

Discount Investment Corporation Ltd.

Interim Consolidated Financial Statements as at June 30, 2008 (Unaudited)

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Financial statements attached: GVT (Holding) N.V.

All these statements are translations from the Hebrew.

Discount Investment Corporation Ltd.

Board of Directors' Report for the Second Quarter of 2008

Board of Directors' Report for the Second Quarter of 2008

We are pleased to present the unaudited financial statements of Discount Investment Corporation Ltd. for the second quarter and first six months of 2008 which ended on June 30, 2008.

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 earnings in the financial statements relate to the Company's equity holders and to the minority interest.

The net earnings in this Board of Directors report relate to the Company's equity holders net of the share of the minority, unless stated otherwise.

1. Business Operation Results

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

- The Company's share of the earnings 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 staff activity of the Company, which includes net financing expenses, general and administrative expenses and income from management fees.

The earnings 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, 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 in the exchange rate of the dollar in the reported period.

The earnings that are attributable to the equity holders of the Company and the minority interest in the first half and second quarter of 2008 amounts to some NIS 583 million and NIS 218 million, respectively, compared with some NIS 1,792 million and NIS 679 million in the corresponding periods of 2007, respectively.

In the first six months of 2008 the net earnings of the Company amounted to some NIS 257 million and the basic earnings per share amounted to some NIS 3.1, compared with earnings of some NIS 1,515 million and basic earnings per share of some NIS 19.5 in the first six months of 2007.

In the second quarter of 2008 the net earnings of the Company amounted to some NIS 66 million and the basic earnings per share amounted to some NIS 0.8, compared with earnings of some NIS 537 million and basic earnings per share of some NIS 6.9 in the second quarter of 2007.

The Company applied the provisions of IFRS 1 in the financial statements for the first half and second quarter of 2008 and it presented a balance sheet as at December 31, 2007 and a statement of income for the year then ended that were prepared in accordance with IFRS. Furthermore, in Note 9 of the financial statements for June 30, 2008 the Company presented adjustments between the reports according to Israeli GAAP and the reports

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according to IFRS for the six and three months ended June 30, 2007. See Note 30 of the financial statements for 2007 for more details on this matter.

Composition of the business operation results of DIC:

	First six months		Second quarter		Year
	2008	2007	2008	2007	2007
	Unaudited		Unaudited		Audited
	N I S		m i l l i o n s		
DIC's share in the business operation results of investee companies	303	580	111	214	656
Gain from realization and revaluation of investments less reductions, net	315	1,017	142	353	1,316
Financing, management and other expenses, net	(361)	(83)	(187)	(30)	(307)
Net earnings	257	1,515	66	537	1,665
Basic earnings per share (NIS)	3.1	19.5	0.8	6.9	21.2

1.1 DIC's share in the business operation results of investee companies

	DIC's share in the earnings (loss) for the first six months			DIC's share in the earnings (loss) for the second quarter		
	2008	2007	Change	2008	2007	Change
	N I S			m i l l i o n s		
Cellcom	262	268	(6)	119	125	(6)
Koor	(63)	117	(180)	(58)	64	(122)
Shufersal	71	71	0	40	30	10
Property and Building Corp.	73	47	26	22	15	7
Given Imaging	1	(1)	2	1	-	1
Elron	(57)	25	(82)	(29)	2	(31)
Other companies	57	133	(76)	8	11	(3)
Excess cost	(41)	(80)	39	8	(33)	41
Total	303	580	(277)	111	214	(103)

1.2 Realization of investments and reductions

	First six months		Second quarter	
	2008	2007	2008	2007
	N I S		m i l l i o n s	
Gain from realization and revaluation of investments less reductions, net	315	1,017	142	353

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In the second quarter of 2008 this item mainly included the following: A capital gain in the amount of some NIS 135 million from the sale of some 1.9% of the shares of Cellcom for some NIS 217 million.

In the second quarter of 2007 this item mainly included the following: A capital gain in the amount of some NIS 353 million from the sale of some 14% of the shares of Shufersal.

1.3 Management, financing and other expenses, net

	First six months		Second quarter	
	2008	2007	2008	2007
	N I S m i l l i o n s			
Management, tax and other expenses, net	(27)	(42)	(14)	(18)
Financing expenses, net	(334)	(41)	(173)	(12)
Total management, financing and other expenses, net	(361)	(83)	(187)	(30)

The increase in management, financing and other expenses, net, in the second quarter of 2008 was due mainly to a loss of some NIS 54 million in respect of the dollar exposure of the Company and an expense of some NIS 126 million the Company recorded this quarter in respect of linkage differences on the Company's CPI-linked liabilities, following an unusual increase of some 2.4% in the CPI as published in the second quarter of 2008 compared with an increase of 0.7% in the corresponding quarter of last year.

2. Segment Data

2.1 Analysis of results according to business segments

	First six months		Second quarter		Year
	2008	2007	2008	2007	2007
	N I S m i l l i o n s				
Communications	307	389	120	135	653
Technology	(72)	6	(34)	(13)	(105)
Retail and services	70	71	40	30	108
Real estate	119	47	49	15	83
Industry	(121)	67	(64)	47	(83)
	303	580	111	214	656

2.1.1 Communications segment

	First six months		Second quarter	
	2008	2007	2008	2007
	NIS millions			
Contribution of the segment	307	389	120	135

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The decrease in the results of the segment in the second quarter of 2008 was mainly due to a decrease in the holding rate in Cellcom from 59% last year to 51% in the reported period. The decrease in the results of the segment in the first six months of the year was mainly due to the Company's share of the capital gain that was recorded by GVT in respect of the public offering of its subsidiary in Brazil that was included in the first quarter of last year, and from the aforementioned decrease in the holding rate in Cellcom.

Presented below is a description of the business activity of the principal company in the segment in the reported period:

Cellcom (held at the rate of some 51%), Israel's largest cellular communication services provider, reported the following business operation results:

	First six months		Increase (decrease)	Second quarter		Increase (decrease)
	2008	2007		2008	2007	
	NIS millions		%	NIS millions		%
Revenues	3,195	2,894	10	1,600	1,456	10
EBITDA	1,210	1,072	13	617	538	15
Operating profit	855	690	24	431	343	26
Net earnings	503	420	20	230	212	8

In the second quarter of 2008 the revenues of Cellcom increased by 9.9% in comparison with the corresponding quarter of last year. The increase in revenues derived from both an increase in revenues from sales of end user equipment and an increase in revenues from services. The increase in revenues from services was mainly attributed to an increase of 8.4% in use of air time (outgoing and incoming), as a result of an increase in the number of Cellcom's subscribers and in average minutes of use. The revenues also reflect an increase of 35.6% in revenues from content and added value services (including SMS) in the second quarter of 2008 compared with the corresponding quarter of last year, constituting 11.3% of total revenues from services. The increase in revenues from services was offset in part by the decrease in interconnect fees that came into effect on March 1, 2008 and by the continuing erosion in air time rates. The increase in revenues from sales of end user equipment was mainly due to the greater amount of instruments that were sold in the second quarter of 2008 and to an increase in the average selling price per instrument, as a result of the greater amount of third generation instruments that were sold in the second quarter of 2008.

The EBITDA in the second quarter of 2008 was some 14.7% higher than in the corresponding quarter of last year. The rate of EBITDA from total revenues was 38.6% in the second quarter of 2008, compared with 37.0% in the corresponding quarter of last year. It should be noted that the EBITDA includes a non-recurring reversal of rent expenses in the amount of NIS 14 million.

Net earnings for the second quarter of 2008 increased by some 8.5% compared with the corresponding quarter of last year and reached the amount of NIS 230 million.

According to its reports, Cellcom acquired 21 thousand new customers, net, in the second quarter of 2008, and as at the end of the second quarter of 2008 it had some 3.117 million customers.

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2.1.2 Technology segment

	First six months		Second quarter	
	2008	2007	2008	2007
	N I S m i l l i o n s			
Contribution of the segment	(72)	6	(34)	(13)

The deterioration in the results of the segment in the second quarter of 2008 compared with the corresponding quarter of last year was mainly due to the deterioration in the business operation results of Elron.

Presented below is a description of the business activity of the principal companies in the segment in the reported period:

The information presented below in respect of Elron and Given Imaging is based on IFRS.

A. **Elron (held at the rate of some 49%) reported the following business operation results:**

	First six months		Second quarter	
	2008	2007	2008	2007
	\$ m i l l i o n s			
Net earnings (loss)	(33)	12	(18)	1

The main effect on the results of Elron in the second quarter and first half of 2008 is its share of losses of investee companies and provisions for impairment in the value of its investments. In addition, a gain was recorded in the first half of 2007 from the merger of Netvision, Barak and Globecall.

B. **Given Imaging (held 16% directly, and 29% directly and indirectly, by concatenation) reported the following business operation results:**

	First six months		Second quarter	
	2008	2007	2008	2007
	\$ m i l l i o n s			
Sales	60	51	33	28
Net earnings (loss)	2	(1)	1	0

The main effects on the results of Given Imaging in the second quarter of 2008 were an increase of some 19% in revenues compared with the corresponding quarter of last year, with no change in the gross margin compared with the corresponding quarter of last year, and with an improvement compared with the first quarter of 2008. It should be noted that the results of the second quarter and first half of 2008 were affected positively by the arrangement that was reached at the time between Given Imaging and Olympus.

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2.1.3 Retail and services segment

	First six months		Second quarter	
	2008	2007	2008	2007
	N I S m i l l i o n s			
Contribution of the segment	70	71	40	30

The improvement in the results of the segment in the second quarter of 2008 compared with the corresponding quarter of last year was due to the improvement in the results of Shufersal. It should be noted that the holding rate in Shufersal decreased from about 46% in the corresponding quarter of last year to about 39% in the current quarter.

Presented below is a description of the business activity of the principal company in the segment in the reported period:

Shufersal (held at the rate of some 39%*) reported the following business operation results:

	First six months		Increase	Second quarter		Increase
	2008	2007		2008	2007	
	NIS millions		%	NIS millions		%
Revenues	5,373	4,795	12	2,788	2,366	18
Gross profit	1,445	1,272	14	748	626	19
Operating profit	366	218	68	191	110	74
Net earnings	173	127	36	101	55	84

* DIC's holding rate in Shufersal includes a proportionate part of the shares of Shufersal that are held by a wholly owned subsidiary of Shufersal.

Shufersal continued to report an improvement in its business operation results for the second quarter of 2008 compared with the corresponding quarter of last year. Same store sales with respect to stores that operated all through the current quarter and the corresponding quarter of last year increased by some 19%, with the increase in sales in the current quarter being due to, inter alia, the effect of the Passover sales in this quarter compared with the corresponding quarter of last year and to the rise of selling prices following the price increases of suppliers. The sales per square meter of Shufersal's stores in the second quarter of 2008 amounted to some NIS 5,455, compared with NIS 4,579 in the corresponding quarter of last year, an increase of 19%. The gross profit in the retail segment and in the real estate segment of Shufersal increased by about NIS 122 million in the second quarter of 2008, with the gross margin being 26.8% in the second quarter of 2008 compared with 26.5% in the corresponding quarter of last year. The increase in the gross margin was mainly due to the sales mix and the timing of inventory purchases.

The operating profit increased by about NIS 81 million (74%) in the quarter compared with the corresponding quarter of last year. The increase in the profit was due to the growth of the revenues of Shufersal, the increase in the gross margin and the increase in value and in the realization of investment property (some NIS 35 million). The rate of the operating profit from sales before the increase in value and the realization of investment property was 5.6% compared with a rate of 4.6% in the corresponding quarter of last year.

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The EBITDA in the second quarter of 2008 amounted to NIS 221 million, compared with NIS 163 million in the corresponding quarter of last year, and to a rate of some 7.9% of sales compared with some 6.9% of sales in the corresponding quarter of last year. In the second quarter of 2008 the net earnings of Shufersal amounted to NIS 101 million, compared with NIS 55 million in the corresponding quarter of last year.

2.1.4 Real estate segment

	First six months		Second quarter	
	2008	2007	2008	2007
	N I S m i l l i o n s			
Contribution of the segment	119	47	49	15

The improvement in the results of the segment in the second quarter of 2008 was due to the improvement in the results of Property & Building Corporation and to an increase in the Company's holding in Property & Building Corporation by about 6.3% of its issued share capital, which created negative goodwill in the amount of NIS 28 million that was recorded by the Company as revenue in the statement of income in the second quarter of the year.

Presented below is a description of the business activity of the principal company in the segment in the reported period:

Property & Building Corporation (held at the rate of some 75%) reported the following business operation results:

	First six months			Second quarter		
	2008	2007	Increase	2008	2007	Increase
	NIS millions		%	NIS millions		%
Revenues	733	342	215	376	162	232
Net earnings	119	81	47	40	30	36

Property & Building Corporation presented an improvement in its business operation results for the second quarter of 2008 compared with the corresponding quarter of last year. The revenues of Property & Building Corporation increased to about NIS 376 million, with the increase being mainly due to an increase in revenues from income generating assets to about NIS 130 million, compared with some NIS 104 million in the second quarter of last year, to an increase in revenues from the sale of apartments and real estate to about NIS 82 million in the second quarter of 2008 compared with some NIS 33 million in the corresponding quarter of last year and to an increase in the fair value of investment property in the amount of some NIS 162 million in the second quarter of 2008. On the other hand, the results of Property & Building were adversely affected by a sharp increase in financing expenses, which amounted to some NIS 164 million in the second quarter of 2008 compared with some NIS 50 million in the second quarter of 2007 (as a result of the rise in inflation), and by a provision for impairment in value of fixed assets in the amount of NIS 10 million.

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2.1.5 Industry segment

	First six months		Second quarter	
	2008	2007	2008	2007
	N I S m i l l i o n s			
Contribution of the segment	(121)	67	(64)	47

The deterioration in the results of the segment in the second quarter of 2008 compared with the corresponding quarter of last year was mainly due to a deterioration in the results of Koor.

Koor (held at the rate of some 49.5%) reported the following business operation results:

	First six months		Second quarter	
	2008	2007	2008	2007
	N I S m i l l i o n s			
Koor's share of the results of investee companies, net	153	239	69	132
Gain from the realization of investments less value-impairment provisions, net	42	65	(2)	39
Financing, management and other expenses, net	(311)	(24)	(187)	(13)
Net earnings (loss)	(116)	280	(120)	158

The deterioration in the business operation results of Koor in the second quarter of 2008 was mainly due to an increase in financing expenses, following the sharp decline in the exchange rate of the shekel in relation to the dollar that caused an erosion in the dollar monetary assets of Koor, and to the effect of the increase in the CPI on its CPI-linked liabilities (the financing expenses from the erosion in the exchange rate amounted to some NIS 218 million in the first half of 2008). It should be noted that the reported period does not include the activity of ECI Telecom, which was sold in the third quarter of 2007.

Condensed business operation results of Makhteshim Agan (some 40% held by Koor):

	First six months		Increase (decrease) %	Second quarter		Increase (decrease) %
	2008	2007		2008	2007	
	\$ millions			\$ millions		
Revenues	1,404	1,096	28	682	543	26
EBITDA	290	212	37	134	103.5	30
Operating profit	247	168	47	113	83	36
Net earnings	160	125	28	69	54	28

The results of Makhteshim Agan for the first half and second quarter of 2008 were affected by the following trends in the plant protection market and in Makhteshim Agan: (a) The demand for the products of Makhteshim Agan increased in the reported period as a result of the increase in the prices of agricultural products, mainly as a result of the continued rise in the standard of living around the world, particularly in developing areas such as

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China and India due to a change in the nutritional habits of the population in those areas. The increase was also caused by the increase in global demand for substitute oil products, manufactured through the use of sugar canes and corn crops. (b) An increase in the average sales prices of the products of Makhteshim Agan. This trend (together with the other trends above and hereunder) had a positive effect of increasing both the revenues of Makhteshim Agan from the sales of products and the profitability of Makhteshim Agan. (c) The weather conditions were relatively comfortable in most of the geographical areas in which Makhteshim Agan operates, and this caused an increase in the demand for plant protection products. (d) Makhteshim Agan reports its results in dollars, and therefore the strengthening of the currencies (mainly the euro) in relation to the dollar, led to an increase in the revenues of Makhteshim Agan in dollar terms, while the strengthening of the shekel increased local expenses in Israel. (e) Conversely, the high price level of oil resulted in a continuing increase in the prices of raw materials (which are distant derivatives of oil) and in an increase in energy prices, which together lowered part of the improvement in the gross profit of Makhteshim Agan obtained as a result of the increase in the average sales price of its products, as aforementioned.

3. Major Changes in the Holdings of the Company and Investee Companies in the Second Quarter of 2008

The major changes are described in Note 3B of the Company's financial statements and include the following particularly noteworthy changes:

- 3.1** In May 2008 the Company sold some 1.9% of the issued share capital of Cellcom for a total amount of some of NIS 217 million. As a result the Company recorded in the second quarter of 2008 a gain of some NIS 135 million and its holding in Cellcom decreased to 50.7% in equity and 56.1% in voting.
- 3.2** In June 2008 the Company purchased in the aggregate some 6.3% of the issued share capital of Property & Building for some NIS 119 million. Subsequent to these purchases, the Company holds some 75% of the equity and voting rights in Property & Building. For further details see Paragraph 2B of Note 3B of the financial statements.
- 3.3** In June 2008 Koor issued ordinary shares that were offered by means of rights. The proceeds from the issuance amounted to some NIS 383 million, net. In total the Company paid some NIS 190 million for exercising the rights and purchasing shares of Koor, and the Company's holding in Koor remained some 49.5%. For further details see Paragraph 4A of Note 3B of the financial statements.
- 3.4** In March, April and May 2008 the board of directors of Koor authorized its management to make, from time to time, financial investments, up to the total amount of NIS 1.5 billion, in marketable shares of Credit Suisse Group ("Credit Suisse") and Barclays Bank, at the discretion of the management of Koor. In connection with the foregoing, Koor signed agreements with Goldman Sachs regarding dedicated lines of credit of up to \$ 1.5 billion that will be put at the disposal of Koor. As at the date of this report, Koor has not yet utilized the aforementioned credit lines. Shares of Credit Suisse in the amount of some NIS 329 million were purchased until the end of the second quarter of 2008. For further details see Paragraph 4B of Note 3B of the financial statements.
- 3.5** In April 2008 the Company completed an acquisition of the entire holding of Praxair Inc. (50.02% of equity and 52.93% of voting rights) in Maxima Air Separation Center Ltd. ("Maxima") for NIS 85

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million. As a result, the Company holds some 75% of the share capital and some 77% of the voting rights in Maxima, and as from the second quarter of 2008 the Company fully consolidates the financial statements of Maxima in the Company's financial statements. For further details see Paragraph 5A of Note 3B of the financial statements.

- 3.6** In May 2008 Netvision Ltd., an affiliate of the Company, signed an agreement with Bank Leumi le-Israel B.M. for the purchase of the bank's holding (some 15%) in the issued share capital of HOT – Telecommunication Systems Ltd. ("HOT") for a total amount of some NIS 480 million. There is no certainty as to the consummation of the transaction. For further details see Paragraph 5B of Note 3B of the financial statements.

4. Events Succeeding the Date of the Balance Sheet

The major subsequent-to-balance-sheet-date events are described in detail in Note 6 of the Company's financial statements and include the following particularly noteworthy events:

- 4.1** In July 2008 the board of directors of Koor decided to increase the investment of Koor in shares of Credit Suisse to up to a total of NIS 3 billion. The investment will be made while utilizing purchase and sale opportunities taking into consideration the situation on the markets and the assessments of Koor from time to time. Koor emphasizes that there is no certainty that any such transactions will be executed. In July and August 2008 Koor sold part of its shares in Credit Suisse following which it will record a gain in the amount of NIS 208 million in the third quarter of 2008. The Company will record a net gain of some NIS 103 million in respect of its share of the said gain of Koor. Proximate to the date of publishing this report, subsequent to purchasing shares of Credit Suisse (net of the sales), Koor holds some 0.35% of the share capital of Credit Suisse (net of treasury shares), at a total investment of some NIS 531 million.
- 4.2** In July 2008 Koor published a shelf public offer for the issuance of shares of Koor in the total amount of some NIS 679 million, by means of offering rights to the ordinary shareholders of Koor. The Company intends to exercise all the rights offered to it, for a total amount of some NIS 336 million.
- 4.3** In July 2008, Property & Building and other companies, who are all shareholders of K.B.A. Townbuilders Group Ltd. ("K.B.A."), signed an agreement for the sale of all their holdings in K.B.A. to a third party. Consummation of the said transaction is subject to receipt of the approvals required by law. If the aforementioned transaction is consummated, the Company anticipates recording a net gain currently estimated at some NIS 18 million in respect of the Company's share of the anticipated gain of Property & Building on the transaction. The gain will be recorded when Property & Building records its gain on the transaction. For further details see Paragraph C of Note 6 of the financial statements.

See Section 7B of this report regarding subsequent-to-balance-sheet-date changes in the exchange rate of the dollar.

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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 the amount of NIS 270 million, constituting NIS 3.17 per share. The dividend will be distributed on September 11, 2008 with the record date being August 27, 2008 and the ex-day being August 28, 2008.

6. Financial Position and Financing Sources

6.1	As at June 30, 2008		As at December 31, 2007	
	N I S m i l l i o n s			
Total assets in the consolidated balance sheet	26,318		26,866	
Investments in affiliated and other companies in the consolidated balance sheet, including derivatives	4,528		4,735	
Equity (including minority interests)	7,176		8,068	
Surplus of current assets over current liabilities in the consolidated balance sheet	5,130		4,791	
Surplus of financial liabilities over financial assets of DIC	(2,226)		(2,473)	

6.2	First six months		Second quarter	
	2008	2007	2008	2007
N I S m i l l i o n s				
Proceeds from the realization of investments of DIC	549	2,133	219	544
Dividends from investee companies of DIC	800	124	748	118
Dividends distributed	150	816	150	816
Investments in investee companies of DIC	574	138	397	122

7. Report Regarding Exposure to and Management Methods of Market Risks

7.1 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 the first quarter of 2008 that was published on May 21, 2008.

- A. The Company does not manage its investee companies' risks. Below is the linkage balance and derivatives' positions of DIC as at June 30, 2008 for which the Company manages the currency exposure.

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B. Linkage balance of DIC as at June 30, 2008 (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*	-	-	-	7,719	7,719
Long-term deposits and loans (including maturities)					
Fixed and other assets	-	-	-	14	14
Current assets	177	910	2,124	-	3,211
Total assets	177	910	2,124	7,733	10,944
<i>Liabilities</i>					
Long-term liabilities (including maturities)	5,276	67	39	39	5,420
Current liabilities	75	3	155	-	234
Total liabilities	5,351	70	194	39	5,654
Assets less liabilities, net	(5,174)	840	1,930	7,694	5,290

* Including loans to investee companies

Subsequent to balance sheet date and until the date of publishing these financial statements the exchange rate of the dollar rose by some 7%. This change has a positive effect on the results of the Company.

The Company's audit committee and Board of Directors discussed the currency exposure of the Company in the meetings they held during the quarter and after it ended.

C. Derivatives' positions of DIC as at June 30, 2008 (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)	1,650	31	200	9

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

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D. Consolidated linkage balance as at June 30, 2008 (in NIS millions):

	Linked to the Consumer Price Index	In dollars or linked thereto	In euro or linked thereto	In other foreign currency or linked thereto	Unlinked	Non- monetary items	Total
Assets							
Investments in affiliated and other companies	13	192*	81*	115*	-	4,127	4,528
Other non-current assets	21	-	-	-	1,258	13	1,292
Fixed assets, investment property, inventory and other assets	-	-	-	-	-	12,794	12,794
Current assets	207	1,222	26	32	5,140	1,077	7,704
Total assets	241	1,414	107	147	6,398	18,011	26,318
Liabilities							
Long-term financial liabilities (including maturities)	14,999	1,000	10	7	57	-	16,073
Other long-term liabilities (including maturities)	-	-	-	-	38	788	826
Current liabilities	211	152	8	41	1,380	451	2,243
Total liabilities	15,210	1,152	18	48	1,475	1,239	19,142
Assets less liabilities, net	(14,969)	262	89	99	4,923	16,772	7,176

* Linkage differences in respect of these loans are credited to equity.

E. Consolidated derivatives' positions as at June 30, 2008 (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)	2,750	57	750	30

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	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	545	-	(7)	-
Put options	581	52	5	2
Call options	214	165	1	-
3. Derivatives for hedging purposes – recognized for accounting purposes:				
Future purchases of dollars	415	-	(51)	-
	Interest			
	Over one year			
	Par value		Fair value	
	Long		Long	
4. Swap future contract (2) – not recognized for accounting purposes:				
	360		1	

(1) These contracts are intended to protect CPI linked liabilities, such that if the CPI were to rise above the level provided in the contract, the difference would be received and in the reverse case the difference would be paid.

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

7.2 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 the first quarter of 2008 that was published on May 21, 2008, other than the sale of most of the US dollar denominated cash balances of Koor and their conversion into cash and assets exposed to changes in the exchange rate of the Swiss franc in relation to the NIS.

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

Sensitivity test according to changes in interest rate

Item	Fair value	Gain (loss) from changes in interest rate			
		Increase		Decrease	
		10%	5%	10%	5%
N I S m i l l i o n s					
Long-term loans to affiliates (including current maturities)	388	(3)	(2)	3	2
Other investments including short-term derivatives	93	(1)	-	1	-
Other long-term loans	13	-	-	-	-
Short-term loans and deposits	148	-	-	-	-
Cash and cash equivalents	1,064	(5)	(3)	5	3
Debentures	(13,760)	339	168	(336)	(168)
Loans from banks (including maturities)	(2,512)	32	16	(36)	(17)
Short-term financial liabilities	(67)	-	-	-	-
	<u>(14,633)</u>	<u>362</u>	<u>179</u>	<u>(363)</u>	<u>(146)</u>

Sensitivity test according to changes in dollar exchange rate

Item	Fair value	Gain (loss) from changes in dollar exchange rate			
		Increase		Decrease	
		10%	5%	10%	5%
N I S m i l l i o n s					
Long-term loans to affiliates (including current maturities)	194	19	10	(19)	(10)
Other investments including short-term derivatives	32	3	2	(3)	(2)
Short-term loans and deposits	111	11	6	(11)	(6)
Cash and cash equivalents	979	98	49	(98)	(49)
Loans from banks including current maturities	(964)	(96)	(48)	96	48
	<u>352</u>	<u>35</u>	<u>19</u>	<u>(35)</u>	<u>(19)</u>

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Sensitivity test according to changes in euro exchange rate

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

Sensitivity test according to changes in pound sterling exchange rate

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

Sensitivity test according to changes in other exchange rates

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

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Sensitivity test according to changes in marketable portfolio prices

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

Sensitivity test according to changes in dollar exchange rate

	Fair value	Gain (loss) from changes in dollar exchange rate				
		Increase		Decrease		
		10%	5%	10%	5%	
		N I S m i l l i o n s				
<u>Dollar options for hedging purposes**</u>						
<u>Long</u>	Call	1	8	3	(1)	(1)
	Put	5	(3)	(3)	18	7
<u>Short</u>	Call	-*	(4)	(1)	-	-
	Put	(2)	2	1	(5)	(2)
		4	3	-	12	4

* Less than NIS 1 million.

** Not recognized as an accounting hedge

Sensitivity test according to changes in standard deviation

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

* Less than NIS 1 million.

** Not recognized as an accounting hedge

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Sensitivity test according to changes in CPI

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

Sensitivity test according to changes in dollar exchange rate

	Fair value	Gain (loss) from changes in dollar exchange rate			
		Increase		Decrease	
		10%	5%	10%	5%
Forward dollar		N I S m i l l i o n s			
Recognized as an accounting hedge	(51)	36	18	(36)	(18)
Not recognized as an accounting hedge	(6)	23	12	(23)	(12)
	<u>(57)</u>	<u>59</u>	<u>30</u>	<u>(59)</u>	<u>(30)</u>

Sensitivity test according to changes in interest rate

	Fair value	Gain (loss) from changes in interest rate			
		Increase		Decrease	
		10%	5%	10%	5%
Interest rate swap		N I S m i l l i o n s			
Not recognized as an accounting hedge	1	3	2	(3)	(2)

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7.4 Tables showing sensitivity tests of sensitive financial instruments included in the consolidated financial statements as at December 31, 2007 according to various market changes

Sensitivity test according to changes in interest rate

Item	Fair value	Gain (loss) from changes in interest rate			
		Increase		Decrease	
		10%	5%	10%	5%
		N I S m i l l i o n s			
Long-term deposits and loans (including current maturities)	1,140	(11)	(5)	11	5
Short-term deposits and loans	319	(1)	-	-	-
Marketable securities	419	(1)	-	1	-
Debentures	(14,610)	405	202	(405)	(202)
Loans from banks	(1,263)	14	8	(18)	(9)
Other liabilities	(51)	-	-	-	-
	<u>(14,046)</u>	<u>406</u>	<u>205</u>	<u>(411)</u>	<u>(206)</u>

Sensitivity test according to changes in dollar exchange rate

Item	Fair value	Gain (loss) from changes in dollar exchange rate			
		Increase		Decrease	
		10%	5%	10%	5%
		N I S m i l l i o n s			
Long-term deposits and loans (including current maturities)	829	83	41	(83)	(41)
Short-term deposits and loans	228	23	11	(23)	(11)
Marketable securities	35	4	2	(4)	(2)
Cash and cash equivalents	1,143	114	57	(114)	(57)
Loans from banks	(776)	(78)	(39)	78	39
	<u>1,459</u>	<u>146</u>	<u>72</u>	<u>(146)</u>	<u>(72)</u>

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Sensitivity test according to changes in euro exchange rate

Item	Fair value	Gain (loss) from changes in euro exchange rate			
		Increase		Decrease	
		10%	5%	10%	5%
		N I S m i l l i o n s			
Long-term deposits and loans (including current maturities)	77	8	4	(8)	(4)
Short-term deposits and loans	7	1	-	(1)	-
Cash and cash equivalents	9	1	-	(1)	-
	<u>93</u>	<u>10</u>	<u>4</u>	<u>(10)</u>	<u>(4)</u>

Sensitivity test according to changes in pound sterling exchange rate

Item	Fair value	Gain (loss) from changes in pound sterling exchange rate			
		Increase		Decrease	
		10%	5%	10%	5%
		N I S m i l l i o n s			
Long-term deposits and loans (including current maturities)	142	14	7	(14)	(7)
Cash and cash equivalents	2	-	-	-	-
	<u>144</u>	<u>14</u>	<u>7</u>	<u>(14)</u>	<u>(7)</u>

Sensitivity test according to changes in other exchange rates

Item	Fair value	Gain (loss) from changes in market factor			
		Increase		Decrease	
		10%	5%	10%	5%
		N I S m i l l i o n s			
Cash and cash equivalents	3	-	-	-	-
Loans from banks	(48)	(5)	(2)	5	2
	<u>(45)</u>	<u>(5)</u>	<u>(2)</u>	<u>5</u>	<u>2</u>

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Sensitivity test according to changes in prices of marketable securities

Item	Fair value	Gain (loss) from changes in prices of marketable securities			
		Increase		Decrease	
		10%	5%	10%	5%
NIS millions					
Investment in marketable securities	810	81	41	(81)	(41)

Sensitivity test according to changes in dollar exchange rate

	Fair value	Gain (loss) from changes in dollar exchange rate			
		Increase		Decrease	
		10%	5%	10%	5%
N I S m i l l i o n s					
<u>Long</u>					
Call	1	11	3	(1)	(1)
Put	1	(1)	(1)	8	3
<u>Short</u>					
Call	-	-	-	-	-
Put	-	-	-	(1)	-
	2	10	2	6	2

* Not recognized as an accounting hedge

Sensitivity test according to changes in interest rate

Forward CPI	Fair value	Gain (loss) from changes in interest rate			
		Increase		Decrease	
		10%	5%	10%	5%
N I S m i l l i o n s					
Not recognized as an accounting hedge	(8)	8	4	(8)	(4)

Sensitivity test according to changes in CPI

Forward CPI	Fair value	Gain (loss) from changes in CPI			
		Increase		Decrease	
		0.2%	0.1%	0.2%	0.1%
N I S m i l l i o n s					
Not recognized as an accounting hedge	17	6	3	(6)	(3)

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Sensitivity test according to changes in dollar exchange rate

	Fair value	Gain (loss) from changes in dollar exchange rate			
		Increase		Decrease	
		10%	5%	10%	5%
Forward dollar		N I S	m i l l i o n s		
Recognized as an accounting hedge	(27)	42	21	(42)	(21)
Not recognized as an accounting hedge	(3)	14	7	(14)	(7)
	<u>(30)</u>	<u>56</u>	<u>28</u>	<u>(56)</u>	<u>(28)</u>

Sensitivity test according to changes in dollar exchange rate

	Fair value	Gain (loss) from changes in dollar exchange rate			
		Increase		Decrease	
		10%	5%	10%	5%
Cross currency swap		N I S	m i l l i o n s		
Not recognized as an accounting hedge	<u>(66)</u>	<u>33</u>	<u>16</u>	<u>(33)</u>	<u>(16)</u>

Sensitivity test according to changes in interest rate

	Fair value	Gain (loss) from changes in interest rate			
		Increase		Decrease	
		10%	5%	10%	5%
Interest rate swap		N I S	m i l l i o n s		
Not recognized as an accounting hedge	<u>4</u>	<u>80</u>	<u>40</u>	<u>(80)</u>	<u>(40)</u>

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7.5 Tables showing sensitivity tests of sensitive financial instruments included in the consolidated financial statements as at June 30, 2007 according to various market changes

Sensitivity test according to changes in interest rate

Item	Fair value	Gain (loss) from changes in interest rate			
		Increase		Decrease	
		10%	5%	10%	5%
		N I S m i l l i o n s			
Long-term deposits and loans (including current maturities)	541	(5)	(2)	5	2
Short-term deposits and loans	10	-	-	-	-
Marketable securities	101	(1)	(1)	1	1
Cash and cash equivalents in banks	1,844	(6)	(3)	6	3
Debentures	(13,051)	331	166	(334)	(167)
Long-term loans from banks	(1,171)	15	7	(7)	(15)
Other liabilities	(145)	-	-	-	-
Credit from banks	(75)	-	-	-	-
	<u>(11,946)</u>	<u>334</u>	<u>167</u>	<u>(329)</u>	<u>(176)</u>

Sensitivity test according to changes in dollar exchange rate

Item	Fair value	Gain (loss) from changes in dollar exchange rate			
		Increase		Decrease	
		10%	5%	10%	5%
		N I S m i l l i o n s			
Long-term deposits and loans (including current maturities)	209	21	11	(21)	(11)
Short-term deposits and loans	41	4	2	(4)	(2)
Marketable securities	55	6	3	(6)	(3)
Cash and cash equivalents in banks	864	87	43	(87)	(43)
Long-term loans from banks	(935)	(94)	(47)	94	47
Long-term trade and other payables	(79)	(8)	(4)	8	4
	<u>155</u>	<u>16</u>	<u>8</u>	<u>(16)</u>	<u>(8)</u>

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Sensitivity test according to changes in euro exchange rate

Item	Fair value	Gain (loss) from changes in euro exchange rate			
		Increase		Decrease	
		10%	5%	10%	5%
		N I S m i l l i o n s			
Long-term deposits and loans (including current maturities)	93	9	5	(9)	(5)
Short-term deposits and loans	7	1	-	(1)	-
Long-term trade payables	(1)	-	-	-	-
	<u>99</u>	<u>10</u>	<u>5</u>	<u>(10)</u>	<u>(5)</u>

Sensitivity test according to changes in pound sterling exchange rate

Item	Fair value	Gain (loss) from changes in pound sterling exchange rate			
		Increase		Decrease	
		10%	5%	10%	5%
		N I S m i l l i o n s			
Long-term deposits and loans (including current maturities)	147	15	7	(15)	(7)

Sensitivity test according to changes in other currency exchange rate

Item	Fair value	Gain (loss) from changes in other currency exchange rate			
		Increase		Decrease	
		10%	5%	10%	5%
		N I S m i l l i o n s			
Long-term bank loans	(15)	(2)	(1)	2	1

Sensitivity test according to changes in prices of marketable securities

Item	Fair value	Gain (loss) from changes in prices of marketable securities			
		Increase		Decrease	
		10%	5%	10%	5%
		N I S m i l l i o n s			
Investment in marketable securities	654	65	33	(65)	(33)

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Sensitivity test according 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*			N I S m i l l i o n s			
<u>Long</u>	Call	5	27	12	(5)	(5)
	Put	2	(2)	(1)	17	5
<u>Short</u>	Call	(1)	(14)	(5)	1	1
	Put	(3)	3	2	(30)	(12)
		<u>3</u>	<u>14</u>	<u>8</u>	<u>(17)</u>	<u>(11)</u>

* Not recognized as an accounting hedge

Sensitivity test according to changes in CPI

		Fair value	Gain (loss) from changes in CPI			
			Increase		Decrease	
			0.2%	0.1%	0.2%	0.1%
Forward CPI			N I S m i l l i o n s			
Recognized as an accounting hedge		(29)	1	1	(1)	(1)
Not recognized as an accounting hedge		(18)	6	3	(4)	(3)
		<u>(47)</u>	<u>7</u>	<u>4</u>	<u>(5)</u>	<u>(4)</u>

Sensitivity test according to changes in dollar exchange rate

		Fair value	Gain (loss) from changes in dollar exchange rate			
			Increase		Decrease	
			10%	5%	10%	5%
Forward dollar			N I S m i l l i o n s			
Recognized as an accounting hedge		2	46	23	(46)	(23)
Not recognized as an accounting hedge		1	19	9	(19)	(9)
		<u>3</u>	<u>65</u>	<u>32</u>	<u>(65)</u>	<u>(32)</u>

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Sensitivity test according to changes in dollar exchange rate

	Fair value	Gain (loss) from changes in dollar exchange rate			
		Increase		Decrease	
		10%	5%	10%	5%
		N I S m i l l i o n s			
Cross currency swap					
Not recognized as an accounting hedge	(65)	72	36	(72)	(36)

Sensitivity test according to changes in interest rate

	Fair value	Gain (loss) from changes in interest rate			
		Increase		Decrease	
		10%	5%	10%	5%
		N I S m i l l i o n s			
Interest rate swap					
Not recognized as an accounting hedge	(1)	5	2	(5)	(2)

8. 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 the "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 including one external director with financial accounting 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 required 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 people of the Company, including the Company's President Ami Erel, the Executive Vice President and 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 proper disclosure principle 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.

Discount Investment Corporation Ltd.

Board of Directors' Report for the Second Quarter of 2008

Approval of the financial statements usually requires a number of meetings, as necessary: one, several days before the approval of the financial statements, for a comprehensive discussion of the material reporting matters, and another. of the Board of Directors proximate to the time of approval mainly for a discussion of the results.

Nochi Dankner
Chairman of the Board

Ami Erel
President and CEO

Tel Aviv, August 14, 2008

**The Board of Directors
Discount Investment Corporation Limited**

**Review of the unaudited condensed consolidated interim financial statements
for the six and three month periods ended June 30, 2008**

At your request, we have reviewed the condensed consolidated interim balance sheet of Discount Investment Corporation Limited and its subsidiaries as at June 30, 2008, and the condensed consolidated interim statement of income, condensed consolidated interim statement of recognized income and expense, and the condensed consolidated interim statement of cash flows for the six and three month periods then ended.

Our review was conducted in accordance with procedures prescribed by the Institute of Certified Public Accountants in Israel and included, inter alia, reading the said financial statements, reading the minutes of Shareholders' Meetings and the meetings of the Board of Directors and its committees and making inquiries with persons responsible for financial and accounting matters.

We received review reports of other auditors regarding the interim financial statements of subsidiaries whose assets constitute 9% of the total consolidated assets as at June 30, 2008, and whose revenues constitute 6% and 3% of the total consolidated revenues for the six and three month periods then ended, respectively. Furthermore, the data included in the financial statements, relating to the net asset value of the Group's investments in affiliates and to its equity in their operating results is based on the financial statements of such affiliates, some of which were reviewed by other auditors.

Since the review performed is limited in scope and does not constitute an audit in accordance with generally accepted auditing standards, we do not express an opinion on the said condensed consolidated interim financial statements.

In the course of our review, including the reading of the review reports of other auditors as stated above, nothing came to our attention which would indicate the necessity of making material modifications to the financial statements referred to above in order for them to be in conformity with IAS 34, *Interim Financial Reporting*, and in accordance with Section D of the Securities Regulations (Periodic and Immediate Reports) - 1970.

Sincerely,

Somekh Chaikin
Certified Public Accountants (Isr.)

August 14, 2008

Discount Investment Corporation Ltd.

Interim Consolidated Balance Sheets

	June 30, 2008	June 30, 2007	December 31, 2007 *
	Unaudited	Unaudited	Audited
	N I S	m i l l i o n s	
Non-current assets			
Investments in affiliated companies	4,420	4,174	4,634
Other investments, including derivatives	108	129	101
Loans and debit balances	71	153	156
Fixed assets	2,537	4,321	2,500
Investment property	5,554	4,884	5,313
Investment property under construction	198	118	155
Fundings for employee benefits	8	10	8
Long-term trade receivables	539	436	478
Non-current inventory	934	228	1,060
Deferred expenses	473	165	487
Deferred tax assets	89	103	91
Intangible assets	3,009	4,179	3,210
	17,940	18,900	18,193
	17,940	18,900	18,193
Current assets			
Current investments, including derivatives	1,124	713	572
Loans and short-term deposits	157	45	431
Financial receivable	37	87	40
Other receivables	198	166	149
Current tax assets	32	24	24
Trade receivables	1,563	2,441	1,468
Inventory	278	820	392
Inventory of buildings held for sale	727	718	703
Cash and cash equivalents	4,262	5,521	4,894
	8,378	10,535	8,673
	8,378	10,535	8,673
Total assets	26,318	29,435	26,866

* Reclassified. See note 9.b.2.

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

Discount Investment Corporation Ltd.

Interim Consolidated Balance Sheets

	June 30, 2008	June 30, 2007	December 31, 2007 *
	Unaudited	Unaudited	Audited
	N I S	m i l l i o n s	
Equity (see note 5)			
Share capital	742	735	742
Other capital reserves	4,250	4,185	4,744
Retained earnings	298	1,299	197
	<hr/>	<hr/>	<hr/>
Equity attributed to the Company's shareholders	5,290	6,219	5,683
Minority interests	1,886	3,032	2,385
	<hr/>	<hr/>	<hr/>
	7,176	9,251	8,068
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Non-current liabilities			
Financial liabilities	15,081	14,005	14,135
Deferred income	-	16	4
Provisions	19	103	18
Deferred tax liabilities	767	804	731
Employee benefits	26	66	28
	<hr/>	<hr/>	<hr/>
	15,894	14,994	14,916
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current liabilities			
Financial liabilities	1,118	1,030	1,310
Payables, credit balances and current liabilities	1,179	1,526	1,188
Trade payables	675	2,133	1,040
Current tax liabilities	116	354	184
Deferred income	14	3	15
Provisions	146	144	145
	<hr/>	<hr/>	<hr/>
	3,248	5,190	3,882
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total equity and liabilities	<hr/> 26,318	<hr/> 29,435	<hr/> 26,866

* Reclassified. See note 9.b.2.

Nochi Dankner
Chairman of the Board

Ami Erel
President and CEO

Michel Dahan
Vice President and CFO

Date of approval of financial statements: August 14, 2008

Discount Investment Corporation Ltd.

Interim Consolidated Statements of Income

	Six months ended		Three months ended		Year ended
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007	December 31, 2007
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
	N	I S	m i l	l i o n	s
Income					
Sales and services	3,853	8,147	1,912	4,046	14,384
Company's equity in the net earnings (loss) of affiliated companies	(17)	228	(53)	45	27
Gain from realization of investments and assets	329	1,040	139	364	1,352 *
Increase in fair value of investment property	178	11	154	11	162
Other income	47	7	29	1	14
Financial income	251	208	128	113	473 *
	<u>4,641</u>	<u>9,641</u>	<u>2,309</u>	<u>4,580</u>	<u>16,412</u>
Expenses					
Cost of sales and services	2,047	5,306	977	2,625	9,273
Selling expenses	374	1,341	198	663	2,286
General and administrative expenses	405	465	210	232	920
Loss from realization and reduction of investments and assets	4	16	3	7	19 *
Decrease in fair value of investment property	10	-	10	-	-
Financing expenses	966	412	576	213	1,321 *
	<u>3,806</u>	<u>7,540</u>	<u>1,974</u>	<u>3,740</u>	<u>13,819</u>
Earnings before income tax	835	2,101	335	840	2,593
Income tax	(252)	(309)	(117)	(161)	(371)
Earnings for the period	<u>583</u>	<u>1,792</u>	<u>218</u>	<u>679</u>	<u>2,222</u>
Attributable to:					
The Company shareholders	257	1,515	66	537	1,665
Minority interests	326	277	152	142	557
	<u>583</u>	<u>1,792</u>	<u>218</u>	<u>679</u>	<u>2,222</u>
Net earning per NIS 1 par value of ordinary shares:	<u>NIS</u>	<u>NIS</u>	<u>NIS</u>	<u>NIS</u>	<u>NIS</u>
Basic earnings per share	<u>3.1</u>	<u>19.5</u>	<u>0.8</u>	<u>6.9</u>	<u>21.2</u>
Diluted earnings per share	<u>3.0</u>	<u>19.5</u>	<u>0.7</u>	<u>6.9</u>	<u>20.9</u>

* Reclassified. See note 9.b.2.

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

Discount Investment Corporation Ltd.

Consolidated Statement of Recognized Income and Expense

	Six months ended		Three months ended		Year ended
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007	December 31, 2007
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
	N I S		m i l l i o n s		
Reserve from revaluation of investment following rise to control	22	-	13	-	-
Actuarial gains and losses from defined benefit plan, net of tax	(6)	(6)	(1)	(6)	11
Foreign currency translation differences for foreign operations	(603)	54	(246)	112	(360)
Effective portion of changes in fair value of cash flow hedges, net of tax	(23)	19	1	14	(4)
Changes in fair value of available for sale financial assets, net of tax	2	10	12	1	24
Revaluation of fixed assets transferred to investment property	-	-	-	-	1
Net income (expense) recognized directly in equity	(608)	77	(221)	121	(328)
Profit for the period	583	1,792	218	679	2,222
Total recognized (expense) income for the period	(25)	1,869	(3)	800	1,894
Attributable to: *					
Equity holders of the Company	(243)	1,582	(112)	646	1,394
Minority interest	218	287	109	154	500
Total recognized (expense) income for the period	(25)	1,869	(3)	800	1,894

* See also note 5.

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

Discount Investment Corporation Ltd.

Interim Consolidated Statements of Cash Flows

	Six months ended			Three months ended			Year ended
	June 30,		June 30,	June 30,		June 30,	December 31,
	2008		2007	2008		2007	2007
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
	N	I	S	m	i	l	l
Cash flows generated by operating activities							
Earnings for the period	583	1,792		218	679		2,222
Company's equity in the losses (net earning) of affiliated companies	17	(228)		53	(45)		(27)
Dividends received	198	12		146	11		397
Gain from realization and reduction of investments and assets, net	(325)	(1,024)		(136)	(357)		(1,333)
Change in fair value of investment property, net	(168)	(11)		(144)	(11)		(162)
Depreciation of fixed assets and deferred expenses	277	392		137	192		754
Depreciation of intangible assets	118	132		60	69		243
Provision for doubtful debts	-	-		-	(1)		1
Financing costs, net	715	204		448	100		848
Taxes on income, net	252	309		117	161		371
Income tax paid, net	(301)	(219)		(129)	(121)		(442)
Other income	(46)	-		(28)	-		-
Proceeds (payments) from settlement of derivatives	(9)	(31)		(2)	(20)		(50) *
Share-based payment transactions	22	23		16	10		38 *
	<u>1,333</u>	<u>1,351</u>		<u>756</u>	<u>667</u>		<u>2,860</u>
Decrease in long-term receivables	-	-		-	-		1
Decrease (increase) in financial receivables and others	(85)	(16)		(34)	26		(61)
Decrease (increase) in trade receivables	(111)	29		(22)	262		(167)
Decrease (increase) in inventory	175	(116)		111	(6)		(204)
Decrease (increase) in non-current inventory	(10)	(67)		(12)	15		(192)
Change in provision and employee benefits	(1)	(7)		-	(4)		(8)
Increase in long-term deferred income	-	3		-	2		-
Increase (decrease) in other long-term liabilities	-	2		-	(5)		2
(Decrease) increase in trade payables	(277)	127		(96)	(305)		416
(Decrease) increase in sundry payables and credit balances	12	100		15	(132)		315 *
	<u>(297)</u>	<u>55</u>		<u>(38)</u>	<u>(147)</u>		<u>102</u>
Net cash inflow generated by operating activities	<u>1,036</u>	<u>1,406</u>		<u>718</u>	<u>520</u>		<u>2,962</u>

* Reclassified.

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

Discount Investment Corporation Ltd.

Interim Consolidated Statements of Cash Flows

	Six months ended		Three months ended		Year ended December 31, 2007
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007	
	Unaudited	Unaudited	Unaudited	Unaudited	
	N I S		m i l l i o n s		
Cash flows generated by investing activities					
Long-term deposits, loans and investments granted	-	-	-	30	(12)
Collection of long-term deposits and loans granted	64	26	1	25	28
Current investments, net	(365)	(415)	(390)	(252)	(926)
Investments in affiliated and consolidated companies	(652)	(288)	(471)	(128)	(995)
Investment in investment property, in fixed assets and in intangible assets	(560)	(578)	(271)	(310)	(3,120)
Payments in respect of hedge transactions from acquisition of fixed assets	(10)	(8)	(5)	(4)	(12) *
Acquisition of subsidiary net of cash acquired	(73)	-	(73)	-	-
Proceeds from sale of subsidiaries net of cash disposed of	-	7	-	-	(247)
Proceeds from sale of investments	549	2,128	219	543	2,413
Proceeds from disposal of fixed and other assets	53	53	-	47	172
Interest received	172	122	92	75	276
Net cash inflow (outflow) generated by investing activities	(822)	1,047	(898)	26	(2,423)
Cash flows generated by financing activities					
Non-current financial liabilities received	1,537	3,131	415	1,387	6,050
Current financial liabilities, net	(17)	(18)	(10)	7	67
Issuance of shares and exercise of options	-	-	-	-	912
Shares issued by subsidiaries to minority	-	-	-	-	192
Interest paid	(414)	(461)	(256)	(220)	(734)
Dividend paid	(150)	(816)	(150)	(816)	(2,076)
Dividend paid to minority shareholders of subsidiaries	(542)	(87)	(542)	(77)	(287)
Collection of non-current financial liabilities	(1,147)	(333)	(331)	(123)	(1,308)
Proceeds from (payments) from settlement of derivatives	29	(24)	23	(24)	(38)
Receipts from external shareholders in subsidiaries, net	-	-	-	1	6
Net cash inflow (outflow) generated by financing activities	(704)	1,392	(851)	135	2,784
Increase (decrease) in cash and cash equivalents	(490)	3,845	(1,031)	681	3,323
Cash and cash equivalents at the beginning of the period	4,894	1,681	5,349	4,826	1,681
Effect of exchange rate fluctuations on cash and cash equivalents	(142)	(5)	(56)	14	(110)
Cash and cash equivalents at the end of the period	4,262	5,521	4,262	5,521	4,894

* Reclassified.

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

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 1 - Basis of Preparation

A. Initial adoption of IFRSs

These interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) for part of the period covered by the first IFRS annual financial statements for 2008 and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied.

These interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, and do not include all of the information required for full annual financial statements. These interim financial statements should be read in conjunction with the financial statements for the year ended December 31, 2007 (hereinafter – the annual financial statements).

An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Company for the three and six month periods ended June 30, 2007 is provided in Note 9.

The financial statements were approved by the Board of Directors on August 14, 2008.

B. Functional currency and presentation currency

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

C. Basis of measurement

These financial statements are prepared on the historical cost basis except the following assets and liabilities that are stated at fair value: derivative financial instruments, financial instruments at fair value through profit or loss, financial instruments classified as available-for-sale and investment property. Biological assets are measured at fair value less estimated point-of-sale costs. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The value of non-monetary assets and equity items that were measured on the historical cost basis was adjusted to changes in the Consumer Price Index (CPI) until December 31, 2003, since until that date the State of Israel was considered a hyperinflationary economy. Presented hereunder are details of the CPI and the dollar exchange rate:

	Dollar exchange rate	Current month CPI (in points)
As at June 30, 2008	3.352	195.6
As at June 30, 2007	4.249	186.7
As at December 31, 2007	3.846	191.2

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 1 - Basis of Preparation (cont'd)

C. Basis of measurement (cont'd)

The rate of change:

	<u>Dollar exchange rate</u>	<u>Current month CPI</u>	<u>Latest known CPI</u>
For the six months ended June 30, 2008	(12.8%)	2.3%	2.8%
For the six months ended June 30, 2007	0.6%	1.0%	0.3%
For the three months ended June 30, 2008	(5.7%)	2.2%	2.4%
For the three months ended June 30, 2007	2.3%	1.2%	0.7%
For the year ended December 31, 2007	(9.0%)	3.4%	2.8%

D. Use of estimates and judgments

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

The preparation of accounting estimates used in the preparation of the Company's financial statements requires management to make assumptions regarding circumstances and events that involve considerable uncertainty. Management of the Company prepares the estimates on the basis of past experience, various facts, external circumstances, and reasonable assumptions according to the pertinent circumstances of each estimate.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Presented below is a description of the critical accounting estimates that were used in preparing the financial statements of the Company, which required making assumptions regarding significantly uncertain circumstances and events. The discretion exercised by management of the Company when making the estimates is based on past experience, various facts, external circumstances and reasonable assumptions according to the pertinent circumstances of each estimate.

1. Investment property

Presentation of investment property according to fair value – The Company presents its investment property according to the fair value model. Changes in fair value after January 1, 2007 are recorded as income or expense. The fair value is determined by external, independent appraisers having relevant professional skills and is examined at least once a year and any time there are indications of a material change in value.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 1 - Basis of Preparation (cont'd)

D. Use of estimates and judgments (cont'd)

2. Contingent liabilities

When assessing the chances of legal claims that were filed against the Company and its investee companies, the companies relied on the opinion of their legal counsel. The opinion of their legal counsel is based on the best of their professional judgment, and takes into consideration the current stage of the proceedings and the legal experience accumulated with respect to the various matters. As the results of the claims will ultimately be determined by the courts, they may be different from such estimates.

3. Impairment in value of assets

The Company examines on every balance sheet date whether there have been any changes in circumstances which would indicate impairment in the value of one or more of the non-monetary assets. When there are signs of impairment in value, it examines whether the amount by which the investment in the asset is presented can be recovered from the discounted cash flows anticipated to be derived from the asset, and if necessary, it records a provision for impairment up to the amount of the recoverable value. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The estimates regarding cash flows are based on past experience with respect to this asset or similar assets, and on the best possible evaluations of the Company regarding the economic conditions that will exist during the remaining useful life of the asset. The Company uses the estimates of an appraiser when determining the net selling price of part of the assets. With respect to real estate, the estimates also take into consideration the situation of the market where the asset is located. The deepening of the competition in the market may significantly affect forecasts regarding cash flows, the remaining useful life and the net selling price of the assets.

4. Valuation of intangible assets and goodwill

The Company is required to allocate the purchase price of investee companies (other than in the acquisition of minority interests) to the assets that were purchased and the liabilities that were assumed on the basis of their estimated fair value. In large acquisitions the Company engages independent appraisers to assist it in determining the fair value of these assets and liabilities. These valuations require the use of significant estimates and assumptions by management. The material intangible assets that were recognized with the assistance of appraisers include customer relations, trade names and brands. Critical estimates that were used to estimate the useful life of such intangible assets include, inter alia, the estimated life of the customer relations and anticipated market developments. Critical estimates that were used in the valuation of certain assets include, inter alia, anticipated cash flows from contracts with customers and the replacement cost of brands and fixed assets. Management's estimates regarding the fair value and useful life are based on assumptions considered reasonable by management, but are uncertain, and therefore actual results may be different.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 2 - Significant Accounting Policies

These interim financial statements have been prepared on the basis of international financial reporting standards and their related interpretations (hereinafter – IFRSs) in issue that are effective or available for early adoption at the Company's first IFRS annual reporting date, December 31, 2008, and were the basis for the Company's accounting policy.

The IFRSs that will be effective or available for voluntary early adoption in the annual financial statements for the period ended December 31, 2008 are still subject to change and to the issue of additional interpretations and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period that are relevant to this interim financial information will be determined only when the first IFRS financial statements are prepared at December 31, 2008.

The preparation of these interim financial statements in accordance with IAS 34 resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Israeli GAAP. The accounting policies set out below have been applied consistently to all periods presented in these interim financial statements. They also have been applied in preparing an opening IFRS balance sheet at January 1, 2007 for the purposes of the transition to IFRSs, as required by IFRS 1. The impact of the transition from Israeli GAAP to IFRSs is explained in Note 9.

The IFRS accounting policies have been applied consistently by the investee companies of the Company.

Furthermore, the structure of these financial statements complies with the nature of the Company's business and that stated in Chapter D of the Securities Regulations (Periodic and Immediate Reports) – 1970.

A. The operating cycle

Being a holding company that engages in a variety of operations, some of the Company's normal operating cycle is longer than one year, particularly with respect to contracting work in respect of which the operating cycle can even be two to three years. As a result, current assets and current liabilities include items the realization of which is intended and anticipated to take place over the normal operating cycle of the Company.

B. Basis of consolidation

1. Subsidiaries

Subsidiaries are entities in which the Company holds more than 50% of their voting rights, including potential voting rights that are immediately exercisable, so that the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 2 - Significant Accounting Policies (cont'd)

B. Basis of consolidation (cont'd)

2. Business combinations under common control

The acquisition of rights in entities under the control of the Company's controlling shareholder was accounted for according to their fair value on the date of the transaction.

In the transaction in which Barak and Globecall were sold to Netvision, Netvision recorded on its financial statements the assets and liabilities of Barak and Globecall according to their fair value on the date of the transaction. In the financial statements of the Company, the difference between the share of the Company in the new shareholders' equity of Netvision and the Company's investment in Globecall and in Netvision before the transaction, less the unrealized gain from the sale of Globecall, was recorded as a capital gain.

3. Affiliates accounted for using the equity method

Affiliates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Affiliates are accounted for using the equity method (equity accounted investees). The consolidated financial statements include the Company's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases. When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation to support the investee or has made payments on behalf of the investee, or has granted loans to it.

Excess cost of affiliates is presented as part of the investment. The excess cost of an investment in an affiliate over the Company's interest in the fair value of the affiliate's identifiable assets (including intangible assets) net of the fair value of its identifiable liabilities (after the allocation of taxes) on the date of acquisition is goodwill. The excess of the Company's interest in the fair value of the affiliate's identifiable assets (including intangible assets) net of the fair value of its identifiable liabilities (after the allocation of taxes) over the cost of the investment in the affiliate is negative goodwill that is recognized immediately in profit or loss. See also Paragraph F1 hereunder. Excess cost allocated in an affiliate to identifiable assets and identifiable liabilities having a finite useful life is amortized according to the said useful life. Goodwill and intangible assets having an indefinite useful life are not systematically amortized. See Paragraph O2 hereunder regarding impairment testing of goodwill and intangible assets.

See Paragraph W hereunder regarding the allocation of deferred taxes in respect of investments in affiliates.

See Paragraph C2 hereunder regarding adjustments from the translation of financial statements of affiliates.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 2 - Significant Accounting Policies (cont'd)

B. Basis of consolidation (cont'd)

4. Jointly controlled entities accounted for using the proportionate consolidation method

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Jointly controlled entities are accounted for using the proportionate consolidation method from the date that joint control commences until the date that joint control ceases. These interim financial statements include the Company's proportionate share of the assets, liabilities, revenue and expenses of proportionately consolidated entities according to the rates of holding therein, after adjustments necessary to align their accounting policies with those of the Company.

5. Joint ventures

Joint ventures are ventures carried on by each venturer using its own assets in pursuit of the joint operations. These interim financial statements include the assets that the Company controls and the liabilities that it incurs in the course of pursuing the joint operation, and the expenses that it incurs and its share of the income that it earns from the joint operation.

6. Transactions eliminated on consolidation

Intra-group balances and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing these interim financial statements. Unrealized gains arising from transactions with affiliates and jointly controlled entities are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, as there is no evidence of impairment.

7. Acquisition of additional rights from the minority after a business combination

Excess cost created upon the acquisition of shares of the minority in subsidiaries is included in goodwill. See also Paragraph F1 hereunder.

8. Sale of shares to the minority while retaining control

Consistently with the accounting treatment of the acquisition of additional rights from the minority after a business combination as specified in 7 above, the Company recognizes a gain from the sale of shares to the minority while retaining control, in the amount of the difference between the consideration received and the carrying value of the realized portion.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 2 - Significant Accounting Policies (cont'd)

B. Basis of consolidation (cont'd)

9. Gain of control in existing holding

On the date of gaining control in a business combination executed in steps, all the assets, liabilities and contingent liabilities of the acquired entity are remeasured at fair value. The difference arising from remeasurement of the acquisitions preceding the gain of control is included in a capital reserve. The said capital reserve that is created in respect of fixed assets and intangible assets is transferred to retained earnings corresponding to the depreciation or amortization of the item for which it was created, or when the item or investment is realized all or part.

C. Foreign currency

1. Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale non-monetary equity instruments, or qualifying cash flow hedges, which are recognized directly in equity.

2. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to NIS at exchange rates at the reporting date. The income and expenses of foreign operations are translated to NIS at exchange rates at the dates of the transactions.

Foreign currency differences are recognized directly in equity since January 1, 2007, the date of transition to IFRSs. In accordance with IFRS 1, the Company has chosen to include in equity all the accumulated translation differences in respect of all foreign operations on the date of transition to IFRSs. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 2 - Significant Accounting Policies (cont'd)

C. Foreign currency (cont'd)

2. Foreign operations (cont'd)

Foreign exchange gains and losses arising from loans that were received from foreign operations or provided to foreign operations, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognized directly in equity in the foreign currency translation reserve.

D. Financial instruments

1. Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognized when the Company assumes upon itself the contractual conditions of the instrument. Financial instruments are derecognized when the contractual rights of the Company to the cash flows deriving from the financial assets expire, or when the Company transfers to others the financial assets without retaining control over the asset or actually transfers all the risks and benefits deriving from the asset. Regular way purchases and sales of financial assets are recognized on the date of the transaction, meaning on the date the Company undertook to purchase or sell the asset. Financial liabilities are derecognized when the obligation of the Company, as specified in the agreement, expires or when it is settled or cancelled.

Cash and cash equivalents

Cash comprises cash balances available for immediate use and call deposits. Cash equivalents comprise short-term highly liquid investments that are readily convertible into known amounts of cash and are exposed to insignificant risks of change in value. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Held-to-maturity investments

If the Company has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

The Company's investments in shares and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, these investments are measured at fair value and changes therein (other than impairment losses, and foreign exchange gains and losses on available-

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 2 - Significant Accounting Policies (cont'd)

D. Financial instruments (cont'd)

1. Non-derivative financial instruments (cont'd)

for-sale monetary items and the accrual of effective interest) are recognized directly in equity. A dividend received in respect of available-for-sale financial assets is recognized in profit or loss on the date the entity's right to receive the payment is established. When an investment is derecognized, the cumulative gain or loss in equity is transferred to profit or loss.

Investments at fair value through profit or loss

A financial instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. These financial instruments are measured at fair value, and changes therein are recognized in profit or loss.

Loans and receivables

Loans and receivable are non-derivative financial assets with fixed or determinable payments that are not traded on an active market. After initial recognition, the loans and receivables are measured at amortized cost using the effective interest method while taking into consideration transaction costs and deducting any impairment losses.

2. Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency, linkage and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Fair value hedges

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognized in profit or loss. The hedged item also is stated at fair value in respect of the risk being hedged; and changes in fair value are recognized in profit or loss.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 2 - Significant Accounting Policies (cont'd)

D. Financial instruments (cont'd)

2. Derivative financial instruments (cont'd)

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognized directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognized in profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued. The cumulative gain or loss previously recognized in equity remains there until the forecasted transaction occurs. When the hedged item is a non-financial asset, the amount recognized in equity is transferred to the carrying amount of the asset when it is recognized. In other cases the amount recognized in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Economic hedges

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognized in profit or loss as part of foreign currency gains and losses.

Derivatives that do not serve as a hedge

The changes in fair value of these derivatives are recognized immediately in profit or loss.

Separable embedded derivatives

Changes in the fair value of separable embedded derivatives are recognized immediately in profit or loss. Inter alia, the Company implements the said accounting treatment to changes in the market value of the conversion option of CPI-linked convertible debentures.

3. Compound financial instruments

Compound financial instruments issued by the Company comprise convertible notes that can be converted to share capital at the option of the holder for an issuance of shares in a number that does not vary with changes in their fair value, and that have a fixed exercise price.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest, dividends, losses and gains relating to the financial liability are recognized in profit or loss. Distributions to the equity holders are recognized against equity.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 2 - Significant Accounting Policies (cont'd)

D. Financial instruments (cont'd)

3. Compound financial instruments (cont'd)

In accordance with IFRS 1, the Company has chosen to not separate compound financial instruments into an equity component and a liability component, when at the date of transition to reporting according to IFRSs (January 1, 2007) the liability component no longer exists.

4. CPI-linked assets and liabilities that are not measured at fair value

The value of CPI-linked financial assets and liabilities, which are not measured at fair value, is remeasured every period in accordance with the actual increase in the CPI.

5. Share capital

Ordinary shares

Costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity.

6. Issuance of block of securities

- a. The consideration received from the issuance of a block of securities is attributed at first to financial liabilities that are measured each period at fair value through profit or loss, and then to financial liabilities that are measured only upon initial recognition at fair value. The remaining amount is the value of the equity component.
- b. Direct identifiable costs are attributed to the specific securities in respect of which they were incurred, whereas joint issuance costs are attributed to the securities on a proportionate basis according to the allocation of the consideration from the issuance of the block, as indicated in (a) above.

E. Fixed assets

1. Recognition and measurement

Fixed asset items are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, and any other costs directly attributable to bringing the asset to the location and condition necessary for it to begin operating in the manner intended by management, as well as the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

A fixed asset that was purchased in consideration for another non-monetary item in a transaction having a commercial substance is measured at fair value.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 2 - Significant Accounting Policies (cont'd)

E. Fixed assets (cont'd)

1. Recognition and measurement (cont'd)

When major parts of a fixed asset item (including the costs of significant periodic examinations) have different useful lives, they are accounted for as separate items (major components) of fixed assets.

Changes in the obligation to dismantle and remove the items and to restore the site on which they are located, other than changes deriving from the passing of time, are added or deducted from the cost of the asset in the period in which they occur. The amount deducted from the cost of the asset shall not exceed the balance of the carrying amount on the date of change, and any balance is recognized immediately in profit or loss.

2. Reclassification to investment property

See Paragraph H hereunder regarding reclassification of fixed assets to investment property and reclassification of investment property to fixed assets.

3. Subsequent costs

The cost of replacing part of a fixed asset item is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of fixed assets are recognized in profit or loss as incurred.

4. Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of a fixed asset item. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	25-50 years
Machinery, installations and equipment	3-17 years
Computers, office furniture and equipment	3-16 years
Motor vehicles	5-10 years
Fixtures in leased buildings	10 years
Communications network	5-20 years
Network control and examination equipment	4-6 years
Orchards and irrigation facilities	5-7 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 2 - Significant Accounting Policies (cont'd)

F. Intangible assets

1. Goodwill

Goodwill or negative goodwill arises on the acquisition of subsidiaries, including acquisitions of minority interests, affiliates (including acquisitions of additional rights in affiliates) and joint ventures.

Acquisitions prior to January 1, 2007

As part of its transition to IFRSs, the Company elected to restate according to IFRS only business combinations, acquisitions of affiliates, acquisitions of jointly controlled entities and acquisition of minority interests that occurred on or after January 1, 2007. In respect of acquisitions prior to January 1, 2007, goodwill represents the amount recognized by the Company under Israeli GAAP. In respect of these acquisitions, the accounting classification and treatment were not adjusted to IFRS for purposes of preparing the Company's opening balance.

Acquisitions on or after January 1, 2007

For acquisitions on or after January 1, 2007, goodwill represents the excess of the cost of the acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognized immediately in profit or loss.

Acquisition of minority interests

Goodwill arising upon the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of the acquisition.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

2. Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is recognized as an intangible asset only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure recognized as an intangible asset includes the cost of materials, direct labor and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognized in profit or loss as incurred.

Development expenditure recognized as an intangible asset is measured at cost less accumulated amortization and accumulated impairment losses.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 2 - Significant Accounting Policies (cont'd)

F. Intangible assets (cont'd)

3. Other intangible assets (cont'd)

- a. Intangible assets are stated at cost and include direct costs required in order to bring the assets to operation. Intangible assets are measured on a cost basis net of accumulated amortization (other than intangible assets having an indefinite useful life) and impairment losses.
- b. Direct and certain indirect development costs deriving from the development of services for self use, and salaries of employees working on the development of software during the development period, are recognized as an intangible asset. These assets are amortized on a straight-line basis from the date the asset is ready for use. Costs incurred in the research stage and after the asset is ready for use are expensed immediately.
- c. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.
- d. Deferred expenses in respect of commissions arising from cellular subscriber acquisition are recognized as intangible assets if the costs can be reliably measured, are an inseparable part of the contract and can be attributed to a specific subscriber acquisition. If the costs do not meet such criteria, they are expensed immediately.
- e. Customer relations – The excess cost that was attributed in subsidiaries to customer relations is amortized in accordance with the expected economic benefit from the customers in each period.
- f. Brand – The excess cost that was attributed in a subsidiary to a brand having an indefinite useful life is not amortized. The excess cost that was attributed in a subsidiary to a brand having a finite useful life is amortized in accordance with the expected economic benefit from the brand in each period.
- g. Amortization is calculated in accordance with the expected economic benefit from the assets in each period, on the basis of the estimated useful life of each group of assets, other than goodwill, from the date that they are available for use. The estimated useful lives are as follows:

Customer relations	7-20 years
Brand	10 years
Licenses	16-20 years (mainly 16)
Information systems	4 years
Software	3-10 years
Original difference from concession	8-10 years
Know-how use right	5-10 years

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 2 - Significant Accounting Policies (cont'd)

F. Intangible assets (cont'd)

3. Other intangible assets (cont'd)

g. (cont'd)

Deferred costs from subscriber acquisition are amortized over the anticipated period of the engagement with the cellular subscriber (mainly 18 months).

The estimates regarding the amortization method and useful life are reassessed at each reporting date.

The Company examines the useful life of an intangible asset that is not periodically amortized in order to determine whether the events and circumstances continue to support the decision that the intangible asset has an indefinite useful life.

G. Biological assets

Biological assets (owned by an affiliate) are measured at fair value less estimated point-of-sale costs, with any change therein recognized in profit or loss. Point-of-sale costs include all costs that would be necessary to sell the assets. Standing timber is transferred to inventory at its fair value less estimated point-of-sale costs at the date of harvest.

H. Investment property

Investment property is property (land or building – or part of a building – or both) held (by the Company as the owner or under a financing lease) either to earn rental income or for capital appreciation or for both, but not for:

1. Use in the production or supply of goods or services or for administrative purposes; or
2. Sale in the ordinary course of business.

Furthermore, leased buildings that are leased out by the Company under an operating lease are classified and treated as investment property.

Investment property is initially measured at cost with the addition of transaction costs. In subsequent periods the investment property is measured at fair value with any changes therein recognized in profit or loss.

Property in the process of being constructed for future use as investment property, and which will be measured at fair value, are measured in the construction period on the basis of the fair value of the land with the addition of construction costs. When the construction is concluded it is remeasured according to fair value and classified as investment property. Any gain or loss from the remeasurement is recorded in profit or loss. The land on which the building is being constructed is classified as investment property from the date of its acquisition, and is presented at fair value as from that date.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 2 - Significant Accounting Policies (cont'd)

H. Investment property (cont'd)

When property is transferred from owner-occupied property to investment property, measured at fair value, the asset is remeasured according to fair value and is classified as investment property. Any gain from the remeasurement is included directly in equity. Any loss is included directly as an expense. When the investment property measured according to fair value becomes a fixed asset (owner-occupied property) or inventory, the fair value becomes the cost of the fixed asset or inventory, for purposes of consistent accounting treatment. When inventory becomes investment property measured at fair value, any difference between the fair value of the property on that date and its previous value on the books is included directly in profit or loss.

The fair value of the investment property was determined on the basis of valuations prepared by external, independent appraisers having relevant professional skills.

The valuations were mainly prepared by capitalizing the cash flows anticipated to derive from the assets. The appraisers used capitalization rates of 8%-11% p.a., which are based on the type of the property and its designation, its location and the nature of the lessees. Capitalization rates of 8%-9% were used in the valuations of office buildings and buildings used in the hi-tech industry and for commercial purposes (located mainly in the center of the country and in parks for know-how intensive industries), whereas capitalization rates of 9%-11% were used in the valuations of workshops, storage and industrial buildings (located mainly in the periphery).

None of the aforementioned valuations is material for the Company and therefore were not attached as required in Regulation 8B of the Securities Regulations (Periodic and Immediate Reports) – 1970. For this purpose the Company used a materiality test of the value of a single asset being in excess of 10% of total assets on the consolidated balance sheet.

I. Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and, except for investment property, the leased assets are not recognized on the Company's balance sheet. Property under an operating lease that were classified by the Company as investment property are recognized in the balance sheet of the Company at fair value, and the lease is accounted for as a finance lease.

Leases of land from the Israel Lands Administration (hereinafter – the Administration) that are not accounted for as investment property are operating leases. Prepaid lease fees to the Administration are presented on the balance sheet and recognized in profit or loss over the lease period. The lease period and amortization take into consideration an option to extend the lease period if at the beginning of the lease it was probable that the option will be exercised.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 2 - Significant Accounting Policies (cont'd)

I. Leased assets (cont'd)

The Company implements IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, which defines criteria for determining at the beginning of the arrangement whether a right to use an asset constitutes a lease arrangement. It also provides when the arrangement should be subsequently reexamined. The Company implemented the relief provided in IFRS 1, by which it determined whether an arrangement contains a lease on the basis of the facts and circumstances existing on January 1, 2007 (the date of transition to IFRS). In accordance with IFRIC 4, transactions for the acquisition of an irrevocable right to use the capacity of underwater cables are accounted for as arrangements for the receipt of service. The amount paid in respect of the rights to use communication lines is amortized on a straight line basis over the period specified in the agreement, including the period of the option, which constitute the estimated useful life of such capacities.

J. Inventory

Inventory is measured at the lower of cost, less a provision for slow-moving or obsolete inventory, and net realizable value. The cost of inventory includes expenditure incurred in acquiring the inventory and bringing it to its existing location and condition. In the case of inventories of work in progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost of inventory is determined as follows: inventory of goods in stores and warehouses – at the last purchase price (reflecting an average moving price); inventory of raw and packing materials – on a moving average basis; inventory of finished goods and work in progress – at the cost of a mould that reflects the average manufacturing cost for the period.

K. Inventory of cellular telephones

Inventory of cellular telephones, related accessories and spare parts are presented at the lower of cost or net realizable value calculated on a moving average basis.

L. Inventory of real estate and residential apartments

Inventory of real estate and residential apartments is measured at the lower of cost and net realizable value. Cost of inventory includes the costs incurred in acquiring the inventory (including prepaid operating lease fees) and bringing it to its existing location and condition. In the case of inventories of work in progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 2 - Significant Accounting Policies (cont'd)

L. Inventory of real estate and residential apartments (cont'd)

Inventory of real estate acquired in transactions in which the seller of the real estate receives building services is recognized at fair value on the date of handing over the real estate concurrently with the recognition of a liability for building services.

In such transactions in which the Company undertakes to hand over cash in an amount that depends on the price the apartments built on the land are sold, the said financial liability is remeasured according to the anticipated cash flows discounted at the original interest rate of the liability every period, and the changes in the present value of the discounted cash flows are recognized in profit or loss.

M. Construction work in progress

Construction work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognized to date less progress billings and recognized losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

N. Capitalization of credit costs

Specific and non-specific credit costs were capitalized to qualifying assets as defined in IAS 23, *Borrowing Costs*, throughout the period required for completion and construction until they are ready for their intended use. Non-specific credit costs are capitalized in the same manner to the same investment in qualifying assets, or portion thereof, which was not financed with specific credit by means of a rate which is the weighted-average cost of the credit sources which were not specifically capitalized. Other credit costs are expensed as incurred.

O. Impairment

1. Financial assets

A financial asset is tested for impairment when objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 2 - Significant Accounting Policies (cont'd)

O. Impairment (cont'd)

1. Financial assets (cont'd)

All impairment losses are recognized in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

2. Non-financial assets

The carrying amounts of the Company's non-financial assets, other than biological assets, investment property, inventory and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment.

Indications that are examined by the Company with respect to the value of its investments include a decline in prices on the stock exchange, continuing losses on its investments, the industry in which its investees operate, excess cost included in the investments and other parameters. If any such indication exists, then the asset's recoverable amount is estimated. On January 1, 2007, the date of transition to IFRSs, the Company tested for impairment goodwill, indefinite-lived intangible assets and investments in affiliates for which goodwill was recognized in the investment. In subsequent periods the Company estimates, once a year, the recoverable amount of the goodwill and intangible assets that have indefinite useful lives or are unavailable for use, or more frequently – if there are indications of impairment.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its net selling price (fair value less costs to sell). In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the cash-generating unit on a pro rata basis.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 2 - Significant Accounting Policies (cont'd)

O. Impairment (cont'd)

2. Non-financial assets (cont'd)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

P. Non-current assets held for sale

Non-current assets and disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets and components of a disposal group are remeasured in accordance with the Company's accounting policies. Thereafter generally the assets and disposal group are measured at the lower of their carrying amount and fair value less cost to sell. In subsequent periods, assets that were depreciated until their classification as held for sale are not periodically depreciated, and investments in affiliates classified as held for sale are not accounted for by the equity method. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Company's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

Q. Employee benefits

The Company and its investee companies have a number of post-employment benefit plans. The plans are usually financed by deposits with insurance companies or with funds managed by a trustee, and they are classified as defined contribution plans and as defined benefit plans.

1. Defined contribution plans

The Company's obligations for contributions to defined contribution pension plans are recognized as an expense in profit or loss as incurred.

2. Defined benefit plans

The Company's net obligation in respect of defined benefit post-employment plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 2 - Significant Accounting Policies (cont'd)

Q. Employee benefits (cont'd)

2. Defined benefit plans (cont'd)

present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the reporting date on Government debentures denominated in the same currency that have maturity dates approximating the terms of the Company's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

Regarding the use of a discount rate deriving from Government debentures, to the best of the Company's knowledge the matter of the discount rate in actuarial calculations is under examination and it may ultimately be decided that in Israel the appropriate discount rate is one based on corporate debentures. In this case, the data included in these financial statements will change, the actuarial liability will decrease and the current financing expenses in respect of the liability will increase.

When the calculation results in an asset, an asset is recognized up to the net present value of economic benefits available in the form of a refund from the plan or a reduction in future contributions to the plan. An economic benefit in the form of refunds or reductions in future contributions is considered available when it can be realized over the life of the plan or after settlement of the obligation.

When in the framework of a minimum contribution requirement, there is an obligation to pay additional amounts for services that were provided in the past, the Company recognizes an additional obligation (increases the net liability or decreases the net asset), if such amounts are not available as an economic benefit in the form of a refund from the plan or the reduction of future contributions.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

The Company recognizes all actuarial gains and losses arising from defined benefit plans directly in equity immediately

Insurance policies in respect of employee severance benefits, which were issued by a related party, do not constitute plan assets and are presented as a separate asset.

3. Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits other than post-employment plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on Government debentures denominated in the same currency that have maturity dates approximating the terms of the Company's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognized in profit or loss in the period in which they arise.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 2 - Significant Accounting Policies (cont'd)

Q. Employee benefits (cont'd)

3. Other long-term employee benefits (cont'd)

Regarding the use of a discount rate deriving from Government debentures, to the best of the Company's knowledge the matter of the discount rate in actuarial calculations is under examination and it may ultimately be decided that in Israel the appropriate discount rate is one based on corporate debentures. In this case, the data included in these financial statements will change, the actuarial liability will decrease and the current financing expenses in respect of the liability will increase.

4. Termination benefits

Termination benefits are recognized as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan regarding termination of employment before the normal retirement date. Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

5. Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

6. Share-based payment transactions

The grant date fair value of options granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Share-based payments that were granted before November 7, 2002 or that have vested before January 1, 2007 are not accounted for retroactively, in accordance with IFRS 2 and the relief that was adopted pursuant to IFRS 1.

R. Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 2 - Significant Accounting Policies (cont'd)

R. Provisions (cont'd)

1. Warranties

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

2. Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

3. Claims

A provision for claims is recognized if, as a result of a past event, the Company has a present legal or constructive obligation, it is more likely than not that an outflow of economic benefits will be required to settle the obligation and the amount of obligation can be estimated reliably. When the value of time is material, the provision is measured at its present value.

S. Revenue

1. Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. When the credit period is short and constitutes the accepted credit in the industry, the future consideration is not discounted. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. For sales of products, transfer usually occurs when the product is delivered to the customer or the goods reach the warehouse of the customer.

2. Sales of real estate and residential apartments

Revenue from the sale of inventory of real estate and residential apartments is measured at the fair value of the consideration received or receivable. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of the inventory can be estimated reliably, there is

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 2 - Significant Accounting Policies (cont'd)

S. Revenue (cont'd)

2. Sales of real estate and residential apartments (cont'd)

no continuing management involvement with the inventory, and the amount of revenue can be measured reliably.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. For sales of residential apartments, transfer usually occurs when the apartment is handed over to the buyer.

3. Services rendered

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed.

4. Communication services

Revenue deriving from use of communication networks of a subsidiary, including revenue from air-time, interconnection fees and roaming services, is recognized upon the performance of the service. Proceeds from the sale of cellular call cards are recognized initially as deferred income and recognized as revenue according to use or when they expire.

The subsidiary offers enhanced services including voice mail, text messaging and multimedia, as well as downloadable applications, including ring tones, music, games, and other informational content. Generally, these enhanced features and data applications generate additional service revenues through monthly subscription fees or increased usage through utilization of the features and applications. Other optional services, such as equipment warranty plans are also provided for a monthly fee and are either sold separately or bundled and included in packaged rate plans. Revenues from enhanced features and optional services are recognized when earned.

When the company acts as an agent or an intermediary without bearing the risks and rewards resulting from the transaction, the revenue is presented on a net basis (as a profit or a commission). However, when the company acts as a principal supplier and bears the risks and rewards resulting from the transaction the revenue is presented on a gross basis, while distinguishing the revenue from the related expenses. This presentation of revenue on a gross or net basis was applied with retroactive effect for all of the reported periods.

5. Construction contracts

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognized in profit or loss in proportion to the stage of completion of the contract. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 2 - Significant Accounting Policies (cont'd)

S. Revenue (cont'd)

5. Construction contracts (cont'd)

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit or loss.

6. Commissions and credit margins

When the Company acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the net amount of commission made by the Company.

Revenues deriving from commissions and credit margins are recognized on the basis of the transactions executed with the credit cards at the rate and on the date the businesses were credited.

Revenues deriving from long-term credit arrangements (over one year) are recognized on the basis of the present value of the future cash flows, capitalized according to market interest rates as at the date of the transaction. The difference between the original amount of the credit and its present value, as aforementioned, is spread over the period of the credit and recognized as interest income.

7. Rental income

Rental income from investment property is recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

8. Government grants

An unconditional government grant related to a biological asset is recognized in profit or loss when the grant becomes receivable.

Other government grants are recognized initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grants.

Grants that compensate the Company for expenses incurred are recognized in profit or loss on a systematic basis in the same periods in which the expenses are recognized. Grants that compensate the Company for the cost of an asset are presented as a deduction from the related asset and are recognized in profit or loss on a systematic basis over the useful life of the asset.

9. Commitment to the Chief Scientist in respect of Government grants

Such grants are accounted for as forgivable loans according to the provisions of IAS 20. Accordingly, grants received from the Chief Scientist are recognized as a liability according to their fair value on the date of their receipt, measured according to the present value of the anticipated cash

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 2 - Significant Accounting Policies (cont'd)

S. Revenue (cont'd)

9. Commitment to the Chief Scientist in respect of Government grants (cont'd)

flows, unless on that date it is reasonably certain that the amount received will not be refunded. The amount of the liability is reexamined each period, and any changes in the present value of the cash flows discounted at the original interest of the grant are recognized in profit or loss.

T. Cost of sales

1. The cost of sales includes also expenses regarding loss, storage and handling of inventory until the end selling point. Costs of sales in a subsidiary that operates as a communication company includes ongoing license fees, interconnection and roaming expenses, cell site leases, depreciation and amortization charges and technical repair and maintenance expenses directly related to services rendered.
2. Supplier discounts – Discounts that are received from suppliers are deducted from the purchase cost. Therefore, the part of the discounts that relates to the purchases added to the closing inventory is attributed to inventory, and the rest of the discounts reduce the cost of sales. These discounts are fixed discounts that do not depend on the volume of purchases (this discount is calculated as a fixed percentage of the purchases made from the supplier or as an annual fixed amount that does not depend on the volume of purchases) and they are included in the financial statements upon the execution of the proportionate purchases that entitle the Company to the said discounts.

U. Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease, including the optional period when on the date of the transaction it was reasonably certain that the option will be exercised. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the financing expense and the reduction of the outstanding liability. The financing expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. In the event of a change in the lease terms, the lease payments are adjusted in respect of the remaining lease period, on the date the change in the lease terms was approved.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 2 - Significant Accounting Policies (cont'd)

V. Financing income and expenses

Financing income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, an increase in the fair value of financial assets at fair value through profit or loss, foreign currency gains and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Financing expenses comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognized on financial assets, and losses on hedging instruments that are recognized in profit or loss. All borrowing costs, which are not discounted, are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

W. Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the reported period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities and affiliated companies to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 2 - Significant Accounting Policies (cont'd)

W. Income tax (cont'd)

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend is recognized.

X. Discontinued operations

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation had been discontinued from the start of the comparative period.

Y. Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes, share options and share options granted to employees.

Z. Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments.

Segment information is presented in respect of the Company's business segments and it is based on the Company's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly loans and deposits and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and general and administrative expenses, income tax assets and liabilities, and tax expenses. Segment capital expenditure is the total cost incurred during the period to acquire fixed assets and intangible assets other than goodwill.

See Note 8 for segment reporting details.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 2 - Significant Accounting Policies (cont'd)

AA. Transactions with controlling shareholder

Assets and liabilities included in a transaction with a controlling shareholder are measured at fair value on the date of the transaction. As the transaction is on the equity level, the Company includes the difference between the fair value and the consideration from the transaction in its shareholders' equity.

BB. Put option to the minority shareholders of subsidiaries

A put option that was issued by the Company to the minority shareholders was recognized as a liability in accordance with the fair value of the payment, which is accounted for as a contingent purchase cost of the minority interest. Revaluation of the liability in respect of the time component is reflected in financing expenses, and the Company includes in its income its share in the subsidiary's income, taking into account exercise of the put option, whereas the valuation of liabilities in respect of other changes is recorded against goodwill.

CC. New standards and interpretations not yet adopted

1. IFRS 8 *Operating Segments* (hereinafter – Standard 8) determines that the “management approach” should be used in segment reporting, meaning in accordance with the format of the internal reports provided to the decision makers of the entity. Currently the Company presents segment information in respect of its business and geographical segments. Under the management approach, the Company will present segment information in respect of business segments. Standard 8 is effective for annual periods beginning on or after January 1, 2009. The initial implementation of Standard 8 is not anticipated to have a material effect on the results of operations and financial position of the Company.
2. Revised IAS 23 *Borrowing Costs* (hereinafter – Standard 23) removes the option to expense credit costs and requires that an entity capitalize credit costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Standard 23 is effective for annual periods beginning on or after January 1, 2009. In accordance with the transitional provisions, the Company will apply Standard 23 to qualifying assets for which capitalization of credit costs commences on or after the effective date. The initial implementation of Standard 23 is not anticipated to have a material effect on the results of operations and financial position of the Company.
3. Revised IAS 1 *Presentation of Financial Statements* (hereinafter – Standard 1) requires the aggregation in the financial statements of information having common characteristics and the presentation of a statement of comprehensive income. Standard 1 allows the presentation of income and expense items and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 2 - Significant Accounting Policies (cont'd)

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

3. (cont'd)

followed by a statement of comprehensive income). The titles of some of the financial statements were changed in order to reflect their function more clearly (for example, the balance sheet is renamed a statement of financial position). Standard 1 will come into effect for annual periods beginning on or after January 1, 2009. Early adoption is permitted. The initial implementation of Standard 1 is not anticipated to have a material effect on the results of operations and financial position of the Company.

4. Revised IFRS 3 *Business Combinations* and Revised IAS 27 *Consolidated and Separate Financial Statement*. The principal relevant revisions in the standards are as follows:

- (1) 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.
- (2) Transactions resulting in the consolidation of financial statements (that were not consolidated before then), 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 (1) and (2) above. There is no certainty that any such transactions will be executed or regarding their dates and terms.
- (3) Acquisitions of additional shares or partial sales of existing shares, without the Company discontinuing consolidation of the financial statements of the companies that performed the transactions, 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).
- (4) Transaction costs shall be immediately recognized as an expense.
- (5) Measurement at fair value of contingent considerations in business combinations with changes in estimates being recognized in profit or loss.
- (6) Goodwill is not to be adjusted in respect of the utilization of carry-forward tax losses that existed on the date of acquiring the businesses.

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 Company 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 Company.

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.

In the case of early adoption as from 2008, the transitional provisions of IFRS 1 shall be applicable, and accordingly the instructions of the aforementioned standards shall apply retroactively to transactions as from January 2007 and the published periods will be restated.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 2 - Significant Accounting Policies (cont'd)

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

5. Revised IFRS 2 *Share-Based Payment* (hereinafter – Standard 2) provides that vesting conditions are conditions that determine whether the company is receiving the services that entitle the other party to a share-based payment, and they are restricted to service and performance conditions. Non-vesting conditions will be reflected in the fair value of the share-based payment on the grant date, and after the grant date the company shall not adjust the fair value in respect of these conditions. Furthermore, Standard 2 specifies the accounting treatment of non-compliance with non-vesting conditions. Standard 2 shall apply retroactively to annual periods beginning after January 1, 2009 and permits early adoption along with disclosure. The initial implementation of this standard is not anticipated to have a material effect on the results of operations and financial position of the Company.
6. Revised IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements*. The standards require classifying as equity certain puttable financial instruments and obligations arising on liquidation, in certain circumstances. It also provides disclosure requirements regarding puttable financial instruments that were classified as equity. These standards shall apply to annual reporting periods beginning on or after January 1, 2009 and early adoption is permitted. The initial implementation of these standards is not anticipated to have a material effect on the results of operations and financial position of the Company.
7. Revised IAS 27 *Consolidated and Separate Financial Statements*, and IFRS 1 *First-time Adoption of International Financial Reporting Standards*. In accordance with these standards, a company that elects the cost method for measuring its investments in subsidiaries, jointly controlled companies and affiliated companies, in the separate financial statements (stand-alone financial statements) is permitted to measure these investments on the date of transition to IFRS at their fair value in accordance with IAS 39 or at their carrying value according to previous GAAP. Furthermore, a dividend received from subsidiaries, jointly controlled companies and affiliated companies shall be recognized as income in the separate financial statements of the holding company. It was further provided that under certain circumstances the receipt of a dividend indicates impairment of the investment in the investee company. These standards shall apply to annual periods beginning on or after January 1, 2009. Earlier application is permitted, each standard separately, while providing disclosure. The changes attributable to IAS 27 shall be applied prospectively. The Company shall adopt early these standards, and shall measure the investments in the separate financial statements at their carrying value according to previous GAAP.
8. In the framework of the Improvements to IFRSs project, in May 2008 the IASB published and approved 35 amendments to various IFRS on a wide range of accounting issues. The amendments

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 2 - Significant Accounting Policies (cont'd)

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

8. (cont'd)

are divided into two parts: (1) Amendments that result in accounting changes for presentation, recognition or measurement purposes and (2) Terminology or editorial amendments that are expected to have either no or only minimal effects on accounting. Most of the amendments shall apply to periods beginning on or after January 1, 2009 and permit early adoption, subject to the specific conditions of each amendment and subject to the transitional provisions relating to a first-time adopter of IFRS.

The Company is examining the possibility of an early adoption and the effects of the amendment to IAS 40 regarding investment property. The amendment provides that investment property under construction and/or development shall be measured in accordance with IAS 40. This means that an entity that measures its investment property according to the fair value model shall measure its investment property under construction according to fair value when the fair value is reliably determinable; and 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 earlier.

9. IFRIC 15 *Agreements for the Construction of Real Estate* (hereinafter – IFRIC 15). IFRIC 15 provides guidance for examining whether transactions for the construction of real estate are subject to IAS 18, *Revenue*, by which revenue from the construction of real estate is recognized at the same time and according to the same method as revenue from the sale of a product or the rendering of a service, or are subject to IAS 11, *Construction Contracts*, by which revenue is recognized in accordance with the stage of completion of the real estate.

IFRIC 15 is to be applied for annual periods beginning on or after January 1, 2009, on a retrospective basis. Earlier application is permitted while providing disclosure.

The Company is currently examining the anticipated effect of this interpretation on its financial statements.

10. IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* (hereinafter – IFRIC 16). IFRIC 16 refers to an investment in a foreign operation and provides guidance regarding the hedging of such an investment. Inter alia, IFRIC 16 refers to the nature of the hedged risk and the amount of the hedged item for which a hedging relationship may be designated, where the hedging instrument is held in a group of companies and the accounting treatment of the capital reserve upon disposal of a foreign operation.

The Interpretation shall apply to annual periods beginning on or after October 1, 2008. Earlier application is permitted while providing disclosure.

The Company is currently examining the anticipated effect of this interpretation on its financial statements.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 2 - Significant Accounting Policies (cont'd)

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

11. IFRIC 13 *Customer Loyalty Programs* (hereinafter – IFRIC 13). IFRIC 13 This interpretation addresses customer loyalty programs, in which an entity provides “award credits” to its customers as part of the sale transaction. The award credits discussed in the interpretation can be used in the future to receive products for free or at a reduced price, subject to certain conditions. In accordance with IFRIC 13 the proceeds from the sale transaction are to be split between the “award credits” and the other components of the transaction. The proceeds allocated to the award credits shall be recognized as revenue when the award credits are redeemed. IFRIC 13 shall apply to annual periods beginning after July 1, 2008 and earlier application is allowed.
The Company is currently examining the anticipated effect of this interpretation on its financial statements.

Note 3 - Investee Companies

A. Changes in investments during the first quarter of 2008

1. Cellcom Israel Ltd. (hereinafter – Cellcom), a 51% subsidiary of the Company

- a. In January 2008 the Company sold 3.4% of the issued share capital of Cellcom for the price of NIS 330 million. As a result the Company recognized in the first quarter of 2008 a gain in the amount of NIS 172 million and its holding in Cellcom decreased to 52.6% in equity and 58.1% in voting. See also Paragraph B1a hereunder.
- b. In February 2008 Cellcom raised the amount of NIS 600 million by expanding its existing Series C and D of debentures.
- c. In March 2008 Cellcom voluntarily made an early repayment of the balance of the loan it received from a syndicate of banks. The balance of the loan that was repaid as stated was \$ 140 million (comprised of a dollar component of \$ 85 million and a shekel component of NIS 253 million), and following it the repayment the financing agreement and the restrictions it imposed were concluded. See also Note 14D6 of the annual financial statements.

2. Property & Building Ltd. (hereinafter – Property & Building), a 75% subsidiary of the Company

- a. In March 2008 K.B.A. Townbuilders Group Ltd. (“K.B.A.”), a 23% investee company of Property & Building Corp., sold its rights in land in Ashdod for the price of NIS 126 million. Accordingly, in the first quarter of 2008 Property & Building recorded a net gain in the amount of NIS 17 million. The share of the Company in the said gain of Property & Building is NIS 11 million.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 3 - Investee Companies (cont'd)

A. Changes in investments during the first quarter of 2008 (cont'd)

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

- b. In the first quarter the Company purchased 3.1% of the issued share capital of Property & Building for the price of NIS 62 million. Subsequent to this purchase, the Company held 68% of the equity and voting rights in Property & Building. As a result of this purchase, the Company acquired negative goodwill in the amount of NIS 18 million which it recorded as income in the statement of income. See also Paragraph B2b hereunder.

c. Investments in Las Vegas, Nevada, USA

In March 2008 the planning authorities of Las Vegas approved plans that were submitted to them that include building rights for 1.5 million square meters in the Plaza project in Las Vegas.

The said project, which will be constructed on property that was acquired by ElAd IDB Las Vegas LLC (hereinafter – the project company) on the main street of Las Vegas (known as the Strip), is planned to include a luxury hotel, casino, modern shopping mall, and exclusive apartment towers, and will be constructed in a number of stages.

The project company is held in equal parts by IDB Group USA Investments Inc., a subsidiary owned equally by Property & Building and IDB Development Corporation Ltd. (the parent company of the Company), and by ElAd Properties Las Vegas LLC, a company of the Elad Group.

- d. In the first quarter of 2008 Property & Building and its subsidiaries received loans from banks in the total amount of NIS 520 million, which are linked to the CPI, bear average interest of 4.8% p.a. and are repayable over a period of 8 years.

3. Shufersal Ltd. (hereinafter – Shufersal), a 39% held affiliate

- a. In March 2008 Shufersal signed an agreement for the sale of its entire holdings (50%) in Israel Kanyonim Ltd. (“Kanyonim”) for the price of NIS 159 million. Following the said sale, the investment property of Kanyonim was revalued on the basis of a valuation that was prepared on the basis of the sale transaction.

As a result, in the first quarter of 2008 Shufersal recorded a gain in the amount of NIS 20 million in respect of its share in the revaluation of the investment property, net of the deferred taxes on the books of Kanyonim, in accordance with the valuation that was based on the sale transaction. Shufersal also recorded a deferred tax liability in the amount of NIS 25 million in respect of the temporary difference deriving from the investment in Kanyonim that is anticipated to reverse in the foreseeable future. The Company’s share in the aforementioned results amounts to a loss of NIS 2 million. See also Paragraph B3b hereunder.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 3 - Investee Companies (cont'd)

A. Changes in investments during the first quarter of 2008 (cont'd)

3. Shufersal Ltd. (cont'd)

- b. In March 2008 Shufersal signed an agreement for the sale of one of its investment properties for the price of NIS 47 million, which was paid on April 30, 2008. NIS 10 million of the consideration was paid in the form of a loan of Shufersal to the buyer that is payable on April 30, 2010, against a bond of the buyer. Following the said agreement, during the quarter Shufersal revalued the investment property in respect of this asset according to the price of the transaction, and accordingly the amount of NIS 18 million was added to its book value in the first quarter of 2008.

4. Koor Industries Ltd. (hereinafter – Koor), a 49.5% held affiliate

- a. In January and February 2008 the Company purchased on the Tel Aviv Stock Exchange 2.7% of the issued share capital of Koor for the price of NIS 110 million. Following the aforementioned purchase, the Company holds 49.5% of the share capital and voting rights in Koor. As a result of the said purchase, the Company acquired excess cost of NIS 55 million, of which NIS 28 million is allocated excess cost and the balance is goodwill.
- b. The exchange rate of the dollar decreased by 7.6% in the first quarter of 2008. As a result, Koor recorded a loss in the amount of NIS 128 million in the first quarter in respect of net balances denominated in dollars or linked thereto, of financial assets and liabilities of Koor. The share of the Company in the said loss amounts to NIS 63 million.

5. Changes in other investments

In February 2008, GVT (Holding) N.V. (hereinafter – GVT), which is held by the Company at the rate of 16%, sold 3.5% of the share capital of a Brazilian company of which it held 26.4%, for a total consideration of 167 million Brazilian real. The shares of the Brazilian company are traded on a stock exchange in Brazil. As a result of the transaction, in the first quarter of 2008 the Company recorded its share in the gain of GVT on the transaction in the amount of NIS 37 million. In March 2008 GVT distributed a cash dividend totaling \$ 90 million. The Company's share in the said dividend amounted to NIS 52 million.

B. Changes in investments during the second quarter of 2008

1. Cellcom

- a. In May 2008 the Company sold 1.9% of the issued share capital of Cellcom for the price of NIS 217 million. As a result the Company recognized in the second quarter of 2008 a gain in the amount of NIS 135 million and its holding in Cellcom decreased to 50.7% in equity and 56.1% in voting.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 3 - Investee Companies (cont'd)

B. Changes in investments during the second quarter of 2008 (cont'd)

1. Cellcom (cont'd)

- b. In the second quarter of 2008 Cellcom distributed cash dividends in the total amount of NIS 958 million. The Company's share in these dividends amounted to NIS 499 million.

2. Property & Building

- a. In April 2008 Property & Building distributed a cash dividend in the total amount of NIS 216 million. The Company's share in the dividend amounted to NIS 147 million.
- b. In June 2008 the Company purchased a total of 6.3% of the issued share capital of Property & Building for the price of NIS 119 million, of which 2.5% was purchased by the Company in the framework of an ordinary purchase offer the Company published in May 2008 for the purchase of up to 16% of the share capital of Property & Building. Subsequent to these purchases, the Company holds 75% of the equity and voting rights in Property & Building. As a result of such purchases, the Company acquired negative goodwill in the amount of NIS 28 million, which it recognized as income in the second quarter of 2008.
- c. In June 2008, the Property & Building updated the valuations of its investment property, mainly because of the significant change in the cash flows anticipated to derive from its assets as a result of the assets being leased under CPI-linked contracts, the real increase in the rent collected from its customers; the change in occupation rates and the tenants' mix, as well as the occupation of buildings the construction of which has been completed.
The updated valuations were performed by external, independent appraisers having appropriate professional qualifications. The valuations were performed mainly by discounting the future cash flows anticipated to derive from the properties. The discount rates used by the appraisers range between 8% and 11% per year and were selected based on the type of property and its intended use, its location, the amount of the rent compared to the market price and the quality of the lessees. In determination of the values of office buildings, buildings zoned for high-tech industries and commercial buildings (located primarily in the State's central zone and high-tech parks that have a high quality of lessees) discount rates ranging between 8% and 9% per year were used, whereas workshop, warehouse and industrial buildings (located primarily in the suburban areas) were valued using discount rates ranging between 9% and 11% per year.
As a result of the said valuation, the Company recorded income in the amount of NIS 186 million and NIS 162 million in the first half and second quarter of 2008, respectively.
- d. In the second quarter of 2008 Property & Building and its subsidiaries received bank loans in the total amount of NIS 410 million that are linked to the CPI, bear average interest of 4.5% p.a. and are repayable over 8 years.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 3 - Investee Companies (cont'd)

B. Changes in investments during the second quarter of 2008 (cont'd)

3. Shufersal

- a. In June 2008 Shufersal distributed a cash dividend in the total amount of NIS 270 million. The Company's share in the dividend amounted to NIS 102 million.
- b. In June 2008, the sale described in Paragraph A3a of Shufersal's holding in Kanyonim was completed. As a result Shufersal recognized a gain in the amount of NIS 6 million in the second quarter of 2008 in respect of its share in the additional revaluation of the investment property on the books of Kanyonim, as well as an after-tax capital gain in the amount of NIS 22 million in respect of the said sale. The Company's share in the aforementioned results amounted to a gain of NIS 11 million.

4. Koor

- a. In June 2008 Koor issued ordinary shares that were offered by means of rights to its ordinary shareholders, this in accordance with a prospectus it published in May 2008. The consideration from the issuance amounted to NIS 383 million, net.
In accordance with an agreement the Company signed with a third party before the publication of the said prospectus, the Company exercised 65% of the rights that were offered to it under the prospectus for the price of NIS 123 million, and sold to the same third party, in an off-floor transaction, the balance of the rights that were offered to it in accordance with the prospectus. These rights were fully exercised by the third party. Soon after the shares from the aforementioned issuance were registered for trading on the stock exchange, the Company purchased from the same third party 2% of the share capital of Koor (that constituted 99% of the shares deriving from the rights that were sold to the same third party as aforementioned) for the price of NIS 67 million (according to the same price per share in the rights offer of Koor). In total the Company paid NIS 190 million for exercising the rights and purchasing the shares of Koor, and the Company's holding in Koor remained 49.5%.
- b. In March, April and May 2008 Koor announced that in light of the situation of the international markets and the present and future business opportunities presented by such markets, the board of directors of Koor authorized its management to make, from time to time, financial investments, up to the total amount of NIS 1.5 billion, in marketable shares of Bank Credit Suisse and Barclays Bank, at the discretion of the management of Koor. In this respect, in March 2008 Koor signed an agreement with Goldman Sachs for the provision of a recourse line of credit (in accordance with the agreement the withdrawal of credit in excess of \$ 250 million is subject to certain conditions). Furthermore, in May 2008 a foreign partnership wholly owned by Koor signed an additional agreement with Goldman Sachs, regarding non-recourse credit to be provided by means of financial derivatives transactions and which complements the first recourse line of credit. The overall credit facility at the disposal of Koor in accordance with the two aforementioned agreements is \$ 1.5 billion, and

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 3 - Investee Companies (cont'd)

B. Changes in investments during the second quarter of 2008 (cont'd)

4. Koor (cont'd)

b. (cont'd)

will be divided between the two lines of credit at the proportion of 5/11 of recourse credit, which will bear interest monthly at the annual rate of the relevant Libor rate, plus a margin of 1.2% and a grossed up withholding tax, if relevant, and 6/11 of non-recourse credit, which will bear interest quarterly at the annual rate of the relevant Libor rate, plus a margin of 3.25% and grossed up withholding tax, if relevant. This credit proportion will come into effect only after the withdrawal of more than \$ 250 million of recourse credit. The credit line can be used over a defined period of time. Goldman Sachs is permitted to renege on its undertaking to provide the balance of unutilized credit, at an advance notice, as from August 13, 2008 with respect to the non-recourse credit and as from August 16, 2008 with respect to the recourse credit. The agreement on the recourse credit includes an undertaking of Koor to maintain, over the period of the loan, a minimum net asset value of \$ 450 million if the balance of the loan is lower than \$ 600 million, and a net asset value of 75% of the balance of the loan if it is higher than \$ 600 million. The net asset value shall be calculated according to the value of the cash and marketable holdings (without the holdings in financial institutions), less taxes due and assessed in respect of the sale of certain holdings, all as specified in the agreement. Non-compliance with this undertaking over 5 business days will give Goldman Sachs the right to demand immediate repayment of the debt. Koor has undertaken to not distribute dividends if such a distribution results in falling below the specified minimum net asset value. Furthermore, Koor has undertaken to maintain over the period of the credit a minimum collateral to debt ratio of 1.67, which varies in accordance with, inter alia, the tradability of the share. In the event that the credit lines are fully used, the investment in shares of the aforementioned financial institutions, including the shareholders' equity required from Koor, may reach up to \$ 2.7 billion. Use of the credit lines and Koor's investments in the shares depend on a number of matters, including the assessments of Koor regarding developments on the markets. Until the end of the second quarter of 2008, shares of Bank Credit Suisse in the amount of NIS 329 million were purchased as well as an insignificant amount of shares of Barclays Bank, and the credit lines described above have not yet been used.

The said investment is accounted for on the financial statements of Koor as an available for sale asset. As at June 30, 2008 the balance of the investment in Bank Credit Suisse on the books of Koor amounts to NIS 332 million. See also Note 6A.

- c. In the second quarter of 2008 the exchange rate of the dollar decreased by 5.7%. As a result, Koor recognized in the second quarter of 2008 a loss of NIS 90 million on net financial assets of Koor that are denominated in US dollars or linked thereto. The Company's share in the aforementioned loss is NIS 45 million.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 3 - Investee Companies (cont'd)

B. Changes in investments during the second quarter of 2008 (cont'd)

5. Changes in other investments

- a. In April 2008 the Company completed acquisition of the entire holding of Praxair Inc. (50.02% of equity and 52.93% of voting rights) in Maxima Air Separation Center Ltd. ("Maxima") for the price of NIS 85 million. As a result, the Company holds 75% of the share capital and 77% of the voting rights in Maxima, and as from the second quarter of 2008 the Company fully consolidates the financial statements of Maxima in its financial statements. As a result of the aforementioned acquisition, the Company recorded adjustments to the fair value of identifiable assets and liabilities, net, in the amount of NIS 52 million, goodwill in the amount of NIS 2 million and a revaluation capital reserve in the amount of NIS 13 million.

As at the date of acquisition, the effect of the acquisition of the assets and liabilities was as follows:

	Carrying value before acquisition	Fair value adjustments	Values recognized at acquisition
	N I S	m i l l i o n s	
Non-current assets	75	-	75
Intangible assets	-	69	69
Inventory	6	1	7
Trade and other receivables	44	-	44
Cash and cash equivalents	12	-	12
Deferred tax liabilities	(6)	(18)	(24)
Trade and other payables	(20)	-	(20)
	<u>111</u>	<u>52</u>	<u>163</u>
Identifiable assets and liabilities, net			2
Goodwill at acquisition			<u>165</u>
Consideration received, satisfied in cash			(85)
Cash acquired			<u>12</u>
Cash disposed of			<u>(73)</u>

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 3 - Investee Companies (cont'd)

B. Changes in investments during the second quarter of 2008 (cont'd)

5. Changes in other investments

a. (cont'd)

Fair value adjustments in respect of fixed and intangible assets and liabilities of Maxima are as follows:

	Amount (NIS millions)	Amortization period
Customer relations	62	20 years, and according to the economic benefits anticipated from the customers in each period
Brand	7	10 years, and according to the economic benefits anticipated from the customers in each period
Inventory	1	During 2008.
Provision for tax	(18)	Corresponding to the items for which the provision was created.
	52	

- b. In May 2008 Netvision Ltd. (hereinafter – Netvision), an affiliate of the Company (held 32% by the Company directly and 16% by Elron Electronic Industries Ltd. (hereinafter – Elron), an affiliate of the Company held at the rate of 49%), signed an agreement with Bank Leumi le-Israel B.M. (“the bank”) for the purchase of the bank’s holding (15%) in the issued share capital of HOT – Telecommunication Systems Ltd. (“HOT”), a public company the shares of which are traded on the Tel Aviv Stock Exchange Ltd. In accordance with the agreement, Netvision shall pay the bank the amount of NIS 480 million for the acquired shares, of which NIS 320 million will be paid on the date of closing the transaction, and the balance of NIS 160 million (“the deferred payment”) will be paid to the bank within 18 months from the date of closing the transaction. The deferred payment shall bear nominal annual interest of 4% as from the date of closing the transaction until the actual date of payment. As security for the payment Netvision shall pledge a third of the acquired shares under a single first degree lien, with no other recourse of the bank to Netvision. The closing of the transaction is contingent upon fulfillment of certain suspending conditions, including receipt of the approvals required by law to the purchase of the said shares. There is no certainty that the transaction will be completed. For details on a claim filed by a third party with respect to the aforementioned shares see Paragraph 2d of Note 7C hereunder.
- c. In June 2008 Elron completed the purchase of 5% of the issued share capital of Given Imaging Ltd. (hereinafter – Given Imaging) for the price of \$ 24 million in accordance with a special purchase offer that was published by Elron. Following this, Given Imaging is 27.4% held by Elron (including 9% in concatenation by its subsidiary), and 16% by the Company.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 3 - Investee Companies (cont'd)

C. Attached financial statements of GVT, a 16% held affiliate

The financial statements of GVT are prepared according to US GAAP. The Company states its investment in GVT on the equity basis, on the basis of the financial statements of GVT which were first adjusted to IFRS.

The effect of the adjustment of the financial statements of GVT to IFRS is as follows:

	<u>As reported</u>	<u>Adjustment</u> \$ thousand	<u>Balance</u> <u>according to</u> <u>the IFRS</u>
1. The effect on the shareholders' equity			
As at June 30, 2008	<u>204,911</u>	<u>36,247</u>	<u>241,158</u>
As at June 30, 2007	<u>181,025</u>	<u>18,583</u>	<u>199,608</u>
As at December 31, 2007	<u>207,455</u>	<u>43,320</u>	<u>250,775</u>
2. The effect on net earnings			
For the six month period ended June 30, 2008	<u>67,988</u>	<u>(6,600)</u>	<u>61,388</u>
For the six month period ended June 30, 2007	<u>242,290</u>	<u>(20,013)</u>	<u>222,277</u>
For the three month period ended June 30, 2008	<u>757</u>	<u>(1,504)</u>	<u>(747)</u>
For the three month period ended June 30, 2007	<u>7,825</u>	<u>(1,096)</u>	<u>6,729</u>
For the year ended December 31, 2007	<u>251,939</u>	<u>2,923</u>	<u>254,862</u>

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 4 - Events in the Current Period

A. Taxes on income

In February 2008 the Knesset enacted the Income Tax Law (Adjustments for Inflation) (Amendment No. 20) (Restriction of Effective Period) – 2008 (“Amendment No. 20”). In accordance with Amendment No. 20, the effective period of the Adjustments Law ended in the 2007 tax year, other than the transitional provisions intended at preventing distortions in the tax calculations. In accordance with Amendment No. 20, as from the 2008 tax year income for tax purposes will no longer be adjusted to a real (net of inflation) measurement basis. Furthermore, the depreciation of inflation immune assets and carried forward tax losses will no longer be linked to the CPI, so that these amounts will be adjusted until the end of the 2007 tax year after which they will cease to be linked to the CPI.

B. In June 2008 the Company distributed a cash dividend in the amount of NIS 150 million, constituting NIS 1.76 per each ordinary share.

C. In the first half and second quarter of 2008 the exchange rate of the dollar decreased by 13% and 6%, respectively. As a result, in the first half and second quarter of 2008, the Company recorded a loss in the amount of NIS 142 million and NIS 54 million, respectively, on balances of assets and liabilities, net, denominated in dollars or linked thereto (not including such balances in its investee companies). Furthermore, in the second quarter of 2008 the CPI (latest known index) increased by 2.4%, following which the Company recorded an expense in the amount of NIS 126 million in the second quarter of 2008.

D. In March 2008 the Companies Regulations regarding the remuneration of external directors were changed so as to, inter alia, increase the remuneration paid and add the possibility of paying to an external “expert” director (as defined in the regulations) higher remuneration than to an external director who is not an expert. Following these changes, and in accordance with the resolution from July 2005 of the Company’s general meeting of shareholders, the directors’ remuneration paid by the Company was increased to the maximum possible amounts allowed in the aforementioned regulations. Following the aforementioned change in the regulations, various investee companies of the Company also increased the remuneration they pay to their directors, some of whom are also directors of the Company.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 5 - Equity and Reserves

Changes in equity

	Attributable to the equity holders of the Company										Total equity attributable to the equity holders of the Company	Minority interests	Total equity			
	Share capital	Share premium	Receipts on account of options	Capital reserves from translation differences	Hedge reserves	Capital reserves in respect of available for sale financial assets	Revaluation reserves	Retained earnings								
			N	I	S	m	i	l	l	i	o	n	s			
For the year ended December 31, 2007 (audited)																
Balance as at January 1, 2007	735	4,109	-	-	-	(22)	27	-	-	-	604	-	5,453	2,449	7,902	
Issuance of shares and options	4	519	10	-	-	-	-	-	-	-	-	-	533	-	533	
Exercise of share options	3	383	(7)	-	-	-	-	-	-	-	-	-	379	-	379	
Expiry of options	-	3	(3)	-	-	-	-	-	-	-	-	-	-	-	-	
Dividend paid to the equity holders of the Company	-	-	-	-	-	-	-	-	-	-	(2,076)	-	(2,076)	-	(2,076)	
Share of the minority in dividends paid by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(287)	(287)	
Increase in minority rights following issuance of rights in subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	207	207	
Sale of rights to the minority *	-	-	-	-	-	-	-	-	-	-	-	-	-	497	497	
Decrease in minority interest following discontinuance of consolidation of subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,019)	(1,019)	
Share-based payments granted by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	38	38	
Total income for the period	-	-	-	(303)	-	1	26	1	1	1,669	-	-	1,394	500	1,894	
Balance as at December 31, 2007	<u>742</u>	<u>5,014</u>	<u>-</u>	<u>(303)</u>	<u>-</u>	<u>(21)</u>	<u>53</u>	<u>1</u>	<u>1</u>	<u>197</u>	<u>-</u>	<u>-</u>	<u>5,683</u>	<u>2,385</u>	<u>8,068</u>	

* Including issuance of shares to minority in subsidiary.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 5 - Equity and Reserves (cont'd)

Changes in equity (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					
For the six months ended June 30, 2008 (unaudited)												
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 (See note 4.b)	-	-	-	-	-	-	(150)	(150)	-	(150)		
Share of the minority in dividends paid by subsidiaries	-	-	-	-	-	-	-	-	(561)	(561)		
Acquisition of minority interests	-	-	-	-	-	-	-	-	(254)	(254)		
Sale of rights to the minority *	-	-	-	-	-	-	-	-	42	42		
Share-based payments granted by subsidiaries	-	-	-	-	-	-	-	-	15	15		
Increase in minority interests following initial consolidation of subsidiary	-	-	-	-	-	-	-	-	41	41		
Total (expense) income for the period	-	-	(508)	(10)	2	22	251	(243)	218	(25)		
Balance as at June 30, 2008	<u>742</u>	<u>5,014</u>	<u>(811)</u>	<u>(31)</u>	<u>55</u>	<u>23</u>	<u>298</u>	<u>5,290</u>	<u>1,886</u>	<u>7,176</u>		

* Including issuance of shares to minority in subsidiary.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 5 - Equity and Reserves (cont'd)

Changes in equity (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 Company	Minority interests	Total equity
			N	I	S		m	i					
For the three months ended June 30, 2008 (unaudited)													
Balance as at April 1, 2008	742	5,014	(606)	(33)		42	10		383	5,552	2,017	7,569	
Dividend paid to the equity holders of the Company (See note 4.b)	-	-	-	-	-	-	-	-	(150)	(150)	-	(150)	
Share of the minority in dividends paid by subsidiaries	-	-	-	-	-	-	-	-	-	-	(128)	(128)	
Acquisition of minority interests	-	-	-	-	-	-	-	-	-	-	(174)	(174)	
Sale of rights to the minority *	-	-	-	-	-	-	-	-	-	-	12	12	
Share-based payments granted by subsidiaries	-	-	-	-	-	-	-	-	-	-	9	9	
Increase in minority interests following initial consolidation of subsidiary	-	-	-	-	-	-	-	-	-	-	41	41	
Total (expense) income for the period	-	-	(205)	2		13	13		65	(112)	109	(3)	
Balance as at June 30, 2008	<u>742</u>	<u>5,014</u>	<u>(811)</u>	<u>(31)</u>		<u>55</u>	<u>23</u>		<u>298</u>	<u>5,290</u>	<u>1,886</u>	<u>7,176</u>	

* Including issuance of shares to minority in subsidiary.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 5 - Equity and Reserves (cont'd)

Changes in equity (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			Retained earnings	Total equity attributable to the equity holders of the Company	Minority interests	Total equity
			N	I	S		i	l	l				
For the six months ended June 30, 2007 (unaudited)													
Balance as at January 1, 2007	735	4,109	-		(22)	27		604		5,453	2,449	7,902	
Dividend paid to the equity holders of the Company	-	-	-		-	-		(816)		(816)	-	(816)	
Share of the minority in dividends proposed by subsidiaries	-	-	-		-	-		-		-	(93)	(93)	
Sale of minority interests *	-	-	-		-	-		-		-	366	366	
Share-based payments granted by subsidiaries	-	-	-		-	-		-		-	23	23	
Total (expense) income for the period	-	-	47		13	11		1,511		1,582	287	1,869	
Balance as at June 30, 2007	<u>735</u>	<u>4,109</u>	<u>47</u>		<u>(9)</u>	<u>38</u>		<u>1,299</u>		<u>6,219</u>	<u>3,032</u>	<u>9,251</u>	

* Including issuance of shares to minority in subsidiary.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 5 - Equity and Reserves (cont'd)

Changes in equity (cont'd)

	Attributable to the equity holders of the Company								Total equity	
	Share capital	Share premium	Capital reserves from translation differences			Hedge reserves	Capital reserves in respect of available for sale financial assets	Retained earnings		Total equity attributable to the equity holders of the Company
			N	I	S					
For the three months ended June 30, 2007 (unaudited)										
Balance as at April 1, 2007	735	4,109	(56)	(17)	36	1,582	6,389	2,725	9,114	
Dividend paid to the equity holders of the Company	-	-	-	-	-	(816)	(816)	-	(816)	
Share of the minority in dividends paid by subsidiaries	-	-	-	-	-	-	-	(83)	(83)	
Sale of minority interests *	-	-	-	-	-	-	-	226	226	
Share-based payments granted by subsidiaries	-	-	-	-	-	-	-	10	10	
Total income for the period	-	-	103	8	2	533	646	154	800	
Balance as at June 30, 2007	<u>735</u>	<u>4,109</u>	<u>47</u>	<u>(9)</u>	<u>38</u>	<u>1,299</u>	<u>6,219</u>	<u>3,032</u>	<u>9,251</u>	

* Including issuance of shares to minority in subsidiary.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 6 - Subsequent Events

- A.** In July 2008 the board of directors of Koor decided to increase the investment of Koor in shares of Credit Suisse to up to a total of NIS 3 billion. The investment will take advantage of purchase and sale opportunities and take into consideration the situation on the markets and the assessments of Koor from time to time. The board of directors of Koor may in the future consider increasing the amount of the investment, as well as approving investments in shares of other European financial institutions. In July and August 2008 Koor purchased additional shares and also sold shares of Credit Suisse. As a result of the said sales, Koor shall record in the third quarter of 2008 a gain in the amount of NIS 208 million and the Company shall record a net gain of NIS 103 million in respect of its share in the aforementioned gain of Koor. As at the date of signing these financial statements, Koor holds 0.35% of the share capital of Credit Suisse (net of treasury shares), at a total investment of NIS 531 million. Subsequent to balance sheet date and up to the date of publishing these financial statements, Koor converted most of its US dollar denominated cash balances into Swiss francs following the purchases and sales of the Credit Suisse shares.
- B.** In July 2008 Koor published a shelf registration offer for the issuance of shares of Koor in the total amount of NIS 679 million, by means of offering rights to the ordinary shareholders of Koor. The last date for exercising rights is August 26, 2008. The Company intends to take advantage of all the rights offered to it, in the total amount of NIS 336 million.
- C.** In July 2008, Property & Building and other companies, who are all shareholders of K.B.A. Townbuilders Group Ltd. (hereinafter – K.B.A.), signed an agreement for the sale of all their holdings in K.B.A. to a third party for the price of NIS 160 million. Before completing the sale, K.B.A. is expected to distribute a dividend in the amount of NIS 41 million. If for any reason a lower dividend is distributed - the amount of the consideration will be increased so that the total amount of the consideration including the dividend will be NIS 201 million. Completion of the said transaction is subject to receipt of the approvals required by law. Property & Building holds 23% of the share capital of K.B.A., and Clal Industries and Investments Ltd., a company controlled by the controlling shareholder of the Company, holds 53% of the share capital of K.B.A. Upon the closing of the transaction, to the extent it is closed, Property & Building anticipates recording in its respect a net gain of NIS 24 million. If the aforementioned transaction is executed as described above, the Company anticipates recording a net gain currently estimated at NIS 18 million in respect of the share of the Company in the anticipated gain of Property & Building on the transaction. The gain will be recorded on the date Property & Building records its gain on the transaction.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 6 - Subsequent Events (cont'd)

- D.** In July 2008, in accordance with agreements from March 2008, a transaction was completed by which IDBG purchased part of the shares of two real estate companies in Las Vegas for the price of \$ 13.5 million. In addition, in March 2008 IDBG entered into an agreement to purchase part of the shares of an additional real estate company in Las Vegas for the price of \$ 8 million, but the suspending conditions for the execution of this agreement have not yet been fulfilled and accordingly this transaction has not yet been closed. The owners of the rights in the said real estate companies (hereinafter – the real estate companies) signed a memorandum of understanding and collaboration with respect to the provision of financing and collateral, the rights to profits of the real estate companies and other matters. In accordance with the agreement, the projects of the real estate companies can be financed by the owners of the rights in real estate companies not according to their proportionate share (direct and/or indirect) in the real estate companies.

According to the resolutions of the authorized bodies of Property & Building, the financing provided by Property & Buildings' to the projects of the real estate companies plus its financing of additional purchases in the real estate companies as aforementioned (including in the framework of the acquisition agreements) shall not exceed a total of \$ 120 million (this amount will not include completion guarantees or any similar commitments that are provided, if any, to the financing parties, including the provision of indemnity in respect of such commitments that are provided by others).

In July 2008, an agreement was signed regarding extension of the construction loan that was granted to one of the real estate companies, so that the final date of repayment of the loan was determined as the end of May 2009. As part of the loan extension agreement, the lenders confirmed that a technical breach caused by the creation of liens by certain contractors on rights of the real estate company to the land had been repaired. In addition dates of interim repayments of part of the balance of the loan were determined and the rate of interest on the loan updated.

The balance of the loan's principal as at the above date was approximately US\$101 million (the original amount of the loan was US\$380 million). As part of the loan extension agreement, IDBG issued a guarantee for damages incurred by the lenders as a result of certain breaches of the loan agreement (if any), and under very specific circumstances – a guarantee to pay the balance of the debt.

Until the date of this report, IDBG has provided loans to the real estate companies pursuant to the aforementioned memorandum of understanding in an aggregate amount of approximately \$99 million (the share of Property & Building is \$ 49.5 million).

- E.** In August 2008 the board of directors of Cellcom resolved to distribute a cash dividend in the amount of NIS 270 million that will be paid in September 2008. The Company's share in the said dividend amounts to NIS 136 million.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 6 - Subsequent Events (cont'd)

- F.** Acquisition of the land for the Plaza project in Las Vegas that is described in Paragraph 2c of Note 3A was financed, inter alia, by a bank loan in the amount of \$ 625 million that the project company received and is repayable in August 2008, with an option to extend it by two half year periods each, under certain circumstances, including the payment of a fee at the rate of 0.25% for each period of extension. In August 2008 the loan was extended for a half year until February 2009, according to the aforementioned, without any change in the original terms. The weighted interest in respect of the extension period is the Libor interest rate plus 3.1%, meaning that the interest in annual terms, including the Libor rate, amounts to 6.29%.
- G.** In July 2008 the general shareholders' meeting of the Company resolved to increase from \$ 20 million to \$ 40 million the insurance coverage in every basic liability insurance policy for officers of the Company, including officers who are controlling shareholders of the Company or their relatives, that the Company is permitted to take out in the future in accordance with the resolution of the meeting of the Company's shareholders that took place in July 2005. The general meeting's resolution from July 2005 allows the Company to purchase officers liability insurance policies in certain circumstances provided in the said resolution, for insurance periods until July 31, 2010.
- H.** On the date of approval of the financial statements, the Company's Board of Directors decided to distribute a cash dividend in the amount of NIS 270 million, constituting NIS 3.17 per ordinary share. The dividend will be distributed on September 11, 2008 with the date of record being August 27, 2008 and the ex-day being August 28, 2008.

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.** See Notes 19 and 20 of the annual financial statements regarding contingent liabilities and claims pending against the Company and its investee companies as at the date of approval of these interim financial statements.
- B.** **Changes after approval of the annual financial statements with respect to claims and contingent liabilities described in those financial statements**

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 7 - Contingent Liabilities (cont'd)

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

1. Further to that mentioned in Paragraph 1(p) of Note 19B of the annual financial statements regarding a claim against Cellcom and two other cellular companies, and a request to certify the claim as a class action in the amount of NIS 182 million (claimed from all the defendants together, without specifying the amount claimed from Cellcom), that were filed with the Jerusalem District Court in September 2007:

In July 2008 the aforementioned claim and request were struck out. In the framework of the strike out, the defendants agreed to not charge their customers, and where relevant, to return to the customer the amounts they were charged in respect of actions specified in the claim. Cellcom's share in the aforementioned amounts is insignificant.

2. Further to that mentioned in Paragraph 2(d) of Note 19B of the annual financial statements regarding a claim against Shufersal, three egg distributors and five other food chains in Israel, and a request to certify the claim as a class action in the amount of NIS 1.1 billion (claimed from all the defendants together, without specifying the amount claimed from Shufersal), that were filed with the District Court of Central Region in February 2008:

In July 2008 the said claim and request were struck out by the Court.

C. Claims filed after the approval of the annual financial statements

1. Claims against Cellcom

- a. In April 2008 a claim and an application to certify the claim as a class action were filed against Cellcom with the Tel Aviv-Jaffa District Court by plaintiffs contending they are subscribers of Cellcom. In the claim it is alleged that Cellcom overcharged certain subscribers who are entitled to refunds according to their agreements with Cellcom, as the result of an incorrect calculation of the refunds. The plaintiffs estimate the amount claimed at NIS 100 million if the claim is certified as a class action. At this stage Cellcom assesses, on the basis of the opinion of its legal counsel, that the likelihood of the claim being certified as a class action is lower than the likelihood of it not being certified. Accordingly, no provision was included in the financial statements of Cellcom in respect of this claim.
- b. In May 2008 a claim and an application to certify the claim as a class action were filed with the Tel Aviv-Jaffa District Court against Cellcom and two other cellular companies by plaintiffs contending they are subscribers of the defendants. In the claim it is alleged that the defendants wrongly charged their subscribers for failed attempts to make certain calls when the subscribers were abroad. The plaintiffs estimate the amount claimed from all three defendants at NIS 50 million if the claim is certified as a class action, and they do not specify the amount attributed to Cellcom. At this early stage, Cellcom is unable to evaluate the chances of the claim. Therefore, no provision was included in the financial statements of Cellcom in respect of this claim.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 7 - Contingent Liabilities (cont'd)

C. Claims filed after the approval of the annual financial statements (cont'd)

1. Claims against Cellcom (cont'd)

- c. In July 2008 a claim and an application to certify the claim as a class action were filed with the Tel Aviv-Jaffa District Court against Cellcom by a plaintiff contending to be a subscriber of Cellcom. In the claim it is alleged that Cellcom misled and overcharged certain subscribers with respect to packages of air time. The plaintiff estimates the amount claimed at NIS 72 million if the claim is certified as a class action. At this early stage, Cellcom is unable to evaluate the chances of the claim. Therefore, no provision was included in the financial statements of Cellcom in respect of this claim.

2. Claims against affiliates of the Company

- a. In the second quarter of 2008 five claims and applications to certify the claims as class actions were filed against 013 Netvision Ltd. (formerly Netvision 013 Barak Ltd.), a wholly owned subsidiary of Netvision (hereinafter – 013 Netvision), regarding international calling cards (hereinafter – calling cards). Other companies that provide international phone services are also named as defendants in some of the aforementioned claims and applications. The claims include allegations against the defendants regarding calculation of the charges made to the calling cards in respect of the time of calls made using them. Details of these claims are provided hereunder:
 1. In April 2008 a claim and an application to certify the claim as a class action was filed with the Tel Aviv-Jaffa District Court against a number of the aforementioned defendants. This claim also includes allegations regarding the coordination of prices that constitutes a restrictive arrangement between the defendants as regards their calling cards. If the claim is certified as a class action, the plaintiff estimates the amount claimed from all the defendants at NIS 400 million in respect of the allegations regarding calculation of the amounts charged to the calling cards (the plaintiffs estimate that 30% of this amount is the share of 013 Netvision), and NIS 9 million in respect of the allegations regarding price coordination (without specifying the amount attributed to 013 Netvision).
 2. In April 2008 a claim and an application to certify the claim as a class action were filed with the Tel Aviv-Jaffa District Court against a number of the aforementioned defendants. If the claim is certified as a class action, the plaintiffs estimate the amount claimed from all the defendants at NIS 158 million without specifying the amount claimed from 013 Netvision.
 3. In April 2008 a claim and an application to certify the claim as a class action were filed with the Tel Aviv-Jaffa District Court against 013 Netvision alone. If the claim is certified as a class action, the plaintiffs estimate the amount claimed at NIS 138 million.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 7 – Contingent Liabilities

C. Claims filed after the approval of the annual financial statements (cont'd)

2. Claims against affiliates of the Company (cont'd)

a. (cont'd)

4. In May 2008 a claim and an application to certify the claim as a class action were filed with the District Court of Central Region against 013 Netvision alone. If the claim is certified as a class action, the plaintiff estimates the amount claimed at NIS 78 million.
5. In June 2008 a claim and an application to certify the claim as a class action was filed with the Tel Aviv-Jaffa District Court against a number of the aforementioned defendants. This claim also includes allegations regarding the coordination of prices that constitutes a restrictive arrangement between the defendants as regards their calling cards. If the claim is certified as a class action, the plaintiffs estimate the amount claimed from all the defendants at NIS 329 million in respect of the allegations regarding calculation of the amounts charged to the calling cards and NIS 3 million in respect of the allegations regarding price coordination, without specifying the amount attributed to 013 Netvision.

At this stage Netvision and its legal counsel assess that the likelihood of the claims being certified as class actions is lower than the likelihood of them not being certified. Accordingly, no provision was included in the financial statements of Netvision in respect of these claims.

- b. In July 2008 two claims and applications to certify the claims as class actions were filed with the Tel Aviv-Jaffa District Court against 013 Netvision, each by a different plaintiff contending to be a customer of 013 Netvision. These claims are essentially similar and include allegations against 013 Netvision regarding the dollar exchange rate 013 Netvision uses to charge its customers as from the end of 2007 in respect of services denominated in dollars or linked thereto. If the claims are certified as class actions, the plaintiffs estimate the amounts claimed at NIS 7 million and NIS 76 million in respect of one claim and at NIS 28 million in respect of the other claim. At this stage Netvision and its legal counsel assess that the likelihood of the claims being certified as class actions is lower than the likelihood of them not being certified. Accordingly, no provision was included in the financial statements of Netvision in respect of these claims.
- c. In June 2008 a claim and an application to certify the claim as a class action were filed with the District Court of Central Region against Shufersal and the printers' manufacturer HP, as well as against five retail chains in Israel. The claim alleges, inter alia, that the defendants coordinate between them the prices of certain original ink cartridges of HP that are sold in the stores of the defendants so as to constitute a restrictive arrangement, contrary to the provisions of the Restrictive Arrangements Law – 1988. If the claim is certified as a class action, the plaintiff estimates the amount claimed from the defendant at NIS 81 million (of which NIS 27 million is in respect of pecuniary damages and the balance is punitive)

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 7 - Contingent Liabilities (cont'd)

C. Claims filed after the approval of the annual financial statements (cont'd)

2. Claims against affiliates of the Company (cont'd)

c. (cont'd)

At this early stage, Shufersal is unable to evaluate the chances of the claim. Therefore, no provision was included in the financial statements of Shufersal in respect of this claim.

- d. In July 2008, at the request of a minority shareholder of Tevel Israel International Communications Ltd. (hereinafter – Tevel), Netvision was added as a defendant to a claim that filed in the past by the shareholder with the District Court of Central Region against the principal shareholders of HOT, including the banks that own shares of HOT, and other defendants. In the claim the said plaintiff requests that the Court declare that the shareholder has the right to purchase shares of HOT that are currently held by the banks and were transferred to the banks in the past by Tevel, including shares of HOT held by Bank Leumi. Furthermore, the plaintiff requests that the Court state that the transfer of the HOT shares from Tevel to the banks is null and void. Netvision is currently studying the claim and at this stage is unable to assess its chances. In the agreement between Netvision and Bank Leumi from May 2008 regarding purchase of the shares of HOT held by Bank Leumi, Bank Leumi undertook towards Netvision that if it is found that the HOT shares held by Bank Leumi are not free and clear, Bank Leumi would indemnify Netvision in respect of any damages incurred by it as a result, subject to restrictions. See Paragraph 5b of Note 3B regarding the agreement to purchase shares of HOT by Netvision.

- e. In June 2008 a third party notice was served against Makhteshim Chemical Works Ltd. (hereinafter – Makhteshim), a wholly owned subsidiary of Makhteshim Agan, and 35 additional entities and people by the Ramat Hovav Local Industrial Council in respect of the pending claims described hereunder:

In March 2007 two claims were filed with the Be'er Sheva District Court, and in June 2007 an additional claim was filed with the same court, against the Ramat Hovav Local Industrial Council and the State of Israel. One of these claims was filed by a number of residents of Omer and Be'er Sheva, and the other two claims were filed by the Bedouin population in the north of the Negev (hereinafter together in this item – the plaintiffs). The plaintiffs allege that they incurred various diseases and defects and that there is a causal connection between their diseases and the toxic substances that were emitted or leaked at the industrial site at Ramat Hovav. The plaintiffs allege that two main focal points of pollution were identified: the wastewater purification plant and evaporation ponds (owned and operated by the Ramat Hovav Local Industrial Council), and the plants located in the Ramat Hovav industrial park, including the plant of Makhteshim, which according to the plaintiffs considerably exceeded the allowed level of pollution.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 7 - Contingent Liabilities (cont'd)

C. Claims filed after the approval of the annual financial statements (cont'd)

2. Claims against affiliates of the Company (cont'd)

e. (cont'd)

The plaintiffs further allege that the Ramat Hovav Local Industrial Council and the State of Israel were negligent in, inter alia, supervising, enforcing and implementing plans to prevent the exposure of the plaintiffs to pollution caused by the Ramat Hovav industrial park. The plaintiffs estimate the total amounts claimed at NIS 242 million.

In the opinion of Makhteshim Agan and its legal counsel, in light of the early stage of the proceeding they are unable to evaluate the chances of the claims. Therefore, no provision was included in respect of these claims in the financial statements of Makhteshim Agan.

Note 8 - Business Segments

	Communications			Technology		Retail and services	Real- estate	Industry	Total	
	N	I	S	m	i	l	i	o	n	s
Data from the statement of income for the six months ended June 30, 2008 (unaudited)										
Revenues of the segment	3,195			-		11	487	160		3,853
The Company's equity in net earnings (losses) of affiliated companies	56			(72)		71	57	(129)		(17)
Gain from realization of investments and assets	320			-		6	-	3		329
Increase in fair value of investment property	-			-		-	178	-		178
Other income	1			-		-	46	-		47
Total revenues (loss) for the period	<u>3,572</u>			<u>(72)</u>		<u>88</u>	<u>768</u>	<u>34</u>		<u>4,390</u>
Segment results for the period	<u>1,210</u>			<u>(72)</u>		<u>75</u>	<u>473</u>	<u>(111)</u>		<u>1,575</u>

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 8 - Business Segments (cont'd)

	Communications			Technology		Retail and services	Real- estate	Industry	Total	
	N	I	S	m	i	l	i	o	n	s
Data from the statement of income for the six months ended June 30, 2007 (unaudited)										
Revenues of the segment		2,894		-		4,770	316	167		8,147
The Company's equity in net earnings of affiliated companies		131		6		1	36	54		228
Gain from realization of investments and assets		676		1		356	6	1		1,040
Increase in fair value of investment property		-		-		-	11	-		11
Other income		2		-		5	-	-		7
Total revenues for the period		<u>3,703</u>		<u>7</u>		<u>5,132</u>	<u>369</u>	<u>222</u>		<u>9,433</u>
Segment results for the period		<u>1,485</u>		<u>7</u>		<u>552</u>	<u>206</u>	<u>82</u>		<u>2,332</u>
Data from the statement of income for the three months ended June 30, 2008 (unaudited)										
Revenues of the segment		1,600		-		6	213	93		1,912
The Company's equity in net earnings (losses) of affiliated companies		10		(34)		40	(2)	(67)		(53)
Gain from realization of investments and assets		137		-		4	-	(2)		139
Increase in fair value of investment property		-		-		-	154	-		154
Other income		1		-		-	28	-		29
Total revenues (loss) for the period		<u>1,748</u>		<u>(34)</u>		<u>50</u>	<u>393</u>	<u>24</u>		<u>2,181</u>
Segment results for the period		<u>577</u>		<u>(34)</u>		<u>43</u>	<u>270</u>	<u>(63)</u>		<u>793</u>

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 8 - Business Segments (cont'd)

	Communications			Technology		Retail and services	Real- estate	Industry	Total
	N	I	S	m	i	l	i	o	n
Data from the statement of income for the three months ended June 30, 2007(unaudited)									
Revenues of the segment		1,456		-		2,354	156	80	4,046
The Company's equity in net earnings (losses) of affiliated companies		15		(13)		1	1	41	45
Gain from realization of investments and assets		1		1		356	5	1	364
Increase in fair value of investment property		-		-		-	11	-	11
Other income		-		-		3	(2)	-	1
Total revenues (loss) for the period		<u>1,472</u>		<u>(12)</u>		<u>2,714</u>	<u>171</u>	<u>122</u>	<u>4,467</u>
Segment results for the period		<u>354</u>		<u>(12)</u>		<u>458</u>	<u>100</u>	<u>52</u>	<u>952</u>
Data from the 2007 statement of income (audited)									
Revenues of the segment		6,045		-		7,323	711	305	14,384
The Company's equity in net earnings (losses) of affiliated companies		147		(105)		38	54	(107)	27
Gain from realization and revaluation of investments and assets *		825		2		512	12	1	1,352
Increase in fair value of investment property *		-		-		-	162	-	162
Other income		1		-		7	6	-	14
Total revenues (loss) in 2007		<u>7,018</u>		<u>(103)</u>		<u>7,880</u>	<u>945</u>	<u>199</u>	<u>15,939</u>
Segment results for 2007		<u>2,265</u>		<u>(103)</u>		<u>868</u>	<u>526</u>	<u>(64)</u>	<u>3,492</u>

* Reclassified.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 9 - Reconciliations of Reports under Israeli GAAP to Reports under IFRS

A. Guidelines of Accounting Standard No. 29 regarding the adoption of IFRS

In accordance with Accounting Standard No. 29, "First Time Adoption of International Financial Reporting Standards (IFRS)" (hereinafter – Standard 29), the Company is required to prepare its financial statements according to IFRS as from reporting periods beginning on or after January 1, 2008. The opening balance sheet according to IFRS will be as at January 1, 2007 (the date of the Company's transition to IFRS, hereinafter – the transition date). The initial implementation of IFRS is effected along with the implementation of IFRS 1, "First Time Adoption of International Financial Reporting Standards", for purposes of the transition.

B. Reconciliation of Israeli GAAP to IFRS

1. IFRS 1 requires presenting a reconciliation in respect of the financial statement data that were published in the past and are included as comparative data in these financial statements, between the amounts of the said financial statement data presented in accordance with Israeli GAAP, as were published in the past, and the amounts that would have been presented if the said financial statements had been prepared in accordance with IFRS.
2. See Note 30 of the annual financial statements for a reconciliation of the consolidated balance sheet items and the Company's equity as at December 31, 2007 and of the consolidated statement of income data for the year ended December 31, 2007, and details regarding the relief the Company has chosen as at the date of transition in accordance with IFRS 1. A number of classifications were made in these interim financial statements with respect to the balance sheet data and statement of income data presented in the aforementioned note. The principal classifications are as follows: in the group of non-current assets the items of other investments and loans, including derivatives and long-term receivables, were split into three items – other investments, including derivatives, loans and debit balances, and long-term trade receivables; the item of deferred expenses decreased by NIS 49 million; the item of non-current financial liabilities increased by NIS 601 million; the item of current financial liabilities decreased by NIS 530 million; the over draft item decreased by NIS 79 million; the item of provisions increased by NIS 91 million; the item of current tax liabilities increased by NIS 12 million; a decrease in financing expenses as well as a decrease in financing income in the amount of NIS 119 million. Other than these classifications there were no changes in the said reconciliation note.
3. Presented hereunder is a reconciliation presenting the material effects of implementing IFRS on the Company's consolidated balance sheet and equity as at June 30, 2007 and on the Company's consolidated statement of income for the six and three months ended June 30, 2007. Following the initial consolidation of the financial statements of Ham-Let (Israel Canada) Ltd. ("Ham-Let"), over which the Company has control by virtue of a voting agreement, the comparative figures under Israeli GAAP were changed for the aforementioned period.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 9 - Reconciliations of Reports under Israeli GAAP to Reports under IFRS (cont'd)

B. Reconciliation of Israeli GAAP to IFRS (cont'd)

3. (cont'd)

The effect of this change on the comparative figures under Israeli GAAP was immaterial, except for the following items: as at June 30, 2007 the amount of NIS 152 million was added to inventory, the amount of NIS 54 million was added to current financial liabilities and the amount of NIS 4 million was added to employee benefits. In addition, the amount of NIS 36 million was reclassified from the item of short-term loans and deposits to the item of marketable securities.

Furthermore, presented hereunder is an explanation of the material adjustments in the Company's consolidated statements of cash flows for the year ended December 31, 2007 and for the six and three months ended June 30, 2007.

C. This note was prepared on the basis of presently known IFRS, which were issued and will be in effect, or can be adopted early, on the first date of the Company's annual report according to IFRS, December 31, 2008, and were the basis for the Company's accounting policy.

The IFRS that will be in effect or can be adopted in the annual financial statements for the year ended December 31, 2008 are subject to changes and the issuance of further interpretations, and therefore full certainty does not yet exist regarding their instructions and provisions. Accordingly, the accounting principles that were applied in respect of the periods presented will be determined finally only when the first financial statements are prepared according to IFRS for December 31, 2008.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 9 - Reconciliations of Reports under Israeli GAAP to Reports under IFRS (cont'd)

C. (cont'd)

Adjustments following the transition to reporting according to IFRS, in the Company's consolidated balance sheet as at June 30, 2007:

Item	Israeli GAAP *		Effect of the transition to reporting according to IFRS	IFRS
	N	I S	m i l l i o n s	
Non-current assets				
Investments in affiliated companies	1, 3, 4	4,197	(23)	4,174
Other investments, including				
derivatives	1	33	96	129
Loans and debit balances		130	23	153
Fixed assets	2	4,469	(148)	4,321
Investment property		5,003	(119)	4,884
Investment property under construction		-	118	118
Funding for employee benefits		-	10	10
Long-term trade receivables		436	-	436
Non-current inventory	2	229	(1)	228
Deferred expenses		28	137	165
Deferred tax assets	2	14	89	103
Intangible assets		4,139	40	4,179
		<u>18,678</u>	<u>222</u>	<u>18,900</u>
Current assets				
Current investments, including				
derivatives		714	(1)	713
Loans and short-term deposits		46	(1)	45
Financial receivable		78	9	87
Other receivables	2	288	(122)	166
Current tax assets		-	24	24
Trade receivables	2	2,462	(21)	2,441
Inventory		820	-	820
Inventory of buildings held for sale	2	374	344	718
Cash and cash equivalents		5,521	-	5,521
		<u>10,303</u>	<u>232</u>	<u>10,535</u>
		<u>28,981</u>	<u>454</u>	<u>29,435</u>

* Reclassified. See note 9.b.3.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 9 - Reconciliations of Reports under Israeli GAAP to Reports under IFRS (cont'd)

C. (cont'd)

Adjustments following the transition to reporting according to IFRS, in the Company's consolidated balance sheet as at June 30, 2007 (cont'd):

Item	Israeli	Effect of the transition	IFRS	
	GAAP *	to reporting according to IFRS		
	N I S	m i l l i o n s		
Equity				
Equity attributed to the Company's shareholders	1, 2, 3, 4	6,185	34	6,219
Minority interests	1, 2, 7	3,062	(30)	3,032
		9,247	4	9,251
Non-current liabilities				
Financial liabilities	2	13,999	6	14,005
Deferred income		16	-	16
Provisions		43	60	103
Deferred tax liabilities	1, 2	816	(12)	804
Employee benefits		22	44	66
		14,896	98	14,994
Current liabilities				
Financial liabilities		1,030	-	1,030
Payables, credit balances and current liabilities	2	1,627	(101)	1,526
Trade payables		2,178	(45)	2,133
Current tax liabilities		-	354	354
Deferred income		3	-	3
Provisions		-	144	144
		4,838	352	5,190
		28,981	454	29,435

* Reclassified. See note 9.b.3.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 9 - Reconciliations of Reports under Israeli GAAP to Reports under IFRS (cont'd)

C. (cont'd)

Adjustments following the transition to reporting according to IFRS, in the Company's consolidated statement of income for the six months ended June 30, 2007:

Item	Israeli	Effect of the transition to		IFRS
	GAAP *	reporting according to		
	N I S	IFRS		IFRS
		m i l l i o n s		
Income				
Sales and services	2	8,231	(84)	8,147
Company's equity in the net earnings of affiliated companies	3, 4, 6	148	80	228
Gain from realization of investments and assets	4	986	54	1,040
Increase in fair value of investment property		11	-	11
Other income		11	(4)	7
Financial income	5	-	208	208
		9,387	254	9,641
Expenses				
Cost of sales and services	2	5,336	(30)	5,306
Selling expenses	2	1,350	(9)	1,341
General and administrative expenses	2	510	(45)	465
Loss from realization and reduction of investments and assets		16	-	16
Financial expenses	2, 5	190	222	412
		7,402	138	7,540
Earnings before income tax		1,985	116	2,101
Income tax	2	(314)	5	(309)
Net earnings for the period		1,671	121	1,792
Attributable to:				
The Company shareholders	2, 3, 4, 6	1,384	131	1,515
Minority interests	2	287	(10)	277
		1,671	121	1,792
Net earning per NIS 1 par value of ordinary shares:				
		NIS	NIS	NIS
Basic earnings per share		17.8	1.7	19.5
Diluted earnings per share		17.7	1.8	19.5

* Reclassified. See note 9.b.3.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 9 - Reconciliations of Reports under Israeli GAAP to Reports under IFRS (cont'd)

C. (cont'd)

Adjustments following the transition to reporting according to IFRS, in the Company's consolidated statement of income for the three months ended June 30, 2007:

Item	Israeli GAAP *		Effect of the transition to reporting according to IFRS	
	N	I S	m i l l i o n	s
Income				
Sales and services	2	4,111	(65)	4,046
Company's equity in the net earnings of affiliated companies	3, 4, 6	31	14	45
Gain from realization and revaluation of investments and assets	4	372	(8)	364
Increase in fair value of investment property		11	-	11
Other income, net		6	(5)	1
Financial income	5	-	113	113
		4,531	49	4,580
Expenses				
Cost of sales and services	2	2,660	(35)	2,625
Selling expenses	2	667	(4)	663
General and administrative expenses	2	253	(21)	232
Loss from realization and revaluation of investments		7	-	7
Financial expenses	2, 5	94	119	213
		3,681	59	3,740
Earnings before income tax		850	(10)	840
Income tax	2	(167)	6	(161)
Net earnings for the period		683	(4)	679
Attributable to:				
The Company shareholders	2, 3, 4, 6	533	4	537
Minority interests	2	150	(8)	142
		683	(4)	679
Net earning per NIS 1 par value of ordinary shares:				
		NIS	NIS	NIS
Basic earnings per share		6.8	0.1	6.9
Diluted earnings per share		6.8	0.1	6.9

* Reclassified. See note 9.b.3

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 9 - Reconciliations of Reports under Israeli GAAP to Reports under IFRS (cont'd)

C. (cont'd)

Adjustments following the transition to reporting according to IFRS, in equity as at June 30, 2007:

	Attributable to the equity holders of the Company									Minority interest	Total Equity						
	Share Capital	Share premium	Dividend declared subsequent to balance sheet date	Retained earnings	Capital reserves from translation differences	Hedge reserves	Capital reserves in respect of available for sale financial assets	Other capital reserves	Total equity attributed to the Company's shareholders								
	()	()	()	()	(
	N	I	S	n	a	m	i	l	l	t	i	e	o	n	s		
Israeli GAAP	735	4,109	900	438	(182)	(9)	-	194	6,185	-	6,185						
1 Valuation of available for sale financial instruments according to fair value	-	-	-	-	-	-	38	-	38	3	41						
2 Change in method of recognizing revenue from the sale of apartments	-	-	-	(23)	-	-	-	-	(23)	(19)	(42)						
3 Liabilities to Chief Scientist in respect of Government grants	-	-	-	(68)	-	-	-	-	(68)	-	(68)						
4 Accounting for business combinations under common control at fair value as from the transition date	-	-	-	102	-	-	-	3	105	-	105						
6 Inclusion in retained earnings of the balance on the transition date of capital reserves from translation differences and other capital reserves	-	-	-	(37)	234	-	-	(197)	-	-	-						
7 Reclassification of the minority interest as a separate component of the equity	-	-	-	-	-	-	-	-	-	3,062	3,062						
8 Change in classification of dividend declared subsequent to balance sheet date in the statement of shareholders' equity	-	-	(900)	900	-	-	-	-	-	-	-						
Other changes	-	-	-	(13)	(5)	-	-	-	(18)	(14)	(32)						
IFRS	735	4,109	-	1,299	47	(9)	38	-	6,219	3,032	9,251						

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 9 - Reconciliations of Reports under Israeli GAAP to Reports under IFRS **(cont'd)**

Details of the material adjustments for the transition to reporting according to IFRS in the first half of 2007

- 1. Valuation of available for sale financial instruments according to fair value and balance sheet reclassification** – In accordance with Israeli GAAP the Company classified its investments in non-marketable shares as permanent investments that are measured at cost, net of impairment in value not having a temporary nature. In accordance with IFRS, the Company classifies these investments as available for sale financial assets, and they are measured at fair value on every balance sheet date. Changes in their fair value are included in a capital reserve in respect of available for sale financial assets, other than prolonged or significant impairment in value that are included in the statement of income. The effect of the transition to reporting according to IFRS as at June 30, 2007 was reflected in an increase in other investments, including derivatives, in the amount of NIS 97 million; a decrease in investments in affiliated companies in the amount of NIS 54 million; an increase in deferred tax liabilities in the amount of NIS 2 million; an increase in the capital reserve for available for sale assets in the amount of NIS 38 million; and an increase in the minority interest in the amount of NIS 3 million.
- 2. Change in method of recognizing revenue from the sale of apartments** – In accordance with Israeli GAAP, the revenue of contractors from the sale of apartments is recognized over the period of constructing the apartments, subject to the percentage of completion of the project equaling or exceeding 25% and the accumulated sales proceeds equaling or exceeding 50% of the total proceeds from the project. In accordance with IFRS, the revenue of contractors from the sale of apartments is recognized when the apartments are handed over to the buyers. Accordingly, as at June 30, 2007 the inventory of buildings held for sale increased by the amount of NIS 344 million; the balance of payables, credit balances and current liabilities increased by NIS 374 million; the fixed assets decreased by NIS 3 million; the non-current inventory decreased by NIS 1 million; the deferred tax assets increased by NIS 11 million; the receivables and debit balances increased by NIS 5 million; the trade receivables decreased by NIS 20 million; the financial liabilities increased by NIS 7 million; the deferred tax liabilities decreased by NIS 3 million; the retained earnings decreased by NIS 23 million and the minority interests decreased by NIS 19 million. In addition, in the six months ended June 30, 2007 there was a decrease in revenues from sales and services in the amount of NIS 92 million; a decrease in the cost of sales and services in the amount of NIS 75 million; an increase in selling expenses in the amount of NIS 5 million; an increase in general and administrative expenses in the amount of NIS 1 million; a decrease in financing expenses in the amount of NIS 2 million; a decrease in taxes on income in the amount of NIS 5 million; and in total – a decrease in net income in the amount of NIS 16 million that includes a decrease in the amount of NIS 8 million in the income attributable to the Company's equity holders and a decrease in the amount of NIS 8 million in the income attributable to the minority interests.
In addition, in the three months ended June 30, 2007 there was a decrease in revenues from sales and services in the amount of NIS 73 million; a decrease in the cost of sales and services in the amount of NIS 61 million; an increase in selling expenses in the amount of NIS 1 million; an increase in general and administrative expenses in the amount of NIS 2 million; a decrease in financing expenses in the amount of

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 9 - Reconciliations of Reports under Israeli GAAP to Reports under IFRS (cont'd)

Details of the material adjustments for the transition to reporting according to IFRS in the first half of 2007 (cont'd)

2. Change in method of recognizing revenue from the sale of apartments (cont'd)

NIS 1 million; a decrease in taxes on income in the amount of NIS 3 million; and in total – a decrease in net income in the amount of NIS 11 million that includes a decrease in the amount of NIS 5 million in the income attributable to the Company's equity holders and a decrease in the amount of NIS 6 million in the income attributable to the minority interests.

- 3. Commitment to the Chief Scientist in respect of Government grants** – In accordance with Israeli GAAP, grants from the Chief Scientist in respect of research and development projects were recognized upon their receipt as income and are presented as a deduction from the related research and development expenses. The likelihood of refunding the grant is not examined on a current basis and when a grant is refunded the expense is included in the cost of sales under the payment of royalties to the Chief Scientist. In accordance with IFRS, such grants are accounted for as forgivable loans according to the provisions of IAS 20. Accordingly, grants received from the Chief Scientist are recognized as a liability according to their fair value on the date of their receipt, measured according to the present value of the anticipated cash flows, unless on that date it is reasonably certain that the amount received will not be refunded. The amount of the liability is reexamined each period, and any changes in the present value of the cash flows discounted according to the original interest rate of the grant are recognized as income or expense. Accordingly, as at June 30, 2007 there was a decrease in the amount of NIS 68 million in the balance of the investment in affiliated companies against a corresponding decrease in retained earnings. In addition, in the six and three months ended June 30, 2007 there was a decrease in the amount of NIS 5 million and NIS 4 million, in the share of the Company in the net income of affiliated companies and in the net income attributable of the equity holders of the Company respectively.

- 4. Accounting for business combinations under common control at fair value as from the transition date** – In accordance with the decision of the Securities Authority from April 2007 regarding the accounting treatment of transactions regarding business combinations under common control, in the financial statements according to Israeli GAAP the transaction in which Barak and Globecall were sold to Netvision was accounted for under the "As Pooling" method. According to this method, Netvision reported the assets and liabilities of Barak and Globecall in its financial statements according to their book value on the financial statements of Clal Industries and Investments Ltd. (hereinafter – CII) and the Company, as from the dates CII and the Company obtained control over Barak and Globecall, respectively. The difference between the share of the Company in the new shareholders' equity of Netvision and the Company's investment in Globecall and in Netvision before the transaction was included in the financial statements of the Company under a capital reserve. In accordance with IFRS the Company has chosen to account for business combinations under common control at their fair values as from the transition date. Accordingly, the assets and liabilities of Barak and Globecall were recorded in the

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 9 - Reconciliations of Reports under Israeli GAAP to Reports under IFRS (cont'd)

Details of the material adjustments for the transition to reporting according to IFRS in the first half of 2007 (cont'd)

4. Accounting for business combinations under common control at fair value as from the transition date (cont'd)

financial statements of Netvision according to their fair values on the date of the transaction. The difference between the share of the Company in the new shareholders' equity of Netvision and the Company's investment in Globecall and in Netvision before the transaction, less the unrealized gain from the sale of Globecall, was included in the financial statements of the Company as a capital gain

Accordingly, as at June 30, 2007 the balance of the investment in affiliated companies increased by NIS 104 million; the retained earnings increased by NIS 102 million; and the credit balance of other capital reserves increased by NIS 3 million. In addition, in the six months ended June 30, 2007 there was an increase in the Company's share in the net income of affiliated companies in the amount of NIS 39 million; an increase in the gain from the realization and revaluation of investments in the amount of NIS 62 million; and in total an increase in net income attributable to the equity holders of the Company in the amount of NIS 101 million.

In addition, in the three months ended June 30, 2007 there was a decrease in the Company's share in the net income of affiliated companies and a decrease in net income attributable to the equity holders of the Company in the amount of NIS 5 million.

5. Presentation of financing income and expenses on a gross basis – In accordance with Israeli GAAP the financing expenses were presented on a net basis. In accordance with IFRS, financing income and financing expenses are to be presented separately (on a gross basis). In the six and three months ended June 30, 2007 the financing income and financing expenses increased by NIS 210 million and NIS 88 million, respectively.

6. Inclusion in retained earnings of the balance on the transition date of capital reserves from translation differences and other capital reserves – In accordance with the exception in IFRS 1, the Company has chosen the alternative of including in the retained earnings the balance of the reserves, positive and negative, from the translation of financial statements of investee companies as at the transition date. Furthermore, on the transition date, capital reserves from transactions with controlling shareholders that are presented at fair value in accordance with IFRS (other than reserves created in business combinations) and other capital reserves that are not required in accordance with IFRS, were included in retained earnings. Accordingly, as at June 30, 2007 the balance of retained earnings decreased by the amount of NIS 37 million; the debit balance of capital reserves from translation differences decreased by the amount of NIS 234 million; and the credit balance of other capital reserves decreased by NIS 197 million. In addition, in the six months ended June 30, 2007 there was an increase in the Company's share in the net income of affiliated companies in the amount of NIS 15 million; and in total an increase in net income attributable to the equity holders of the Company in the amount of NIS 15 million.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 9 - Reconciliations of Reports under Israeli GAAP to Reports under IFRS **(cont'd)**

Details of the material adjustments for the transition to reporting according to IFRS in the first half of 2007 (cont'd)

6. Inclusion in retained earnings of the balance on the transition date of capital reserves from translation differences and other capital reserves (cont'd)

In addition, in the three months ended June 30, 2007 there was a decrease in the Company's share in the net income of affiliated companies and a decrease in net income attributable to the equity holders of the Company in the amount of NIS 1 million.

7. Reclassification of the minority interest as a separate item of the Company's shareholders' equity –
In accordance with Israeli GAAP, the minority interest is classified as a separate item between the long-term liabilities and the shareholders' equity. In accordance with IFRS, the minority interest in subsidiaries is classified as a separate item of equity.

8. Reclassification of dividend declared subsequent to balance sheet date in the statement of changes in shareholders' equity –
In accordance with Israeli GAAP, a dividend declared subsequent to balance sheet date and before the date of approval of the financial statements was presented under shareholders' equity as a separate item "Dividend declared subsequent to balance sheet date" against a decrease in retained earnings. In accordance with IFRS, such a dividend only requires disclosure and does not require any equity classification.

Explanation of the principal adjustments to the statement of cash flows for the year ended December 31, 2007

1. In accordance with Israeli GAAP interest received in the amount of NIS 276 million was classified as cash flows from operating activities. In accordance with IFRS and on the basis of the accounting policy
2. In accordance with Israeli GAAP, interest paid in the amount of NIS 734 million was classified as cash flows from operating activities. In accordance with IFRS and on the basis of the accounting policy adopted by the Company, interest paid will be classified as cash flows from financing activities.
3. In accordance with Israeli GAAP, the effect of exchange rate fluctuations on cash balances is a decrease in the amount of NIS 110 million which was presented as a cash flow from operating activities. In accordance with IFRS, the effects of exchange rate fluctuations on cash balances were classified as a separate item.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Note 9 - Reconciliations of Reports under Israeli GAAP to Reports under IFRS **(cont'd)**

Explanation of the principal adjustments to the statement of cash flows for the six months ended June 30, 2007

1. In accordance with Israeli GAAP interest received in the amount of NIS 122 million was classified as cash flows from operating activities. In accordance with IFRS and on the basis of the accounting policy adopted by the Company, interest received will be classified as cash flows from investing activities.
2. In accordance with Israeli GAAP, interest paid in the amount of NIS 461 million was classified as cash flows from operating activities. In accordance with IFRS and on the basis of the accounting policy adopted by the Company, interest paid will be classified as cash flows from financing activities.
3. In accordance with Israeli GAAP, the effect of exchange rate fluctuations on cash balances is a decrease in the amount of NIS 5 million which was presented as a cash flow from operating activities. In accordance with IFRS, the effects of exchange rate fluctuations on cash balances were classified as a separate item.

Explanation of the principal adjustments to the statement of cash flows for the three months ended June 30, 2007

1. In accordance with Israeli GAAP interest received in the amount of NIS 75 million was classified as cash flows from operating activities. In accordance with IFRS and on the basis of the accounting policy adopted by the Company, interest received will be classified as cash flows from investing activities.
2. In accordance with Israeli GAAP, interest paid in the amount of NIS 220 million was classified as cash flows from operating activities. In accordance with IFRS and on the basis of the accounting policy adopted by the Company, interest paid will be classified as cash flows from financing activities.
3. In accordance with Israeli GAAP, the effect of exchange rate fluctuations on cash balances is an increase in the amount of NIS 14 million which was presented as a cash flow from operating activities. In accordance with IFRS, the effects of exchange rate fluctuations on cash balances were classified as a separate item.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Annex to the Financial Statements of Discount Investment Corporation Ltd. as at June 30, 2008

Details relating to major investments in the consolidated balance sheet as at June 30, 2008

	Equity and voting rights %	Carrying value of the investment	Reserves *				Market value of the marketable shares as at	
			N	I	S	m	June 30 2008	August 12 2008
			i l l i o n s					
Investments in affiliated companies								
<u>Communications</u>								
GVT (Holding) N.V.	16	133		1		134		
Netvision Ltd.	32	441				441	368	371
Cellcom Israel Ltd.	51	2,050		33		2,083	5,645	5,857
<u>Technology</u>								
Elron Electronic Industries Ltd.	49	340		63		403	388	397
Expand Networks Ltd.	31	-		(1)		(1)		
Given Imaging Ltd.	16	137		33		170	236	271
Galil Medical Ltd.	13	5		2		7		
<u>Retail and services</u>								
Bartan Holdings & Investments Ltd.	56	18				18		
Super-Sol Ltd. **	39	609		(4)		605	1,451	1,392
<u>Real-estate</u>								
Property and Building Corporation Ltd.	75	1,800		227		2,027	1,440	1,131
<u>Industry</u>								
Ham-Let (Israel-Canada)Ltd. ***	45	119		31		150	189	196
Koor Industries Ltd.	49.5	1,696		434		2,130	2,070	1,599 ****
Hadera Paper Ltd. (formerly American Israeli Paper Mills Ltd.)	21	158		4		162	257	274
Maxima Air-Separation Center Ltd. ** (see note 6.c)	75	127		(12)		115	117	115
Other companies		1						
Total		7,634						
Less investment in subsidiaries		(4,114)						
Add investments in affiliated companies of subsidiaries		900						
								4,420

* The Company's share in the capital reserves of investee companies that will mostly be included in the statement of income if the investment is realized.

** 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.

**** Market value after benefit component of 5.03% in respect of rights that were offered by Koor as described in note 6.b.

Discount Investment Corporation Ltd.

Notes to the Financial Statements as at June 30, 2008

Annex to the Financial Statements of Discount Investment Corporation Ltd. as at June 30, 2008 (cont'd)

Details relating to major investments in the consolidated balance sheet as at March 31, 2008 (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.