

Discount Investment Corporation Ltd.

Consolidated Financial Statements as at March 31, 2009 (unaudited)

Contents

	<i>Page</i>
Board of Directors' Report for the Three Month Period Ended March 31, 2009	2-32
Auditors' Review Report	33
Consolidated Statement of Financial Position as at March 31, 2009	34-35
Consolidated Statement of Income for the Three Month Period Ended March 31, 2009	36
Consolidated Statement of Comprehensive Income for the Three Month Period Ended March 31, 2009	37
Consolidated Statement of Changes in Equity for the Three Month Period Ended March 31, 2009	38-40
Consolidated Statement of Cash Flows for the Three Month Period Ended March 31, 2009	41-42
Notes to the Consolidated Financial Statements as at March 31, 2009	43-63
Annex to the Financial Statements of Discount Investment Corporation Ltd. as at March 31, 2009	64-65

All these statements are translations from the Hebrew.

Discount Investment Corporation Ltd.

Board of Directors' Report for the Period Ended March 31, 2009

We are pleased to present the unaudited financial statements of Discount Investment Corporation Ltd. for the first quarter of 2009 which ended on March 31, 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 by the translation reserves from 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 and the exchange rate of foreign currencies (mainly the dollar) in the reported period.

In the first quarter of 2009 DIC recorded a net profit of some NIS 392 million, compared with net profit of some NIS 191 million in the first quarter of 2008. The earnings per share amounted to some NIS 4.6 in the first quarter of 2009, compared with earnings per share of some NIS 2.3 in the first quarter of 2008.

Composition of the business operations results of DIC:

	First quarter		Year
	2009	2008	2008
	Unaudited		Audited
	NIS millions		
DIC's share of the business operations results of investee companies	357	192	993
Gain (loss) from realization of investments less reductions, net	(18)	174	530
Financing, management and other income (expenses), net	53	(175)	(505)
Net profit	392	191	1,018
Basic earnings per share (NIS)	4.6	2.3	11.9

Discount Investment Corporation Ltd.

Board of Directors' Report for the Period Ended March 31, 2009

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

	DIC's share of profit (loss) for the first quarter		
	2009	2008	Change
	Unaudited		Audited
	NIS millions		
Cellcom	163	143	20
Shufersal	34	31	3
Property and Building Corp.	42	51	(9)
Koor	164	(4)	168
Given Imaging	0	1	(1)
Elron	(24)	(27)	3
Other companies	9	47	(38)
Amortization of excess cost	(31)	(50)	19
Total share of DIC of profits of investee companies, net	357	192	165

1.2 Realization of investments and reductions

	First quarter	
	2009	2008
	NIS millions	
Gain (loss) from realization of investments less reductions, net	(18)	174

In the first quarter of 2009 this item mainly included an accounting expense in the amount of some NIS 19 million that was recorded in respect of the option included in the GVT transaction, which will be recognized as income on the date the option is exercised or expires.

In the first quarter of 2008 this item mainly included a capital gain of some NIS 172 million from the sale of some 3.4% of the share capital of Cellcom.

1.3 Financing, management and other income (expenses), net

	First quarter	
	2009	2008
	NIS millions	
Management, tax and other expenses, net	(8)	(14)
Financing income (expenses), net	61	(161)
Total financing income (expense) and management and other expenses, net	53	(175)

The main effects on this item in the first quarter of 2009: In this quarter the Company recorded net financing income of NIS 61 million compared with an expense of NIS 161 million in the corresponding quarter of last year, due to:

- Income in the amount of NIS 77 million that the Company recorded in the first quarter of 2009 from foreign exchange differences on net balances of assets and liabilities denominated in or linked to the dollar (not including such balances in its investee companies), as a result of the increase of some 10.2% in the exchange rate of the dollar, compared with an expense of NIS 88 million that the Company recorded in the corresponding quarter of last year in respect of such balances as a result of a decrease in the exchange rate of the dollar.

Discount Investment Corporation Ltd.

Board of Directors' Report for the Period Ended March 31, 2009

2. Income in the amount of NIS 39 million that the Company recorded in the first quarter of 2009 from linkage differences on net balances of assets and liabilities linked to the known CPI (not including such balances in its investee companies), as a result of the decrease of some 0.7% in the CPI (known index). In the corresponding quarter of last year the Company recorded an expense of some NIS 21 million in respect of such balances as a result of an increase in the CPI.

2. Business 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 the investee company.

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

2.1.1 Cellcom

	First quarter	
	2009	2008
	NIS millions	
Cellcom's contribution to profit	163	141
Amount of the investment in Cellcom	1,929	2,147

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

	First quarter		Increase (decrease) %
	2009	2008	
	NIS millions		
Revenues	1,561	1,595	(2)
EBITDA	611	593	3
Operating profit	442	424	4
Net profit	348	273	27

* Some 52.3% of voting.

The revenues of Cellcom in the first quarter of 2009 amounted to NIS 1,561 million, 2% less than in the corresponding quarter of last year, which was mainly due to a decrease of 21% in revenues from end user equipment, from some NIS 237 million in the first quarter of last year to NIS 188 million in the first quarter of 2009, primarily as a result of the higher amount of instruments sold in the first quarter of last year further to the implementation of number portability. This decrease was partly offset by an increase in revenues from services, which amounted to NIS 1,373 million compared with NIS 1,358 million in the corresponding quarter of last year. The increase in revenues from services was mainly due to an increase of some 36% in revenues from content and added value services (including SMS) in the first quarter of 2009 compared with the corresponding quarter of last year. The revenues from content and added value services amounted to NIS 202 million, which constitutes some 14.7% of total revenues from services. In addition, an increase in revenues from line communication services in the quarter also contributed to higher revenues from services. These increases were offset in part by the decrease in interconnect tariffs, 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.

Discount Investment Corporation Ltd.

Board of Directors' Report for the Period Ended March 31, 2009

The EBITDA in the first quarter of 2009 increased by 3.0% and the rate of EBITDA from total revenues was 39.1% compared with 37.2% in the corresponding quarter of last year. The higher operating profit, EBITDA and rate of EBITDA from total revenues are mainly the result of continuing efficiency measures and careful management of expenses throughout the quarter.

Net financing income in the first quarter of 2009 amounted to NIS 28 million, compared with net financing expense of NIS 45 million in the corresponding quarter of last year. This change was mainly due to the decline of 0.7% in the CPI (known index) in the first quarter of the year, compared with an increase of 0.4% in the CPI in the first quarter of last year, which resulted in income from linkage differences in respect of the debentures of Cellcom, compared with linkage expenses in the corresponding quarter of last year. The financing income was also a result of gains in the hedge portfolio of Cellcom mainly due to a devaluation of 10% of the NIS in relation to the US dollar in the first quarter of 2009, compared with an appreciation of 8% in the corresponding quarter of last year, which caused a loss from foreign currency hedge transactions in the first quarter of last year. The financing income was offset in part by a decrease in interest income from short-term deposits of Cellcom. The net profit for the first quarter of 2009 increased by 27.5% and amounted to NIS 348 million.

As at the end of March 2009, the customer base of Cellcom amounted to some 3.208 million customers, while in the first quarter Cellcom acquired some 21,000 new customers, net. In addition, in the first quarter of 2009 some 102,000 new customers, net, were added to the third generation customer base which reached some 833,000 customers at the end of March 2009 and constituted some 26% of the total number of Cellcom's customers.

2.1.2 Shufersal

	First quarter	
	2009	2008
	NIS millions	
Shufersal's contribution to profit	34	31
Amount of the investment in Shufersal	578	671

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

	First quarter		Increase (decrease) %
	2009	2008	
	NIS millions		
Revenues	2,631	2,585	2
Gross profit	680	697	(2)
Operating profit (after other income and expenses)	107	175	(39)
Net profit	86	72	19

* 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 first quarter of 2009 and the competition in the food retail market intensified. The results of the first quarter of 2009 were positively affected by the timing of the Passover holiday which this year was closer to the end of the quarter compared with the corresponding quarter of last year. Shufersal recorded an increase of some 2% in sales of the retail segment. Same store sales increased by some 1.4% and sales per square meter also increased by some 1.4%. Revenues from the segment of revenue generating real estate in the first quarter of 2009 amounted to NIS 13 million compared with some NIS 19 million in the corresponding quarter of last year, mainly as a result of the sale of investment property during

Discount Investment Corporation Ltd.

Board of Directors' Report for the Period Ended March 31, 2009

2008. The gross profit eroded in the first quarter of 2009 compared with the first quarter of 2008, and it constituted some 25.8% of sales compared with some 27% in the corresponding quarter of last year.

The erosion in operating profit in the first quarter of 2009 compared with the corresponding quarter of last year was due to a decrease in gross profit and an increase in advertising and marketing expenses in the current quarter. The operating profit before depreciation and amortization and the revaluation of investment property (EBITDA) in the current quarter amounted to some NIS 161 million and constituted some 6.1% of sales, compared with some NIS 188 million which constituted some 7.3% of sales in the corresponding quarter of last year. Shufersal recorded in the first quarter of 2009 financing income in the amount of some NIS 8 million, compared with financing expenses of some NIS 43 million in the corresponding period of last year. The change in financing expenses was mainly due to income from the revaluation of hedge transactions and the effect of the decrease in Consumer Price Index on Shufersal's CPI-linked liabilities. Furthermore, the tax expenses in the first quarter of 2009 amounted to some NIS 29 million compared with some NIS 59 million in the corresponding quarter of last year. The decrease in tax expenses compared with the corresponding period of last year was due to a tax provision in the corresponding period in the amount of some NIS 25 million in respect of the sale of Shufersal's holding in Israel Kanyonim Ltd.

2.1.3 Property & Building

	First quarter	
	2009	2008
	NIS millions	
Property & Building's contribution to profit	42	69
Amount of the investment in Property & Building	1,915	1,701

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

	First quarter		Decrease %
	2009	2008	
	NIS millions		
Revenues	423	496	(15)
Profit before taxes	126	134	(6)
Net profit	51	79	(35)

The revenues of Property & Building from rental of assets in the first quarter of 2009 amounted to some NIS 130 million compared with some NIS 122 million in the corresponding period of last year. The increase was due to the addition of new revenue-generating areas and to an increase in rental payments collected in 2008. The revenues of Property & Building from the sale of apartments and real estate amounted in the first quarter of 2009 to some NIS 112 million compared with some NIS 155 million in the corresponding period of last year. The decrease was due to a lower number of apartments that were delivered in the first quarter of 2009. About 120 apartments were delivered in the current quarter compared with about 150 in the corresponding quarter of last year.

In the first quarter of 2009 there was an increase of some NIS 16 million in the fair value of investment property compared with some NIS 24 million in the corresponding period of last year. The increase was due to the adjustment in the fair value of assets the construction of which was completed in the current quarter.

Property & Building's share of profits of affiliated companies amounted in the first quarter of 2009 to a loss of some NIS 10 million compared with a profit of some NIS 36 million in the corresponding period of last year. The difference is mainly due to a decline in profits of K.B.A., which in the first quarter of 2008 included a gain of some NIS 17 million on the sale of land in Ashdod.

Discount Investment Corporation Ltd.

Board of Directors' Report for the Period Ended March 31, 2009

The operating profit of Property & Building in the first quarter of 2009 amounted to some NIS 137 million compared with some NIS 196 million in the corresponding period of last year.

Net financing expenses in the first quarter of 2009 amounted to some NIS 11 million compared with some NIS 63 million in the corresponding period of last year. The decrease in financing expenses was mainly due to a decrease in the Consumer Price Index, and a gain from securities and from the purchase of its own debentures.

Net profit in the first quarter of 2009 amounted to some NIS 51 million compared with some NIS 79 million in the corresponding period of last year.

2.1.4 Makhteshim Agan

	First quarter	
	2009	2008
	NIS millions	
Makhteshim Agan's contribution to profit	36	46
Amount of the investment in Makhteshim Agan	3,150	1,858

The financial data in this table 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 quarter		Increase (decrease) %
	2009	2008	
	\$ millions		
Revenues	722	722	-
EBITDA	128	155	(17)
Operating profit	106	134	(21)
Net profit	78	91	(14)

The sales of Makhteshim Agan in the first quarter of 2009 amounted to some \$ 722 million, similar to the corresponding quarter of last year. In the first quarter of 2009, notwithstanding the economic slowdown, Makhteshim Agan recorded revenues of some \$ 681 million from sales of plant protection products, compared with some \$ 673 million in the corresponding quarter of last year. The stability in sales is a result of the increase in average sales prices of the products of Makhteshim Agan relative to the level of prices in the corresponding quarter of last year. This effect was offset by the decrease in the net dollar value of the sales of Makhteshim Agan as a result of the appreciation of the dollar in relation to the other currencies used in the operations of Makhteshim Agan.

In the first quarter of 2009 the gross profit amounted to some \$ 217 million, which constituted some 30.1% of sales, compared with some \$ 260 million which constituted some 36% of sales in the corresponding period of last year. 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 without any decrease in costs, most of which are in dollars, and to inventory that was purchased at higher prices and exchange rates. Conversely, the high level of the average sales prices of Makhteshim Agan's products relative to the corresponding quarter of last year moderated these effects.

In the first quarter of 2009 the operating profit amounted to some \$ 106 million, which constituted some 14.6% of the sales, compared with some \$ 134 million which constituted some 18.5% of sales in the corresponding quarter of last year. The decrease in the operating profit relative to sales was mainly due to a decrease in prices of transportation and energy, the control over operating expenses and the strengthening of

Discount Investment Corporation Ltd.

Board of Directors' Report for the Period Ended March 31, 2009

the dollar, which made it possible for Makhetsim Agan to moderate the decline in operating profit compared to the decline in gross profit.

In the first quarter of 2009 the financing expenses of Makhteshim Agan amounted to some \$ 10 million compared with some \$ 32 million in the corresponding period of last year, a decrease that was mainly due to the strengthening of the NIS in relation to the dollar. The net profit in the first quarter of 2009 amounted to some \$ 78 million compared with some \$ 91 million in the corresponding quarter of last year.

2.1.5 Credit Suisse

	First quarter	
	2009	2008
	NIS millions	
Credit Suisse's contribution to profit	26	-
Amount of the investment in Credit Suisse *	2,862	-

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

In accordance with the decision of Koor's board of directors in 2008 to invest in marketable shares of European financial institutions, during and subsequent to the first quarter of 2009 Koor purchased and sold shares of Credit Suisse Group AG ("Credit Suisse") in respect of which Koor recorded in the first quarter of 2009 a gain of some NIS 33 million. See Note 6M to the financial statements for details regarding sales that were made subsequent to balance sheet date. As a result of the increase in the share price of Credit Suisse in the first quarter of 2009, Koor recorded income from recording deferred taxes in the amount of NIS 130 million. The Company's share of this amount was some NIS 82 million.

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 quarter	
	2009	2008
	NIS millions	
Koor's share of the business operations results of investee companies	122	84
Gain from realization of investments less reductions, net	33	44
Financing, management and other income (expenses), net	96	(124)
Net profit	251	4

In the first quarter of 2009 Koor recorded a capital gain in the amount of some NIS 33 million from the sale of shares of Credit Suisse, compared with a capital gain of some NIS 48 million in the corresponding quarter of last year from an additional amount it received in respect of the sale of Koor's holding in Elisra Electronic Systems Ltd., following the receipt of insurance proceeds in respect of a fire. The change in financing expenses in the first quarter of 2009 compared with the corresponding period of 2008 was mainly due to the decrease in the CPI in this quarter. In addition, in the corresponding quarter of 2008 the financing expenses included expenses incurred in respect of a sharp decline in the exchange rate of the dollar. Furthermore, the profit for the current quarter includes tax income in the amount of some NIS 130 million. See Section 2.1.5 above.

Discount Investment Corporation Ltd.

Board of Directors' Report for the Period Ended March 31, 2009

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 information presented hereunder in respect of Given Imaging is in accordance with IFRS):

	First quarter		Increase (decrease) %
	2009	2008	
	\$ millions		
Sales	30	27	12
Net profit	-	1	(55)

Given Imaging succeeded in improving its profit rates in the first quarter of 2009, both gross profit and operating profit, as compared with the corresponding quarter of last year. Nonetheless, in the current quarter Given Imaging recorded financing expenses compared to financing income in the corresponding quarter of last year.

2.2.3 Elron

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

	First quarter	
	2009	2008
	\$ millions	
Net loss	(12)	(16)

In the first quarter of 2009 the main effects on the results of Elron were its share of the losses of investee companies.

3. **Major Changes in the Holdings of the Company and Investee Companies in the First 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 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), which is partly held indirectly by Property & Building. In March 2009 the Project Company and the lenders signed an amendment to the original loan agreement for extending the period of the said loan 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 (Property & Building's share of the said deposit is \$ 23.75 million). Furthermore, throughout the extension period, on specified dates, the Project Company shall deposit amounts, if and to the extent required, 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. For further details see Paragraph 2.b of Note 4.A to the financial statements.

Discount Investment Corporation Ltd.

Board of Directors' Report for the Period Ended March 31, 2009

- 3.2 In February 2009 the Company, together with IDB Development, entered into an agreement to sell all or part of their holdings in GVT to GVT, in two parts. In the first part of the transaction, which was consummated in March 2009, the Company and IDB Development each sold 1% of the share capital of GVT, and the Company received in consideration an amount of some NIS 10 million. In the second part of the transaction, which depends on the exercise of a certain option of a third party, the Company and IDB Development may sell the rest of their holdings in GVT. Consummation of the second part of the transaction is contingent upon the fulfillment of certain conditions precedent. If the second part of the transaction is completed, the Company expects to recognize in respect of both parts of the transaction an overall gain which is currently estimated to be between some NIS 22 million and some NIS 31 million. In respect of the first part of the transaction, the Company recorded in the first quarter of 2009 a loss of some NIS 15 million after recording an accounting expense in an amount of some NIS 19 million in respect of the option, as required by accounting principles. For further details see Paragraph 5.a of Note 4.A to the financial statements.
- 3.3 In March 2009 Makhteshim Agan issued debentures by expanding its two existing series of debentures. Makhteshim Agan received an overall gross amount of some NIS 1,201 million in consideration for the issuance of these debentures from the two aforementioned series. For further details see Paragraph 3.b of Note 4.A to the financial statements.

4. 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 April 2009 the Company entered into an agreement for the acquisition of some 14% of the issued share capital of Ham-Let (less treasury shares held by Ham-Let) from the founders of Ham-Let for a total consideration of \$ 9.5 million. Completion of the transaction is subject to the fulfillment of certain conditions precedent until June 1, 2009. If the said acquisition is completed, DIC's holding in Ham-Let will increase to some 60%, and DIC is expected acquiring goodwill in an amount of NIS 17 million. For further details see Note 6.E to the financial statements.
- 4.2 In the second quarter of 2009 Koor will record in respect of sales of Credit Suisse shares until the date of this report a net gain of some NIS 904 million (after offsetting a proportionate share of a tax asset recorded as income in the first quarter of 2009 as described in Paragraph 3.d of Note 4.A). DIC's share of the said gain will amount to some NIS 595 million. As at the date of this report, Koor holds some 1.5% of the shares of Credit Suisse, which have an original cost of some NIS 2.04 billion, and their price on the stock exchange which amounts to some NIS 2.99 billion, is some NIS 0.95 billion higher than their original cost. For further details see Note 6.M to the financial statements.
- 4.3 In May 2009 the Company published a shelf 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.
- 4.4 In April and May 2009 the Company sold all its holding of shares in a certain company that were acquired by it in March and April 2009. As a result the Company will record in the second quarter of 2009 a gain of some NIS 39 million.

Discount Investment Corporation Ltd.

Board of Directors' Report for the Period Ended March 31, 2009

4.5 In April 2009 Cellcom published a shelf offer in which it offered to the public debentures of Cellcom. In the framework of tenders that were held in April 2009, Cellcom issued debentures for which it received a total consideration of some NIS 1,000 million. For further details see Note 6.D to the financial statements.

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 360 million, constituting NIS 4.22 per each ordinary share. The dividend shall be distributed on June 22, 2009 with the record date being June 8, 2009 and the ex-day being June 9, 2009.

6. Financial Position and Financing Sources

6.1

	As at March 31, 2009 <u>(Unaudited)</u>	As at December 31, 2008 <u>(Audited)</u>
	NIS millions	
Total assets in the consolidated balance sheet	34,140	32,312
Investments in affiliated and other companies in the consolidated balance sheet	12,550	11,689
Equity (including minority interests)	10,266	8,894
Surplus of current assets over current liabilities in the consolidated balance sheet	2,143	1,316
Surplus of financial liabilities over financial assets of DIC	(3,704)	(3,966)

6.2

	First quarter	
	2009 <u>(Unaudited)</u>	2008 <u>(Unaudited)</u>
	NIS millions	
Proceeds from the realization of non-current investments of DIC	10	330
Dividends from investee companies of DIC	179	52
Dividend distributed by DIC	-	-
Investments in investee companies of DIC	10	178

Discount Investment Corporation Ltd.

Board of Directors' Report for the Period Ended March 31, 2009

7. Information regarding the debentures of DIC

Data on debentures (1), in NIS millions, as at March 31, 2009

Series	Original date of issuance	Par value on date of issuance	Outstanding par value	Linked outstanding par value	Amount of interest accrued on the books	Carrying amount of balance of debentures as at March 31, 2009	Value on the stock exchange	Interest rate (fixed)	Repayment dates of principal (3)		Interest payment dates (3)	Linkage terms	Trust company – name of person in charge, address and telephone number
									First date	Last date			
C	April 18, 2005 November 22, 2005* April 5, 2006* May 30, 2006*	897	718	786	32	786	834	4.30%	April 18, 2008	April 18, 2012	April 18	CPI-linked	Hermetic Trust (1975) Ltd. 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	2,479	118	2,479	2,546	5.00%	April 18, 2012	April 18, 2016	April 18	CPI-linked	S.A.G. Trust Company Ltd. Person in charge: David Gotliv, Adv. 7 Menachem Begin St., Ramat Gan 52521 Tel: 03-7549926
F(4)	December 28, 2006 April 1, 2007* June 28, 2007*	1,410	1,410	1,504	19	1,504	1,218	4.95%	December 31, 2017	December 31, 2025	December 31	CPI-linked	U-Bank Trust Company Ltd. 38 Rothschild Blvd., Tel Aviv 66883 Tel: 03-5645205
G	December 28, 2006 May 1, 2007*	39	39	39	1	39	40	6.35%	December 31, 2012	December 31, 2016	December 31	Unlinked	Kaldan Trust Company Ltd. 7 Menachem Begin St., Ramat Gan 52681 Tel: 03-6109000
H	June 28, 2007	187	187	199	7	199	187	4.45%	June 28, 2014	June 28, 2019	June 28	CPI-linked	Strauss, Lazar Trust Company (1992) Ltd. Person in charge: Uri Lazar, CPA 17 Yitzchak Sadeh St., Tel Aviv 67775 Tel: 03-6237777
Total		4,796	4,617	5,007	177	5,007	4,825						

Discount Investment Corporation Ltd.

Board of Directors' Report for the Period Ended March 31, 2009

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) As regards a distribution in accordance with Section 303 of the Companies Law effected by the Company in October 2008, and as requested by each one of the trustees of the Company's series of debentures (Series C, D, F, G and H), the Company issued a notice through the MAGNA (the information dissemination site of the Israeli Securities Authority) that invites each holder of debentures of any of these series who objects to the Company's request for said distribution and is interested in his position being presented to the Court by the trustee for the holders of such series of debentures, to provide a written notice of this to such trustee.
- (3) Annual payments.
- (4) A wholly owned subsidiary of the Company purchased NIS 20 million par value of this series.

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

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. In Israel too, clear indications of deterioration in the economic situation and a recession are rapidly increasing. 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.

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

Discount Investment Corporation Ltd.

Board of Directors' Report for the Period Ended March 31, 2009

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.

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 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 as mentioned in Section 4.3.

A. The Company does not manage its investee companies' risks. Below is the linkage balance and derivatives' positions of DIC as at March 31, 2009 for which the Company manages the currency exposure.

B. Linkage balance of DIC as at March 31, 2009 (in NIS millions):

	Linked to the Consumer Price Index	In dollars or linked thereto	Unlinked	Non- monetary items	Total
<i>Assets</i>					
Investments in investee and other companies	-	-	-	10,254	10,254
Long-term deposits and loans (including maturities)	33	-	-	-	33
Fixed assets, investment property and other assets	-	-	-	16	16
Current assets	86	832	957	1	1,876
Total assets	119	832	957	10,271	12,179
<i>Liabilities</i>					
Long-term liabilities (including maturities)	5,257	84	39	34	5,414
Current liabilities	215	21	466	81	783
Total liabilities	5,472	105	505	115	6,197
Assets less liabilities, net	(5,353)	727	452	10,156	5,982

Discount Investment Corporation Ltd.

Board of Directors' Report for the Period Ended March 31, 2009

C. Derivatives' positions of DIC as at March 31, 2009 (in NIS millions):

	CPI/NIS			
	Par value	Fair value	Par value	Fair value
	Up to one year		Over one year	
	Long	Long	Long	Long
Futures contracts for hedging purposes – not recognized for accounting purposes (1)	1,750	(29)	100	-

(1) These contracts are intended to protect CPI linked liabilities of DIC, such that if the CPI were to rise above that which is provided in the contract, DIC would receive the difference and in the reverse case DIC would pay the difference.

D. Consolidated linkage balance as at March 31, 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
Assets							
Non-current assets							
Investments in affiliated and other companies	-	138	4,566	75	61	7,710	12,550
Other non-current assets	67	4	-	-	611	96	778
Fixed assets, investment property, inventory and other assets	-	-	-	-	-	12,655	12,655
Current assets	380	1,259	546	168	4,590	1,214	8,157
Total assets	447	1,401	5,112	243	5,262	21,675	34,140
Liabilities							
Long-term financial liabilities (including maturities)	17,164	1,329	-	53	80	-	18,626
Other long-term liabilities (including maturities)	-	-	-	-	-	893	893
Current liabilities	486	267	1,007	43	1,811	741	4,355
Total liabilities	17,650	1,596	1,007	96	1,891	1,634	23,874
Assets less liabilities, net	(17,203)	(195)	4,105	147	3,371	20,041	10,266

As from March 31, 2009 and until the date of this report the dollar-NIS exchange rate decreased by some 5.4% and the Consumer Price Index (known index) that was published until that date increased by some 1.5%. These changes, to the extent they continue until the end of the quarter, have a negative effect on the results of the Company in the second quarter of 2009.

Discount Investment Corporation Ltd.

Board of Directors' Report for the Period Ended March 31, 2009

E. Derivatives' positions in the consolidated balance sheet as at March 31, 2009 (in NIS millions):

		CPI/NIS			
		Par value	Fair value	Par value	Fair value
		Up to one year		Over one year	
		Long	Long	Long	Long
1.	Futures contracts for hedging purposes – not recognized for accounting purposes (1)	3,100	(32)	1,250	(1)
		Dollar/NIS			
		Up to one year			
		Par value		Fair value	
		Long	Short	Long	Short
2.	Derivatives for hedging purposes – not recognized for accounting purposes:				
	Future purchases of dollars	552	-	43	-
	Put options	494	90	3	-
	Call options	42	230	1	(4)
(1)	These contracts are intended to protect CPI linked liabilities, such that if the CPI were to rise above that which is provided in the contract, the difference would be received and in the reverse case the difference would be paid.				
		Dollar/NIS			
		Up to one year			
		Par value		Fair value	
		Long	Short	Long	Short
3.	Derivatives for hedging purposes – recognized for accounting purposes:				
	Future purchases of dollars	339	-	33	-
		Interest			
		Up to one year			
		Par value		Fair value	
		Long		Long	
4.	Swap future contract (2) – not recognized for accounting purposes:	280		(12)	

(2) The purpose of this future contract is to change the interest from variable interest into fixed interest.

Discount Investment Corporation Ltd.

Board of Directors' Report for the Period Ended March 31, 2009

		Dollar/Yen			
		Up to one year			
		Par value		Fair value	
		Long	Short	Long	Short
5.	Derivatives for hedging purposes – not recognized for accounting purposes:				
	Future purchases of dollars	8	-	1	-
	Put options	-	3	-	-
	Call options	3	-	-	-
		Euro/NIS			
		Up to one year			
		Par value		Fair value	
		Long	Short	Long	Short
6.	Derivatives for hedging purposes – not recognized for accounting purposes:				
	Future purchases of euros	1	-	-	-
	Future sales of euros	8	-	-	-
	Put options	20	-	-	-
	Call options	-	18	-	-
		Euro/Dollar			
		Up to one year			
		Par value		Fair value	
		Long	Short	Long	Short
7.	Derivatives for hedging purposes – not recognized for accounting purposes:				
	Future purchases of euros	19	-	1	-
	Put options	27	-	3	-
	Call options	-	37	-	-
		Pound Sterling/Dollar			
		Up to one year			
		Par value		Fair value	
		Long	Short	Long	Short
8.	Derivatives for hedging purposes – not recognized for accounting purposes:				
	Call options	-	8	-	-

Discount Investment Corporation Ltd.

Board of Directors' Report for the Period Ended March 31, 2009

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 directors' report of the Company for 2008 dated March 23, 2009, other than that mentioned in Paragraph A below regarding Koor.

- A. Following sales of shares of Credit Suisse in the second quarter of 2009, as described in Section 4.2, as at the date of this report Koor has net liquid assets in Swiss franc in an amount of 600 million Swiss franc.

10. Sensitivity Tests

10.1 Tables showing the sensitivity tests of financial instruments included in the consolidated financial statements as at March 31, 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%
NIS millions					
Long-term loans to affiliates (including current maturities)	898	(9)	(3)	9	3
Long-term deposits and other loans (including current maturities)	67	(1)	-	1	-
Current investments, not including derivatives	428	(7)	(3)	7	3
Debentures	(13,687)	341	173	(358)	(177)
Long-term loans from banks and others (including current Maturities)	(4,305)	60	30	(63)	(31)
	<u>(16,599)</u>	<u>384</u>	<u>197</u>	<u>(404)</u>	<u>(202)</u>

Discount Investment Corporation Ltd.

Board of Directors' Report for the Period Ended March 31, 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%
NIS millions					
Long-term loans to affiliates (including current maturities)	681	68	34	(68)	(34)
Other investments, not including derivatives	23	2	1	(2)	(1)
Current investments, not including derivatives	18	2	1	(2)	(1)
Short-term deposits and loans	56	6	3	(6)	(3)
Trade and other receivables	46	5	2	(5)	(2)
Cash and cash equivalents	1,011	101	51	(101)	(51)
Long-term bank loans (including current maturities)	(1,274)	(127)	(64)	127	64
Short-term loans	(50)	(5)	(3)	5	3
Trade payables, other payables and credit balances	(177)	(18)	(9)	18	9
	<u>334</u>	<u>34</u>	<u>16</u>	<u>(34)</u>	<u>(16)</u>

Sensitivity test to changes in Swiss franc exchange rate

Item	Fair value	Gain (loss) from changes in Swiss franc exchange rate			
		Increase		Decrease	
		10%	5%	10%	5%
NIS millions					
Other investments, not including derivatives	4,566	457	228	(457)	(228)
Cash and cash equivalents	546	55	27	(55)	(27)
Short-term loans	(1,007)	(101)	(50)	101	50
	<u>4,105</u>	<u>411</u>	<u>205</u>	<u>(411)</u>	<u>(205)</u>

Discount Investment Corporation Ltd.

Board of Directors' Report for the Period Ended March 31, 2009

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

Item	Fair value	Gain (loss) from changes in market factor			
		Increase		Decrease	
		10%	5%	10%	5%
NIS millions					
Long-term loans to affiliates (including current maturities)	206	21	10	(21)	(10)
Trade and other receivables	92	9	5	(9)	(5)
Cash and cash equivalents	76	8	4	(8)	(4)
Long-term bank loans (including current maturities)	(52)	(5)	(3)	5	3
Short-term loans	(15)	(2)	(1)	2	1
Trade payables, other payables and credit balances	(28)	(3)	(1)	3	1
	<u>279</u>	<u>28</u>	<u>14</u>	<u>(28)</u>	<u>(14)</u>

Sensitivity test to changes in the CPI

Item	Fair value	Gain (loss) from changes in the CPI			
		Increase		Decrease	
		2%	1%	2%	1%
NIS millions					
Long-term deposits and other loans (including current maturities)	67	1	-	(1)	-
Current investments, not including derivatives	365	7	4	(7)	(4)
Debentures	(13,647)	(273)	(136)	273	136
Long-term loans from banks and others (including current maturities)	(3,029)	(61)	(30)	61	30
Trade payables, other payables and credit balances	(29)	(1)	-	1	-
	<u>(16,273)</u>	<u>(327)</u>	<u>(162)</u>	<u>327</u>	<u>162</u>

Discount Investment Corporation Ltd.

Board of Directors' Report for the Period Ended March 31, 2009

Sensitivity test to changes in marketable securities' prices

Item	Fair value	Gain (loss) from changes in marketable securities' prices			
		Increase		Decrease	
		10%	5%	10%	5%
NIS millions					
Investment in marketable securities – current	124	12	6	(12)	(6)
Investment in marketable securities – available for sale	4,931	493	247	(493)	(247)

Sensitivity test to changes in dollar exchange rate

	Fair value	Gain (loss) from changes in dollar exchange rate				
		Increase		Decrease		
		10%	5%	10%	5%	
NIS millions						
<u>Dollar options for hedging purposes *</u>						
<u>Long</u>	Call	1	3	2	(1)	(1)
	Put	3	(1)	(1)	13	4
<u>Short</u>	Call	(4)	(14)	(6)	3	3
	Put	-	-	-	(1)	-
		-	(12)	(5)	14	6

* Not recognized as an accounting hedge

	Fair value	Gain (loss) from changes in dollar exchange rate				
		Increase		Decrease		
		10%	5%	10%	5%	
NIS millions						
<u>Forward dollar</u>						
	Recognized as an accounting hedge	33	35	17	(35)	(17)
	Not recognized as an accounting hedge	34	59	29	(59)	(29)
		67	94	46	(94)	(46)

	Fair value	Gain (loss) from changes in dollar-yen exchange rate				
		Increase		Decrease		
		10%	5%	10%	5%	
NIS millions						
<u>Forward dollar</u>						
	Not recognized as an accounting hedge	1	1	-	(1)	-

Discount Investment Corporation Ltd.

Board of Directors' Report for the Period Ended March 31, 2009

Sensitivity test to changes in euro exchange rate

	Fair value	Gain (loss) from changes in euro exchange rate			
		Increase		Decrease	
		10%	5%	10%	5%
NIS millions					
<u>Euro options for hedging purposes *</u>					
<u>Long</u>	Put	-	-	1	-
<u>Short</u>	Call	-	(1)	-	-
		<u>-</u>	<u>(1)</u>	<u>1</u>	<u>-</u>

* Not recognized as an accounting hedge

	Fair value	Gain (loss) from changes in euro-dollar exchange rate			
		Increase		Decrease	
		10%	5%	10%	5%
NIS millions					
<u>Euro options for hedging purposes *</u>					
<u>Long</u>	Put	3	(2)	3	1
<u>Short</u>	Call	-	-	-	-
		<u>3</u>	<u>(2)</u>	<u>3</u>	<u>1</u>

* Not recognized as an accounting hedge

	Fair value	Gain (loss) from changes in euro-dollar exchange rate			
		Increase		Decrease	
		10%	5%	10%	5%
NIS millions					
<u>Forward euro</u>					
		<u>1</u>	<u>2</u>	<u>(2)</u>	<u>(1)</u>

Sensitivity test to changes in CPI

	Fair value	Gain (loss) from changes in CPI			
		Increase		Decrease	
		2%	1%	2%	1%
NIS millions					
<u>Forward CPI</u>					
		<u>(33)</u>	<u>89</u>	<u>(89)</u>	<u>(45)</u>

Not recognized as an accounting hedge

Discount Investment Corporation Ltd.

Board of Directors' Report for the Period Ended March 31, 2009

Sensitivity test to changes in interest rate

	Fair value	Gain (loss) from changes in interest rate			
		Increase		Decrease	
		10%	5%	10%	5%
Interest rate swap		NIS millions			
Not recognized as an accounting hedge	(12)	-	-	-	-

Changes in the exchange rates of the pound sterling and the yen and changes in the standard deviation 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 the sensitivity tests of 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%
		NIS millions			
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 maturities)	(3,789)	83	43	(88)	(44)
	(15,217)	526	269	(553)	(276)

Discount Investment Corporation Ltd.

Board of Directors' Report for the Period Ended March 31, 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%
NIS millions					
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>594</u>	<u>59</u>	<u>30</u>	<u>(59)</u>	<u>(30)</u>

Sensitivity test to changes in Swiss franc exchange rate

Item	Fair value	Gain (loss) from changes in Swiss franc exchange rate			
		Increase		Decrease	
		10%	5%	10%	5%
NIS millions					
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 Period Ended March 31, 2009

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

Item	Fair value	Gain (loss) from changes in market factor			
		Increase		Decrease	
		10%	5%	10%	5%
NIS millions					
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
	<u>140</u>	<u>14</u>	<u>7</u>	<u>(14)</u>	<u>(7)</u>

Sensitivity test to changes in the CPI

Item	Fair value	Gain (loss) from changes in the CPI			
		Increase		Decrease	
		2%	1%	2%	1%
NIS millions					
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>(14,806)</u>	<u>(296)</u>	<u>(149)</u>	<u>296</u>	<u>149</u>

Sensitivity test to changes in marketable securities' prices

Item	Fair value	Gain (loss) from changes in marketable securities' prices			
		Increase		Decrease	
		10%	5%	10%	5%
NIS millions					
Investment in marketable securities – current	121	12	6	(12)	(6)
Investment in marketable securities – available for sale	4,551	455	228	(455)	(228)

Discount Investment Corporation Ltd.

Board of Directors' Report for the Period Ended March 31, 2009

Sensitivity test to changes in dollar exchange rate

		Fair value	Gain (loss) from changes in dollar exchange rate			
			Increase		Decrease	
			10%	5%	10%	5%
Dollar options for hedging purposes *			NIS millions			
<u>Long</u>	Call	2	10	4	(2)	(2)
	Put	7	(6)	(4)	26	10
<u>Short</u>	Call	(3)	(18)	(7)	4	3
	Put	(1)	1	1	(4)	(2)
		<u>5</u>	<u>(13)</u>	<u>(6)</u>	<u>24</u>	<u>9</u>

* Not recognized as an accounting hedge

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			NIS millions			
<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

	Fair value	Gain (loss) from changes in CPI			
		Increase		Decrease	
		2%	1%	2%	1%
Forward CPI		NIS millions			
Not recognized as an accounting hedge	<u>(30)</u>	<u>86</u>	<u>43</u>	<u>(86)</u>	<u>(43)</u>

Discount Investment Corporation Ltd.

Board of Directors' Report for the Period Ended March 31, 2009

Sensitivity test to changes in dollar exchange rate

	Fair value	Gain (loss) from changes in dollar exchange rate			
		Increase		Decrease	
		10%	5%	10%	5%
Forward dollar		NIS millions			
Recognized as an accounting hedge	12	27	14	(27)	(14)
Not recognized as an accounting hedge	9	57	29	(57)	(29)
	21	84	43	(84)	(43)

Sensitivity test to changes in interest rate

	Fair value	Gain (loss) from changes in interest rate			
		Increase		Decrease	
		10%	5%	10%	5%
Interest rate swap		NIS millions			
Not recognized as an accounting hedge	(12)	1	-	(1)	-

10.3 Tables showing the sensitivity tests of financial instruments included in the consolidated financial statements as at March 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%
		NIS millions			
Long-term loans to affiliates (including current maturities)	432	(4)	(2)	4	2
Investments including short-term derivatives	768	(3)	(1)	2	1
Cash and cash equivalents	1,591	(8)	(4)	8	4
Debentures	(13,496)	355	178	(354)	(178)
Loans from banks (including maturities)	(2,129)	27	14	(31)	(15)
Short-term financial liabilities	(79)	-	-	-	-
	(12,913)	367	185	(371)	(186)

Discount Investment Corporation Ltd.

Board of Directors' Report for the Period Ended March 31, 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%
NIS millions					
Long-term loans to affiliates (including current maturities)	217	22	11	(22)	(11)
Investments including short-term derivatives	433	43	22	(43)	(22)
Cash and cash equivalents	919	92	46	(92)	(46)
Loans from banks (including current maturities)	(976)	(98)	(49)	98	49
	<u>593</u>	<u>59</u>	<u>30</u>	<u>(59)</u>	<u>(30)</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%
NIS millions					
Long-term loans to affiliates (including current maturities)	85	9	4	(9)	(4)
Investments including short-term derivatives	7	1	-	(1)	-
Cash and cash equivalents	8	1	-	(1)	-
Loans from banks (including current maturities)	(11)	(1)	(1)	1	1
	<u>89</u>	<u>10</u>	<u>(3)</u>	<u>(10)</u>	<u>(3)</u>

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%
NIS millions					
Long-term loans to affiliates (including current maturities)	122	12	6	(12)	(6)
Cash and cash equivalents	4	-	-	-	-
	<u>126</u>	<u>12</u>	<u>6</u>	<u>(12)</u>	<u>(6)</u>

Discount Investment Corporation Ltd.

Board of Directors' Report for the Period Ended March 31, 2009

Sensitivity test to changes in other exchange rates

Item	Fair value	Gain (loss) from changes in market factor			
		Increase		Decrease	
		10%	5%	10%	5%
		NIS millions			
Cash and cash equivalents	2	-	-	-	-
Loans from banks	(12)	(1)	(1)	1	1
Current financial liabilities	(25)	(3)	(1)	3	1
	(35)	(4)	(2)	4	2

Sensitivity test to changes in marketable securities' prices

Item	Fair value	Gain (loss) from changes in marketable securities' prices			
		Increase		Decrease	
		10%	5%	10%	5%
		NIS millions			
Investment in marketable securities	483	48	24	(48)	(24)

Sensitivity test to changes in dollar exchange rate

		Fair value	Gain (loss) from changes in dollar exchange rate			
			Increase		Decrease	
			10%	5%	10%	5%
			NIS millions			
<u>Long</u>	Call	3	16	6	(3)	(3)
	Put	7	(7)	(5)	17	7
<u>Short</u>	Call	-	(2)	(1)	-	-
	Put	(2)	2	1	(5)	(2)
		8	9	1	9	2

* Not recognized as an accounting hedge

Discount Investment Corporation Ltd.

Board of Directors' Report for the Period Ended March 31, 2009

Sensitivity test to changes in standard deviation

		Fair value	Gain (loss) from changes in standard deviation			
			Increase		Decrease	
			10%	5%	10%	5%
CPI forward			NIS millions			
<u>Long</u>	Call	3	1	-	(1)	-
	Put	7	3	1	(2)	(1)
<u>Short</u>	Call	- *	(1)	-	-	-
	Put	(2)	(1)	-	1	-
		<u>8</u>	<u>2</u>	<u>1</u>	<u>(2)</u>	<u>(1)</u>

* Less than NIS 1 million.

Sensitivity test to changes in CPI

		Fair value	Gain (loss) from changes in CPI			
			Increase		Decrease	
			0.2%	0.1%	0.2%	0.1%
Forward CPI			NIS millions			
Not recognized as an accounting hedge		<u>35</u>	<u>9</u>	<u>4</u>	<u>(9)</u>	<u>(6)</u>

Sensitivity test to changes in dollar exchange rate

		Fair value	Gain (loss) from changes in dollar exchange rate			
			Increase		Decrease	
			10%	5%	10%	5%
Forward dollar			NIS millions			
Recognized as an accounting hedge		(44)	38	19	(38)	(19)
Not recognized as an accounting hedge		(8)	18	9	(18)	(9)
		<u>(52)</u>	<u>56</u>	<u>28</u>	<u>(56)</u>	<u>(28)</u>

Sensitivity test to changes in interest rate

		Fair value	Gain (loss) from changes in interest rate			
			Increase		Decrease	
			10%	5%	10%	5%
Interest rate swap			NIS millions			
Not recognized as an accounting hedge		<u>(4)</u>	<u>3</u>	<u>2</u>	<u>(3)</u>	<u>(2)</u>

Discount Investment Corporation Ltd.

Board of Directors' Report for the Period Ended March 31, 2009

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 matters 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.

Nochi Dankner
Chairman of the Board

Ami Erel
President and CEO

Tel Aviv, May 26, 2009

Discount Investment Corporation Ltd.

Board of Directors' Report for the Period Ended March 31, 2009

Annex A to the Board of Directors' Report as at March 31, 2009

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

	March 31, 2009	December 31, 2008
Fair value and carrying amount		
<u>Shares of Credit Suisse that are pledged in favor of the credit provider</u>		
Value on the date of initial recognition	2,631	2,688
Carried directly to equity under reserve for available-for-sale financial assets	340	(151)
Total carrying amount	<u>2,971</u>	<u>2,517</u>
Total fair value	<u>2,971</u>	<u>2,517</u>
Financial liabilities that were used to finance acquisition of the assets		
<u>Shares of Credit Suisse</u>		
Value on the date of initial recognition	(899)	(811)
Carried to statement of income	(108)	(77)
Total carrying amount	<u>(1,007)</u>	<u>(888)</u>
Total fair value	<u>(1,007)</u>	<u>(888)</u>
Changes in fair value and changes in carrying amount		
<u>Shares of Credit Suisse</u>		
Carried to statement of income	33	-
Carried directly to other items of equity	491	(151)
Total carried to statement of income and equity	<u>524</u>	<u>(151)</u>
Total changes in fair value	<u>524</u>	<u>(151)</u>
Financial liabilities that were used to finance acquisition of the assets		
<u>Shares of Credit Suisse</u>		
Carried to statement of income	(40)	(77)
Carried directly to equity	-	-
Total carried to statement of income and equity	<u>(40)</u>	<u>(77)</u>
Total changes in fair value	<u>(40)</u>	<u>(77)</u>



Somekh Chaikin

KPMG Millennium Tower
17 Ha'arba'a Street, PO Box 609
Tel Aviv 61006 Israel

Telephone 972 3 684 8000
Fax 972 3 684 8444
Internet www.kpmg.co.il

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 March 31, 2009 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended. The Board of Directors and Management are responsible for 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 March 31, 2009, and whose revenues constitute 9% of the total consolidated revenues for the three month period then ended. Furthermore, we did not review the condensed interim financial information of equity accounted investees the investment in which amounted to NIS 1,458 million as at March 31, 2009, and the Group’s share in their profits amounted to NIS 21 million for the three month period then ended. 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.)

May 26, 2009

Discount Investment Corporation Ltd.

Consolidated Statement of Financial Position as at March 31, 2009

	March 31, 2009 <u>(unaudited)</u>	March 31, 2008 <u>(unaudited)</u>	December 31, 2008 <u>(audited)</u>
	N I S m i l l i o n s		
Non-current assets			
Investments in affiliated companies	7,710	4,474	7,344
Other investments	1,869	89 *	1,828
Other pledged investments	2,971	-	2,517
Loans and debit balances	145	13 *	103
Fixed assets	3,410	3,228 *	3,323
Investment property and other assets	5,380	5,421	5,709
Investment property under construction	218	138	228
Assets designated for the payment of employee benefits	10	10	15
Long-term trade receivables	548	580	541
Non-current inventory	264	226 *	283
Deferred expenses	533	451	487
Deferred tax assets	75	69 *	83
Intangible assets	2,850	3,042	2,832
	<u>25,983</u>	<u>17,741</u>	<u>25,293</u>
Current assets			
Current investments, including derivatives	568	483 *	632
Loans and short-term deposits	535	404 *	225
Receivables and debit balances	267	261	123
Current tax assets	20	20	27
Trade receivables	1,768	1,519	1,656
Inventory	346	371	309
Inventory of buildings held for sale	677	702	676
Assets classified as held for sale	94	-	16
Cash and cash equivalents	3,882	5,349	3,355
	<u>8,157</u>	<u>9,109</u>	<u>7,019</u>
Total assets	<u>34,140</u>	<u>26,850</u>	<u>32,312</u>

* Reclassified. See note 2E.

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 March 31, 2009 (cont'd)

	March 31, 2009 <u>(unaudited)</u>	March 31, 2008 <u>(unaudited)</u>	December 31, 2008 <u>(audited)</u>
	N I S m i l l i o n s		
Equity			
Share capital	742	742	742
Other capital reserves	4,645	4,427	3,760
Retained earnings	595	383	610
Equity attributed to the Company's shareholders	5,982	5,552	5,112
Minority interests	4,284	2,017	3,782
	<u>10,266</u>	<u>7,569</u>	<u>8,894</u>
Non-current liabilities			
Debentures	12,993	12,411 *	13,344 *
Bank loans and other financial liabilities	3,976	2,310 *	3,494 *
Provisions	22	17	21
Deferred tax liabilities	840	725 *	801
Employee benefits	28	24	53
Other liabilities	1	-	2
	<u>17,860</u>	<u>15,487</u>	<u>17,715</u>
Current liabilities			
Current maturities of debentures	915	744 *	921 *
Bank credit and current maturities of bank loans and others	2,010	356 *	2,296 *
Payables and credit balances	1,508	1,591	1,297
Derivatives	67	59 *	95
Trade payables	827	785	849
Current tax liabilities	169	99	137
Overdraft	-	-	5
Deferred income	2	14	2
Provisions	102	146	101
Dividend payable	414	-	-
	<u>6,014</u>	<u>3,794</u>	<u>5,703</u>
Total equity and liabilities	<u>34,140</u>	<u>26,850</u>	<u>32,312</u>

* Reclassified. See note 2E.

Nochi Dankner
Chairman of the Board

Ami Erel
President and CEO

Michel Dahan
Vice President and CFO

Date of approval of financial statements: May 26, 2009

Discount Investment Corporation Ltd.

Consolidated Statements of Income for the Three Month Period Ended March 31, 2009

	3 m o n t h s e n d e d March 31, 2009 <u>(unaudited)</u>	March 31, 2008 <u>(unaudited)</u>	Year ended December 31, 2008 <u>(audited)</u>
	N I S m i l l i o n s		
Income			
Sales and services	2,096	1,941	7,901
Group's share in net profit (loss) of affiliates, net	53	36	(107)
Gain on sale of investments and assets	66	190 *	915
Increase in market value of investment property	16	24 *	229
Other income	13	18	592
Financing income	232	123	505
	<u>2,476</u>	<u>2,332</u>	<u>10,035</u>
Expenses			
Cost of sales and services	1,165	1,070	4,303
Selling expenses	180	176	801
General and administrative expenses	208	195	858
Loss on sale and reduction of investments and assets	32	1 *	270
Financing expenses	176	390 *	1,688
	<u>1,761</u>	<u>1,832</u>	<u>7,920</u>
Earnings before income tax	715	500	2,115
Income tax expense	(49)	(135)	(549)
Earnings for the period	<u>666</u>	<u>365</u>	<u>1,566</u>
Attributable to:			
Equity holders of the Company	392	191	1,018
Minority interests	274	174	548
	<u>666</u>	<u>365</u>	<u>1,566</u>
Earning per share for the equity holders of the Company	NIS	NIS	NIS
Basic earnings per share	<u>4.6</u>	<u>2.3</u>	<u>11.9</u>
Diluted earnings per share	<u>4.6</u>	<u>2.2</u>	<u>11.8</u>

* Reclassified. See note 2E.

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

Discount Investment Corporation Ltd.

Consolidated Statement of Comprehensive Income for the Three Month Period Ended March 31, 2009

	3 months ended March 31, 2009	March 31, 2008 *	Year ended December 31, 2008 *
	(unaudited)	(unaudited)	(audited)
	N I S	m i l l i o n s	
Profit for the period	666	365	1,566
Other comprehensive income			
Reserve from revaluation of investment following rise to control	-	-	4
Reserve for revaluation of investment following rise to control that was recognized in profit or loss	3	-	4
Actuarial gains (losses) from defined benefit plan, net of tax	-	(1)	(9)
Foreign currency translation differences for foreign operations, net of tax	94	(106) **	(32)
Foreign currency translation differences for foreign operations that were recognized in profit or loss	9	-	-
Effective portion of changes in fair value of cash flow hedges, net of tax	22	(31)	(12)
Net changes in fair value of cash flow hedges transferred to profit or loss, net of tax	(1)	6	35
Changes in fair value of available for sale financial assets, net of tax	717	(10)	21
Net changes in fair value of available-for-sale financial assets transferred to profit or loss, net of tax	(50)	-	(375)
Revaluation of fixed assets transferred to investment property, net of tax	-	-	42
Company's share of other comprehensive income (expense) of affiliated companies, net of tax	559	(245) **	206
Other comprehensive income (expense) for the period, net of tax	1,353	(387)	(116)
Total comprehensive income (expense) for the period	2,019	(22)	1,450
Attributable to:			
Equity holders of the Company	1,284	(131)	1,029
Minority interest	735	109	421
Total comprehensive income (expense) for the period	2,019	(22)	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.

** Reclassified, see not 2E.

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 for the Three Month Period Ended March 31, 2009

	Attributable to the equity holders of the Company											
	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	Minority interests	Total equity	
	N	I	S	m	i	l	l	i	o	n	s	
For the year ended December 31, 2008 (audited)												
Balance as at January 1, 2008	742	5,014	(303)	(21)	53	1	197	5,683	2,385	8,068		
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 *	-	-	-	-	-	-	-	-	38	38		
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	995	1,029	421	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>610</u>	<u>5,112</u>	<u>3,782</u>	<u>8,894</u>		

* Including issuance of shares to minority in subsidiary.

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 for the Three Month Period Ended March 31, 2009 (cont'd)

	Attributable to the equity holders of the Company										
	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	Minority interests	Total equity	
	N	I	S	m	i	l	l	i	o	n	s
For the 3 months ended March 31, 2009 (unaudited)											
Balance as at January 1, 2009	742	4,014	(418)	(39)	(53)	256	610	5,112	3,782	8,894	
Dividend declared to the equity holders of the Company (See note 6A) *	-	-	-	-	-	-	(414)	(414)	-	(414)	
Share of the minority in dividends declared by subsidiaries	-	-	-	-	-	-	-	-	(214)	(214)	
Acquisition of minority interests	-	-	-	-	-	-	-	-	(21)	(21)	
Share-based payments granted by subsidiaries	-	-	-	-	-	-	-	-	2	2	
Amortization against retained earnings of revaluation reserve in respect of step acquisition of subsidiary	-	-	-	-	-	(14)	14	-	-	-	
Total (expense) income for the period	-	-	451	38	426	(16)	385	1,284	735	2,019	
Balance as at March 31, 2009	<u>742</u>	<u>4,014</u>	<u>33</u>	<u>(1)</u>	<u>373</u>	<u>226</u>	<u>595</u>	<u>5,982</u>	<u>4,284</u>	<u>10,266</u>	

* See also note 6.O regarding a dividend that was proposed on the date of approval of the financial statements. 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 for the Three Month Period Ended March 31, 2009 (cont'd)

	Attributable to the equity holders of the Company										
	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	Minority interests	Total equity	
	N	I	S	m	i	l	l	i	o	n	s
For the 3 months ended											
March 31, 2008 (unaudited)											
Balance as at January 1, 2008	742	5,014	(303)	(21)	53	1	197	5,683	2,385	8,068	
Share of the minority in dividends declared by subsidiaries	-	-	-	-	-	-	-	-	(433)	(433)	
Acquisition of minority interests	-	-	-	-	-	-	-	-	(80)	(80)	
Sales of rights to the minority	-	-	-	-	-	-	-	-	30	30	
Share-based payments granted by subsidiaries	-	-	-	-	-	-	-	-	6	6	
Total (expense) income for the period	-	-	(303)	(12)	(11)	9	186	(131)	109	(22)	
Balance as at March 31, 2008	<u>742</u>	<u>5,014</u>	<u>(606)</u>	<u>(33)</u>	<u>42</u>	<u>10</u>	<u>383</u>	<u>5,552</u>	<u>2,017</u>	<u>7,569</u>	

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

Discount Investment Corporation Ltd.

Consolidated Statement of Cash Flows for the Three Month Period Ended March 31, 2009

	3 months ended		Year ended
	March 31,		December
	2009	2008	2008
	(unaudited)		(audited)
	N I S m i l l i o n s		
Cash flows generated by operating activities			
Earnings for the period	666	365	1,566
Company's equity in the losses (net earning) of affiliated companies, net	(53)	(36)	107
Dividends received	56	52	379
Gain from realization and reduction of investments and assets, net	(34)	(189) *	(646)
Increase in fair value of investment property	(16)	(24) *	(229)
Depreciation of fixed assets and deferred expenses	134	140	594
Depreciation of intangible assets	50	58	211
Provision for doubtful debts	-	-	10
Financing costs, net	(55)	267	1,171
Taxes on income, net	49	135	549
Income tax paid, net	(113)	(172)	(530)
Other income in respect of negative goodwill	(13)	(18)	(576)
Proceeds (payments) from settlement of derivatives	37	(7) *	(3)
Share-based payment transactions	2	6	38
	<u>710</u>	<u>577</u>	<u>2,641</u>
Increase in receivables and debit balances (including long-term amounts)	(72)	(51)	(56)
Increase in trade receivables (including long-term amounts)	(68)	(89)	(109)
Decrease in inventory	19	66 *	252
Decrease (increase) in non-current inventory	(6)	- *	(15)
Change in provision and employee benefits	(1)	(1)	(9)
Increase in long-term deferred income	-	-	(1)
Increase (decrease) in trade payables	43	(181)	(280)
Increase (decrease) in sundry payables and credit balances (including long-term amounts)	41	(3) *	121
	<u>(44)</u>	<u>(259)</u>	<u>(97)</u>
Net cash inflow generated by operating activities	<u>666</u>	<u>318</u>	<u>2,544</u>

* Reclassified see note 2E.

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

Discount Investment Corporation Ltd.

Consolidated Statement of Cash Flows for the Three Month Period Ended March 31, 2009 (cont'd)

	3 months ended		Year ended
	March 31,		December 31,
	2009	2008	2008
	(unaudited)		(audited)
	N I S m i l l i o n s		
Cash flows generated by investing activities			
Long-term deposits, loans and investments granted	(8)	-	(24)
Collection of long-term deposits and loans granted	2	63 *	95
Current investments that are not available-for-sale marketable securities, net	(294)	(11) *	10
Proceeds from sale of available-for-sale marketable securities	115	36 *	478
Investments in investee companies	(54)	(119) *	(676)
Acquisition of minority interests	(8)	(62) *	(430)
Non current investments	(162)	-	(5,627)
Investment in investment property, in fixed assets in non-current inventory and in intangible assets	(229)	(289)	(1,054)
Payments in respect of hedge transactions from acquisition of fixed assets	-	(5) *	(17)
Acquisition of subsidiaries net of cash acquired in the framework of their initial consolidation	10	-	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	514	330 *	4,220
Proceeds from disposal of fixed and other assets	463	53 *	223
Interest received	25	80	243
Net cash inflow (outflow) by investing activities	372	76	(1,717)
Cash flows generated by financing activities			
Non-current financial liabilities received	7	1,122	2,086
Current financial liabilities, net	78	(7)	692
Shares issued by subsidiaries to minority	-	-	185
Interest paid	(218)	(158)	(796)
Dividend paid	-	-	(600)
Distribution according to section 303 of the Companies Law	-	-	(1,000)
Dividend paid to minority shareholders of subsidiaries	(144)	-	(866)
Collection of non-current financial liabilities	(352)	(816)	(2,180)
Proceeds from settlement of derivatives	5	6 *	97
Receipts from external shareholders in subsidiaries, net	-	-	2
Net cash inflow (outflow) generated by financing activities	(624)	147	(2,380)
Increase (decrease) in cash and cash equivalents	414	541	(1,553)
Cash and cash equivalents at the beginning of the period	3,351	4,894	4,894
Effect of exchange rate fluctuations on cash and cash equivalents	117	(86) *	10
Cash and cash equivalents at the end of the period	3,882	5,349	3,351 **

* Reclassified see note 2E.

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

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

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at March 31, 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, 44th 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 May 26, 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 March 31, 2009

Note 2 - Basis of Preparation (cont'd)

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 March 31, 2009	4.188	198.2
As at March 31, 2008	3.553	191.3
As at December 31, 2008	3.802	198.4

The rate of change:

	Dollar exchange rate	Current month CPI	Latest known CPI
For the three months ended March 31, 2009	10.2%	(0.1%)	(0.7%)
For the three months ended March 31, 2008	(7.6%)	0.1%	0.4%
For the year ended December 31, 2008	(1.1%)	3.8%	4.5%

E. 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 March 31, 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.
2. In the statement of financial position as at March 31, 2008:
 - a. The item of investments and other loans, including non-current derivatives, was split into two items – other investments, and loans and receivables.
 - b. The item of other investments, including current derivatives, was split into two items – other investments, including derivatives, and short-term loans and deposits.
 - c. The item of payables, credit balances and current liabilities was split into two items – payables and credit balances, and derivatives.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at March 31, 2009

Note 2 - Basis of Preparation (cont'd)

E. Change in classification (cont'd)

2. (cont'd)
 - d. An amount of NIS 3 million was reclassified from the item of deferred tax assets to the item of deferred tax liabilities.
 - e. An amount of NIS 763 million was reclassified from the item of non-current inventory to fixed assets.
3. In the statement of income for the three months ended March 31, 2008:
 - a. The net gain from realization and revaluation of investments and assets was split into three items – gain from realization of investments and assets, increase in fair value of investment property and loss from realization and reductions of investments and assets.
 - b. An amount of NIS 46 million was reclassified from the item of financing income to the item of financing expenses.
4. In the statement of cash flows for the three months ended March 31, 2008:
 - a. An amount of NIS 24 million in the cash flows from operating activities was reclassified from the net gain on realization and reductions of investments and assets to a separate item – increase in fair value of investment property.
 - b. An amount of NIS 2 million was reclassified from the item of decrease (increase) in non-current inventory to the item of decrease in inventory.
 - c. An amount of NIS 12 million was reclassified from the item increase in payables and credit balances to the following two items – NIS 7 million to the item of payments for the settlement of derivatives that is included in cash flows from operating activities, and NIS 5 million to the item of payments in respect of hedge transactions for the acquisition of fixed assets that is included in cash flows from investing activities. In addition, an amount of NIS 6 million in the cash flows from financing activities was reclassified from the item of proceeds from settlement of derivatives to the item of effects of foreign exchange fluctuations on cash and cash equivalents.
 - d. An amount of NIS 54 million in the cash flows from investing activities was reclassified from the item of proceeds from realization of non-current investments to the item of repayment of deposits and short-term loans granted, and an amount of NIS 37 million was reclassified from the item of proceeds from realization of non-current investments to the item of proceeds from realization of fixed and other assets.
 - e. An amount of NIS 62 million in the cash flows from investing activities was reclassified from investments in investee companies to acquisition of minority interests.
 - f. An amount of NIS 36 million in the cash flows from investing activities was reclassified from current investments, net, to proceeds from realization of available-for-sale marketable securities.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at March 31, 2009

Note 2 - Basis of Preparation (cont'd)

E. Change in classification (cont'd)

5. In the statement of comprehensive income for the three months ended March 31, 2008:
An amount of NIS 45 million was reclassified from foreign currency translation differences from foreign operations, net of tax, to the Group's share of other comprehensive income (expense) of affiliates, net of tax.
6. See also Note 3A(2) hereunder.

- F.** 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.

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.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at March 31, 2009

Note 3 - Significant Accounting Policies (cont'd)

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

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 4 million was reclassified from employee benefits to payables and credit balance as at December 31, 2008 and an amount of NIS 4 million was similarly reclassified as at March 31, 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.

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 first quarter of 2009 the Group revalued investment property under construction that was completed and accordingly it recorded income in the amount of NIS 15 million from an increase in fair value of investment property. 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.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at March 31, 2009

Note 3 - Significant Accounting Policies (cont'd)

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

1. Revised IFRS 3 (cont'd)

- 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.
- 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, and such standards, if and when they are adopted, may have a material effect on the results of operations and financial position of the Group.

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.

The aforementioned revisions will have an effect on the Group's results of operations and financial position, as from the date of their implementation.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at March 31, 2009

Note 3 - Significant Accounting Policies (cont'd)

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

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. Earlier application is possible under certain circumstances. 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.

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.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at March 31, 2009

Note 3 - Significant Accounting Policies (cont'd)

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

3. (cont'd)

- **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.

- **Amendment to IAS 39, *Financial Instruments: Recognition and Measurement*** (hereinafter – IAS 39) – 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. IAS 39 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.

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

C. Customer acquisition and retention costs

In accordance with the present accounting policy, the Group capitalizes customer acquisition and retention costs in respect of deferred expenses relating to sales commissions attributed to customer acquisition and retention, if the costs can be reliably measured and can be attributed to a specific customer acquisition. In addition, the Group's present accounting policy is to recognize as an expense subsidies on sales of telephones over the period they are incurred. The Group is examining the adoption of a policy pursuant to which the capitalization will include also certain subsidies attributed to telephones sold together with a service agreement that includes a minimum guaranteed future income.

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.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at March 31, 2009

Note 4 - Investee Companies (cont'd)

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

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. 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).

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 make 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

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at March 31, 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. (cont'd)

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). The original credit limit will be adjusted in June 2009 and the additional credit limit will be adjusted in September 2009, in accordance with the maximum amount actually withdrawn by Koor until those dates. As at March 31, 2009, 64 million Swiss francs of the credit facility have been utilized.

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.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at March 31, 2009

Note 4 - Investee Companies (cont'd)

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

3. Koor Industries Ltd. (cont'd)

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 at 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. 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:

	<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 a deferred tax asset in respect of the capital reserve as at March 31, 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 note 6.M regarding subsequent to balance sheet date purchases and sales of Credit Suisse shares.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at March 31, 2009

Note 4 - Investee Companies (cont'd)

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

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. 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.

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 holds 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 will.

In the framework of the second part of the transaction, the Dutch company granted to the buyer an option to purchase 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).

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at March 31, 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)

The option will expire if the sale of the shares of the second portion specified in it is not completed by September 30, 2009. 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. As a result of the exercise of the tag along right mentioned above, the number of shares in the Brazilian company that are sold by the Dutch company will increase in the framework of exercising the option. Under certain circumstances, the Company and IDB Development will be required to purchase (instead of the buyer), in equal parts, from the Dutch company a total of up to 1% of the shares of the Brazilian company, at the same terms the buyer was supposed to purchase them.

All the taxes that will be required in respect of the sale of the shares in the Brazilian company by the Dutch company, in respect of the transfer of the proceeds from the Dutch company to GVT and in respect of GVT's purchase of its own shares from the Company and IDB Development will be paid in equal parts by the Company and IDB Development, and if any such taxes are paid by others, the Company and IDB Development shall indemnify them in equal parts in respect of such amounts.

Completion of the second part of the agreement is subject to the fulfillment of certain suspending conditions that have not yet been fulfilled, including, inter alia, that the closing price on the stock exchange of the Brazilian company's share, the share index on the Brazilian stock exchange (Brazilian BOVESPA index) and the exchange rate of the Brazilian real in relation to the US dollar do not fall below certain thresholds that were provided, and that there are no new regulatory restrictions in effect as regards the transfer of foreign currency into Brazil or out of it, or on foreign investments in Brazil, that did not exist on the date of signing the agreement.

If the second part of the transaction is completed, the Company anticipates recording a total gain that at this point is estimated to be between NIS 22 million and NIS 31 million. 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 or expires. In respect of the second part of the transaction, if and to the extent it is completed (if the option is exercised), the Company anticipates recording a gain that at this point is estimated to be between NIS 37 million and NIS 46 million, which takes into account also the said income in respect of the option.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at March 31, 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)

The total amount of the gain recorded depends on the actual number of the Company's shares in GVT that are sold and on the number of shares in the Brazilian company that is purchased by the Company (if any), as aforementioned, and will be affected by other matters, and mainly possible changes between the date of publishing these financial statements and the date of completing the second part of the transaction in the price of the Brazilian company's share on the stock exchange in Brazil and in the exchange rates of the relevant currencies.

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.

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 held at the rate of 46% by DIC, 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 4 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.

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.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at March 31, 2009

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

- B.** In the first quarter of 2009 the exchange rate of the dollar increased by 10.2%. As a result, DIC recorded income in the amount of NIS 77 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 quarter of 2009 the CPI (latest known index) decreased by 0.7%. As a result, DIC recorded income in the amount of NIS 39 million on balances of assets and liabilities, net, linked to the latest known CPI (not including such balances in its investee companies).

Note 6 - Subsequent Events

- A.** In April 2009 the Company paid a cash dividend in the amount of NIS 414 million, constituting NIS 4.86 per each ordinary share. The Company's Board of Directors decided to distribute the aforementioned dividend in March 2009.
- B.** In April 2009 Netvision Ltd. (hereinafter – Netvision), a affiliate held by the Company at the rate of 32% and by Elron at the rate of 16%, 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.
- C.** In April 2009 Property & Building distributed a cash dividend in the amount of NIS 200 million. The share of DIC in the said dividend amounts to NIS 167 million.
- D.** 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.

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

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at March 31, 2009

Note 6 - Subsequent Events (cont'd)

- E.** In April 2009 the Company entered into an agreement for the acquisition of 14% of the issued share capital of Ham-Let (less treasury shares held by Ham-Let) from the founders of Ham-Let for the price of \$ 9.5 million. Completion of the transaction is subject to the fulfillment of certain suspending conditions until June 1, 2009 (subject to extension under certain circumstances as specified in the agreement). Upon the completion of the transaction the option that was granted to the founders of Ham-Let to sell 7% of the shares of Ham-Let to the Company will be cancelled. If the said transaction is completed, DIC expects acquiring goodwill in the amount of NIS 17 million as a result of the acquisition and the cancelling of the option as aforementioned.
- F.** 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.
- G.** 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 will record a gain of NIS 39 million in the second quarter of 2009.
- H.** 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. In respect of this transaction Koor expects receiving an amount of NIS 81 million, 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 is not expected to have an effect on the profit of Koor and the Company. As at March 31, 2009 the investment in A.H.A. is classified as an asset held for sale.
- I.** 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.
- J.** 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.
- K.** In May 2009 the board of directors of Koor decided to distribute a cash dividend in the amount of NIS 432 million that will be paid in June 2009. The share of DIC in the dividend will be NIS 271 million.
- L.** In May 2009 the board of directors of Cellcom decided to distribute a cash dividend in the amount of NIS 330 million that will be paid in June 2009. The share of DIC in the dividend will be NIS 155 million.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at March 31, 2009

Note 6 - Subsequent Events (cont'd)

- M.** In the second quarter of 2009 Koor will record a net gain of NIS 904 million in respect of shares of Credit Suisse sold until the date of issuance of this report (after offsetting a proportionate share of a tax asset recorded as income in the first quarter of 2009 as described in Paragraph 3d of Note 4A). The share of DIC in the said gain will amount to NIS 595 million.
As at the date of issuing these financial statements, Koor holds 1.5% of the shares of Credit Suisse, which have an original cost of NIS 2.04 billion, and their price on the stock exchange, in the amount of NIS 2.99 billion, is NIS 0.95 billion higher than their original cost.
As at the date of issuing these financial statements, Koor has a debt of NIS 52 million to financial institutions (net of deposits) with respect to its investment in shares of Credit Suisse.
- N.** 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.
- O.** 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 360 million, constituting NIS 4.22 per each ordinary share. The dividend shall be distributed on June 22, 2009 with the date of record being June 8, 2009 and the ex-day being June 9, 2009.
- P.** The Company is examining the possibility of raising debt by means of issuing debentures. The amount, terms and timing of the issuance have not yet been determined and there is no certainty that it will be ultimately executed.

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 (hereinafter – the annual financial statements).

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at March 31, 2009

Note 7 - Contingent Liabilities (cont'd)

B. Claim filed against Cellcom after the approval of the annual financial statements

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.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at March 31, 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	Adjustments for consolidated * n s	Consolidated
For the 3 months period ended March 31, 2009 (unaudited)								
Sales and services	1,561	421	2,631	2,929	-	796	(6,242)	2,096
Segment results – attributable to the equity holders of the Company	158	42	34	36	26	(21)	117	392
For the 3 months period ended March 31, 2008 (unaudited)								
Sales and services	1,595	436 *	2,585	2,625	-	683	(5,983)	1,941
Segment results – attributable to the equity holders of the company	309	69	32	46	-	17	(282)	191
For the year ended December 31, 2008 (audited)								
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	936	47	121	82	288	(42)	(414)	1,018

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

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at March 31, 2009

Note 8 - Segments (cont'd)

A. Segment results (cont'd)

* Composition of the reconciliation to the consolidated:

	3 months ended March 31, 2009 (unaudited)			3 months ended March 31, 2008 (unaudited)			Year ended December 31, 2008 (audited)				
	Segment results – attributable to the equity holders of the Company			Segment results – attributable to the equity holders of the Company			Segment results – attributable to the equity holders of the Company				
Sales and services	N	I	S	m	i	l	l	i	o	n	s
Elimination of amounts in respect of segments classified as affiliated companies in the financial statements	(6,273)			(5,982)						(22,970)	
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)	1	114		-		(235)		3		(768)	
Negative goodwill in respect of Koor that was recognized in profit or loss		13				-				400	
Other adjustments	30	(10)		(1)		(47)		73		(46)	
	<u>(6,242)</u>	<u>117</u>		<u>(5,983)</u>		<u>(282)</u>		<u>(22,894)</u>		<u>(414)</u>	

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at March 31, 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 March 31, 2009 (unaudited)	5,313	11,968	5,648	15,118	4,566	6,091	(14,564)	34,140
As at March 31, 2008 (unaudited)	6,150	11,554 *	5,839	11,708	-	5,933	(14,334)	26,850
As at December 31, 2008 (audited)	5,420	11,740 *	5,453 *	12,826	4,100	6,136 *	(13,363)	32,312

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

** Composition of the reconciliation to the consolidated:

	March 31, 2009 (unaudited) N I S	March 31, 2008 (unaudited) m i l l i o n s	December 31, 2008 (audited)
Segment assets			
Elimination of amounts in respect of segments classified as affiliated companies in the financial statements	(26,261)	(23,075)	(23,751)
Including the investment in segments that are affiliated companies on an equity basis as included in the financial statements	6,736	3,622	6,348
Including intangible assets of DIC and Koor (including goodwill and other fair value adjustments)	1,995	2,112	2,004
Including other assets of DIC's headquarters and Koor's headquarters	2,926	3,307	2,146
Other adjustments	40	(300)	(110)
	<u>(14,564)</u>	<u>(14,334)</u>	<u>(13,363)</u>

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at March 31, 2009

Annex to the Financial Statements of Discount Investment Corporation Ltd. as at March 31, 2009

Details relating to investments in the consolidated balance sheet as at March 31, 2009

	Equity and voting rights %	Carrying value			Market value of the marketable shares as at	
		of the investment	Reserves*		March 31, 2009	May 25, 2009
			N	I S		
		m i l l i o n s				
Investment in investee companies						
Elron Electronic Industries Ltd.	49	294	16	310	150	156
Expand Networks Ltd.	22	-	(1)	(1)		
Bartan Holdings & Investments Ltd.	56	19	-	19		
Given Imaging Ltd.	16	157	(1)	156	139	163
Galil Medical Ltd.	13	1	1	2		
Ham-Let (Israel-Canada) Ltd.**	46	117 ***	2	119	61	94
Property and Building Corporation Ltd.	83	1,915	(3)	1,912	1,042 ****	1,236
Koor Industries Ltd.**	63	4,321	(589)	3,732	1,929	3,343
Makhteshim Agan Industries Ltd (direct holding)	0.2	24	2	26	18	25
Maxima Air-Separation Center Ltd.**	78	151	(12)	139	119	111
Netvision Ltd.	32	429	-	429	302	327
Hadera Paper Ltd.	21	171	1	172	178	177
Cellcom Israel Ltd. (voting 52%)	47	1,929	(1)	1,928	4,010	4,613
Shufersal Ltd. **	40	578	(4)	574	966	1,066
Total		10,106				
Less – investments in subsidiaries		(8,452)				
Add investments in affiliated companies of subsidiaries		6,056				
		<u>7,710</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.

*** The carrying value of the shares takes into account the put options of the minority to sell its holdings (7%) to the Company.

**** The market value does not take into account a dividend proposed before balance sheet date. See note 6C.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at March 31, 2009

Annex to the Financial Statements of Discount Investment Corporation Ltd. as at March 31, 2009 (cont'd)

Details relating to investments in the consolidated balance sheet as at March 31, 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.