class action.

# Discount Investment Corporation Ltd.

## Notes to the Financial Statements as at June 30, 2009

### Note 8 - Segments

The Company is divided into reportable operating segments, in accordance with IFRS 8, on the basis of the management reports, which are based on the investments of DIC in each of the companies it owns, including affiliated companies (hereinafter – segment companies). Information regarding the operating segments and reconciliation between the segment data and the consolidated report:

#### A. Segment results

	Cellcom	Property & Building N	Shufersal I S	Makhteshim Agan m i	Credit Suisse l l	Other segments i o n	Adjustments for consolidated s	Consolidated
<b>For the 6 months period ended June 30, 2009 (unaudited)</b>								
Sales and services	3,169	723	5,415	5,211	-	1,583	(11,977)	4,124
Segment results – attributable to the equity holders of the Company	282	2	72	(3)	1,076	(25)	(176)	1,228
<b>For the 6 months period ended June 30, 2008 (unaudited)</b>								
Sales and services	3,195	737	5,373	4,963	-	1,378	(11,793)	3,853
Segment results – attributable to the equity holders of the company	558	119	72	78	-	-	(572)	255
<b>For the 3 months period ended June 30, 2009 (unaudited)</b>								
Sales and services	1,608	302	2,784	2,282	-	787	(5,735)	2,028
Segment results – attributable to the equity holders of the Company	126	(41)	38	(39)	1,049	(4)	(291)	838
<b>For the 3 months period ended June 30, 2008 (unaudited)</b>								
Sales and services	1,600	301	2,788	2,338	-	695	(5,810)	1,912
Segment results – attributable to the equity holders of the company	250	49	40	32	-	(17)	(289)	65

# Discount Investment Corporation Ltd.

## Notes to the Financial Statements as at June 30, 2009

### Note 8 - Segments (cont'd)

#### A. Segment results (cont'd)

	Cellcom	Property & Building N	Shufersal I S	Makhteshim Agan m i	Credit Suisse l l	Other segments i o	Adjustments for consolidated n s	Consolidated
<b>For the year ended December 31, 2008 (audited)</b>								
Sales and services	6,417	1,390 *	10,962	9,070	-	2,956	(22,894)	7,901
Segment results – attributable to the equity holders of the company	934 **	47	121	82	288	(42)	(414)	1,016

\* Restated following reclassification in the financial statements of a subsidiary.

\*\* Retrospective implementation of new accounting policy – See note 3.E.

# Discount Investment Corporation Ltd.

## Notes to the Financial Statements as at June 30, 2009

### Note 8 - Segments (cont'd)

#### A. Segment results (cont'd)

	6 months ended		3 months ended		Year ended
	June 30,		June 30,		December 31,
	2 0 0 9	2 0 0 8	2 0 0 9	2 0 0 8	2 0 0 8
	(unaudited)		(unaudited)		(audited)
	N	I S	m	i l l i o n s	
<b>Composition of the adjustments for consolidation of the sales and services item</b>					
Elimination of amounts in respect of segments classified as affiliated companies in the financial statements	(12,043)	(11,793)	(5,770)	(5,811)	(22,970)
Including the results of DIC's headquarters and the share of DIC in the results of Koor's headquarters (mainly management fees)	3	-	2	-	3
Other adjustments	63	-	33	1	73
	<u>(11,977)</u>	<u>(11,793)</u>	<u>(5,735)</u>	<u>(5,810)</u>	<u>(22,894)</u>
<b>Composition of the adjustments for consolidation of the segment results attributable to the equity holders of the Company</b>					
Including the results of DIC's headquarters and the share of DIC in the results of Koor's headquarters (mainly general and administrative, financing and taxes)	(221)	(361)	(335)	(186)	(572) *
Negative goodwill in respect of Koor that was recognized in profit or loss	13	-	-	-	400
Other adjustments	32	(211)	44	(103)	(242) *
	<u>(176)</u>	<u>(572)</u>	<u>291</u>	<u>(289)</u>	<u>(414)</u>

\* Reclassified.

# Discount Investment Corporation Ltd.

## Notes to the Financial Statements as at June 30, 2009

### Note 8 - Segments (cont'd)

#### B. Segment assets

	Cellcom	Property & Building N	Shufersal I S	Makhteshim Agan m i	Credit Suisse l l	Other segments i o n	Adjustments for consolidated s	Consolidated
As at June 30, 2009 (unaudited)	6,501	11,578	5,465	13,574	2,405	6,072	(11,188)	34,407
As at June 30, 2008 (unaudited)	5,496	11,672	5,555	11,327	332	5,950	(13,954)	26,378
As at December 31, 2008 (audited)	5,488 **	11,740 *	5,453 *	12,826	4,100	6,068 *	(13,295)	32,380

\* Restated following reclassification in the financial statements of the investee companies.

\*\* Retrospective implementation of new accounting policy – See note 3.E.

June 30, 2009 (unaudited)	June 30, 2008 (unaudited)	December 31, 2008 (audited)
N I S m i l l i o n s		

#### **Composition of the adjustments for consolidation of the segment assets item**

Elimination of amounts in respect of segments classified as affiliated companies in the financial statements	(24,533)	(22,294)	(23,751)
Including the investment that are affiliated companies on an equity basis as included in the financial statements	6,275	3,520	6,177 *
Including intangible assets of DIC and Koor (including goodwill and other fair value adjustments)	1,990	2,105	2,004
Including other assets of DIC's headquarters and Koor's headquarters	5,078	3,320	2,339 *
Other adjustments	2	(605)	(64) *
	<u>(11,188)</u>	<u>(13,954)</u>	<u>(13,295)</u>

\* Reclassified.

# Discount Investment Corporation Ltd.

## Notes to the Financial Statements as at June 30, 2009

### Annex to the Financial Statements of Discount Investment Corporation Ltd. as at June 30, 2009

#### Details relating to investments in the consolidated balance sheet as at June 30, 2009

	Equity and voting rights %	Carrying value of the investment	Reserves*		Market value of the marketable shares as at	
			Total		June 30, 2009	August 23, 2009
			N	I S	l i o n s	
<b>Investment in investee companies</b>						
Elron Electronic Industries Ltd.	49	266	30	296	196	283
Expand Networks Ltd.	22	-	(1)	(1)		
Bartan Holdings & Investments Ltd.	56	19	-	19		
Given Imaging Ltd.	16	149	8	157	185	221
Galil Medical Ltd.	13	-	1	1		
Ham-Let (Israel-Canada) Ltd.**	60	136	10	146	155	167
Property and Building Corporation Ltd.	83	1,830	41	1,871	1,014	1,339
Koor Industries Ltd.**	63	4,702	(354)	4,348	2,684	3,242
Makhteshim Agan Industries Ltd (direct holding)	0.2	23	3	26	20	19
Maxima Air-Separation Center Ltd.**	78	151	(11)	140	111	111
Netvision Ltd. (See note 6.P)	31	435	-	435	362	371
Hadera Paper Ltd. (See note 6.Q)	21	175	1	176	188	230
Cellcom Israel Ltd. (voting 52%)	47	1,917	7	1,924	4,839	5,185
Shufersal Ltd. **	40	623	(4)	619	1,191	1,393
Total		10,426				
Less – investments in subsidiaries		(8,755)				
Add investments in affiliated companies of subsidiaries		5,790				
		<u>7,461</u>				

\* In the event of realization of an investment, these capital reserves will be included in profit or loss, or in retained earnings.

\*\* includes a holding through subsidiaries of the investee company.

# **Discount Investment Corporation Ltd.**

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## **Notes to the Financial Statements as at June 30, 2009**

### **Annex to the Financial Statements of Discount Investment Corporation Ltd. as at June 30, 2009 (cont'd)**

#### **Details relating to investments in the consolidated balance sheet as at June 30, 2009 (cont'd)**

1. The Company and some of its investee companies are subject to restrictions under law with respect to the execution of new investments and the increase of existing investments in investee companies under certain circumstances. In addition, the provisions of certain laws and the terms of the licenses and concessions in the communications area, which were granted to a number of the Company's investee companies, include prohibitions against cross ownership which may limit the Company's ability to take advantage of business opportunities for new investments or to increase existing investments in this area.
2. The Company's investments in investee companies include, inter alia, shares of companies the sale of which is subject to certain restrictions. In particular, the Company's ability to sell its shares in Cellcom to non-Israeli parties is limited.