

Convenience translation
In any case of inconsistency, the immediate report in Hebrew shall prevail

Discount Investment Corporation Ltd,

Immediate report dated March 22, 2020 - reference number: 2020-01-027597

The Company is publishing this immediate report regarding financial results and the cleansing of inside information, in light of an evaluation which is being performed regarding a self-purchase of the Company's debentures (Series F and Series J) (outside of the Company's self-purchase plan - for details see Note 4.A to the Company's financial statements as at September 30, 2019), which may be paid in cash and/or in shares of Shufersal Ltd., a company whose issued capital is held by the Company at a rate of 26.02%.

The aforementioned sale of Shufersal shares (the "**Sale**"), insofar as it goes through, will be made to classified investors, by way of a competitive process, and in a scope which has not yet been determined. As of the date of this immediate report, there is no certainty regarding the execution of the sale by way of a competitive process, as stated above, or by any other means, and insofar as a sale of this kind will be executed, there is no certainty regarding the way in which the consideration will be paid to the Company. The sale, as well as the timing, scope and conditions thereof, have not yet been finalized. It is further clarified that the Company will be entitled not to execute the sale, or to postpone it and/or to change its terms, for any reason whatsoever, and in its exclusive discretion.

**Preliminary Report Regarding Consolidated Financial
Statements as at December 31, 2019
(Unaudited)
(Unreviewed)**

The projected quantitative and financial data as of December 31, 2019, and for the year then ended, which are included in this preliminary report, are provided on a one-time basis, in light of the fact that the Company is considering the possibility of executing transactions with the Company's securities, and the assessment that this information could therefore be useful to investors. As of the publication date of this preliminary report, the Company has not adopted a policy regarding the publication of preliminary reports, and in the absence of special events / situations, it does not intend to publish additional preliminary reports with respect to future reporting periods.

The data included in this preliminary report do not constitute a substitute for the full disclosure which will be included in the financial statements which form a part of the periodic report for 2019 (the "Financial Statements for 2019"), which the Company will publish by the end of March 2020, and there is no certainty that they will be identical to the final data which will be included in the financial statements for 2019. It is emphasized that as of the present date, processes related to economic papers and valuations have not yet been completed, in connection with the data which are included in this preliminary report, and the Company's share in the results of investee companies is based on the draft financial statements of those companies, in which the relevant data processing operations have not yet been completed, and whose auditors have not yet completed their audit processes. Additionally, the Company's control processes, as well as the audit processes of the Company's auditors, with respect to the data which are included in this preliminary report, have not yet been completed, and they cannot be considered audited and/or reviewed data, and have not yet been approved by the Company's Board of Directors. These data are correct as of the publication date of this preliminary report. These data (all or some) may change, including significantly, until the publication date of the financial statements for 2019.

Preliminary Report Condensed Consolidated Statements of Financial Position as at

	December 31, 2019	December 31, 2018 ^{(1),(2)}
	NIS millions	
Non-current assets		
Investments in investee companies accounted by the equity method	3,676	2,495
Financial assets measured at fair value through profit or loss	159	181
Loans, deposits, restricted deposits and debit balances	292	287
Right-of-use assets ⁽¹⁾	774	-
Fixed assets	1,494	1,777
Investment property	3,389	12,089
Long term trade receivables	309	370
Inventory of real estate	45	22
Deferred expenses	324	343
Deferred tax assets	8	8
Intangible assets	1,849	2,532
	<u>12,319</u>	<u>20,104</u>
Current assets		
Other investments	1,826	2,009
Deposits and pledged and restricted deposits	161	395
Other receivables and debit balances	156	200
Current tax assets	4	16
Trade receivables and other income receivable	1,207	1,365
Inventory	74	99
Inventory of buildings for sale	105	288
Assets classified as held for sale	1,445	33
Cash and cash equivalents	2,812	4,890
	<u>7,790</u>	<u>9,295</u>
Total assets	<u><u>20,109</u></u>	<u><u>29,399</u></u>

(1) The Group initially adopted IFRS 16, Leases, as from January 1, 2019, according to the cumulative effect approach. The comparative figures were not restated.

(2) Including assets of Gav-Yam, which was deconsolidated as from September 1, 2019, due to the loss of control thereof.

	December 31, 2019	December 31, 2018 ^{(1),(2)}
	NIS millions	
Capital		
Share capital	810	810
Capital reserves	4,118	4,366
Accumulated losses	(3,104)	(2,859)
Capital attributable to owners of the Company	1,824	2,317
Non-controlling interests	2,067	4,024
	<u>3,891</u>	<u>6,341</u>
Non-current liabilities		
Debentures	9,759	15,486
Loans from banks and other financial liabilities	1,630	2,211
Lease liabilities ⁽¹⁾	577	-
Derivatives	-	4
Provisions	191	223
Deferred tax liabilities	541	1,502
Employee benefits	24	20
Other non-financial liabilities	6	19
	<u>12,728</u>	<u>19,465</u>
Current liabilities		
Current maturities of debentures	1,218	1,685
Credit from banking corporations and current maturities of loans from banks and others	273	331
Current maturities of lease liabilities ⁽¹⁾	236	-
Other payables and credit balances	431	606
Trade payables	714	763
Derivatives	5	1
Current tax liabilities	18	81
Provisions	110	126
Liabilities classified as held for sale	485	-
	<u>3,490</u>	<u>3,593</u>
Total capital and liabilities	<u><u>20,109</u></u>	<u><u>29,399</u></u>

(1) The Group initially adopted IFRS 16, Leases, as from January 1, 2019, according to the cumulative effect approach. The comparative figures were not restated.

(2) Including assets of Gav-Yam, which was deconsolidated as from September 1, 2019, due to the loss of control thereof.

Preliminary Report
Condensed Consolidated Statements of Income

	For the year ended December 31		
	2019	2018 ^{(1) (2)}	2017 ^{(1) (2)}
	NIS millions		
Income			
Sales and services	4,621	4,781	4,871
Profit from realization and increase in the value of investments, assets and dividends	108	104	98
The Company's share in the net profit of investee companies accounted by the equity method, net	37	-	-
Increase in fair value of investment property, net	106	116	107
Other income	25	27 ⁽³⁾	123 ⁽³⁾
Financing income	236	110 ⁽³⁾	66 ⁽³⁾
	<u>5,133</u>	<u>5,138</u>	<u>5,265</u>
Expenses			
Cost of sales and services	3,258	3,349	3,285
Research and development expenses	32	42	40
Selling and marketing expenses	669	622	520
General and administrative expenses	479	561	583
The Group's share in the loss of investee companies accounted by the equity method, net	-	50	176
Loss from realization, impairment, and write-down of investments and assets, and loss from rise to control	735	694	46
Other expenses	6	-	1
Financing expenses	754	813	1,060
	<u>5,933</u>	<u>6,131</u>	<u>5,711</u>
Loss before taxes on income	(800)	(993)	(446)
Taxes on income	(70)	(38)	(76)
Loss from continuing operations	<u>(870)</u>	<u>(1,031)</u>	<u>(522)</u>
Profit from discontinued operations, after tax	<u>1,187</u>	<u>1,721</u>	<u>705</u>
Net income for the year	<u>317</u>	<u>690</u>	<u>183</u>
Net income (loss) attributable to:			
The Company's owners	14	539	(273)
Non-controlling interests	303	151	456
	<u>317</u>	<u>690</u>	<u>183</u>
	<u>NIS</u>	<u>NIS</u>	<u>NIS</u>
<u>Basic and diluted earnings (loss) per share attributed to the Company's owners</u>			
From continuing operations	(4.5)	(5.6)	(3.6)
From discontinued operations	4.6	9.1	1.7
	<u>0.1</u>	<u>3.5</u>	<u>(1.9)</u>

(1) Initial adoption of IFRS 16, Leases, beginning on January 1, 2019. In accordance with the chosen transition method, the comparative figures were not restated.

(2) Restated due to the presentation of the Gav-Yam operation under discontinued operations.

(3) Retrospective adoption of new accounting policy.

Preliminary Report
Condensed Consolidated Statements of Comprehensive Income

	For the year ended December 31		
	2019	2018	2017
	NIS millions		
Net income for the year	317	690	183
Other comprehensive income (loss) items which will not be transferred to profit and loss, net of tax			
Revaluation of fixed assets transferred to investment property	-	76	-
Actuarial losses in defined benefit plan	(4)	(5)	(14)
The Group's share in other comprehensive loss in respect of investee companies accounted by the equity method	(8)	(3)	-
Total other comprehensive income (loss) which will not be transferred to profit and loss	(12)	68	(14)
Other comprehensive income (loss) items after initial recognition under comprehensive income which have been transferred or will be transferred to profit and loss, net of tax			
Foreign currency translation differences for foreign operations	(165)	148	(194)
Effective part in changes to the fair value of cash flow hedging	-	13	(6)
Net change in the fair value of cash flow hedging that was charged to profit or loss	-	(4)	1
The Group's share in other comprehensive income (loss) in respect of investee companies accounted by the equity method	(30)	50	(85)
Total other comprehensive income (loss) after initial recognition under comprehensive income which has been transferred or will be transferred to profit and loss	(195)	207	(284)
Total comprehensive income (loss) for the year, net of tax	(207)	275	(298)
Total comprehensive income (loss) for the year	110	965	(115)
Attributable to:			
The Company's owners	(125)	700	(448)
Non-controlling interests	235	265	333
Comprehensive income (loss) for the year	110	965	(115)
Comprehensive income (loss) for the year attributed to Company shareholders, due to:			
Continuing operations	(778)	(692) ⁽¹⁾	(685) ⁽¹⁾
Discontinued operations	653	1,392 ⁽¹⁾	237 ⁽¹⁾
	(125)	700	(448)

(1) Restated due to the presentation of the Gav-Yam operation under discontinued operations.

Preliminary Report
Condensed Consolidated Statements of Changes in Equity

	Attributable to the Company's owners											Non-controlling interests	Total capital
	Share capital	Premium on shares	Reserves in respect of transactions with non-controlling interests	Reserves from translation differences	Hedging reserves	Capital reserves with respect to available-for-sale financial assets through other comprehensive income	Revaluation reserves	Controlling shareholders reserves	Treasury shares	Accumulated loss	Total capital attributable to the Company's owners		
NIS millions													
For the year ended December 31, 2019													
Balance as at January 1, 2019	810	4,449	9	(162)	-	(2)	88	3	(19)	(2,859)	2,317	4,024	6,341
Initial adoption of the amendment to IAS 28	-	-	-	-	-	-	-	-	-	(171)	(171)	(83)	(254)
Net profit for the period	-	-	-	-	-	-	-	-	-	14	14	303	317
Other comprehensive loss for the period	-	-	-	(127)	(2)	-	-	-	-	(10)	(139)	(68)	(207)
Transactions with owners applied directly to equity, investments of owners and distributions to owners													
Dividend paid to the Company's owners	-	-	-	-	-	-	-	-	-	(104)	(104)	-	(104)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(201)	(201)
Acquisition of treasury shares	-	-	-	-	-	-	-	-	(96)	-	(96)	-	(96)
Consolidation of Mehadrin due to rise to control	-	-	-	-	-	-	-	-	-	-	-	278	278
Deconsolidation of Gav-Yam and Mehadrin due to loss of control	-	-	(4)	-	-	-	(27)	-	-	27	(4)	(2,329)	(2,333)
Acquisition of shares in consolidated companies from non-controlling interests	-	-	12	(4)	-	-	2	-	-	-	10	126	136
Sale of interests in consolidated companies to non-controlling interests	-	-	(2)	-	-	-	-	-	-	-	(2)	6	4
Share-based payments given by the Company	-	-	-	-	-	-	-	-	-	(1)	(1)	-	(1)
Share-based payments given by consolidated companies	-	-	-	-	-	-	-	-	-	-	-	11	11
Balance as at December 31, 2019	<u>810</u>	<u>4,449</u>	<u>15</u>	<u>(293)</u>	<u>(2)</u>	<u>(2)</u>	<u>63</u>	<u>3</u>	<u>(115)</u>	<u>(3,104)</u>	<u>1,824</u>	<u>2,067</u>	<u>3,891</u>

Preliminary Report
Condensed Consolidated Statements of Changes in Equity (Cont.)

	Attributable to the Company's owners											Non-controlling interests	Total capital	
	Share capital	Premium on shares	Reserves in respect of transactions with non-controlling interests	Reserves from translation differences	Hedging reserves	Reserves in respect of available-for-sale financial assets through other comprehensive income	Revaluation reserves	Controlling shareholders reserves	Treasury shares	(Balance of loss)	Total capital attributable to the Company's owners			
	NIS millions													
For the year ended December 31, 2018														
Balance as at January 1, 2018	809	4,441	10	(264)	(2)	(2)	43	3	-	(3,372)	1,666	4,918	6,584	
Initial adoption of the final version of IFRS 9	-	-	-	-	-	-	-	-	-	(30)	(30)	(14)	(44)	
Net income for the year	-	-	-	-	-	-	-	-	-	539	539	151	690	
Other comprehensive income (loss) for the year	-	-	-	118	2	-	47	-	-	(6)	161	114	275	
Transactions with owners charged directly to equity, investments of owners and distributions to owners														
Acquisition of treasury shares	-	-	-	-	-	-	-	-	(19)	-	(19)	-	(19)	
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(240)	(240)	
Deconsolidation of Shufersal due to loss of control	-	-	-	-	-	-	(6)	-	-	6	-	(978)	(978)	
Acquisition of shares in consolidated companies from non-controlling interests	-	-	2	(16)	-	-	4	-	-	-	(10)	66	56	
Sale of interests in consolidated companies to non-controlling interests	-	-	(3)	-	-	-	-	-	-	-	(3)	3	-	
Investments of non-controlling interests in consolidated companies	-	-	-	-	-	-	-	-	-	-	-	1	1	
Exercise of share warrants	1	8	-	-	-	-	-	-	-	-	9	-	9	
Share-based payments given by consolidated companies	-	-	-	-	-	-	-	-	-	-	-	3	3	
Share-based payments given by the Company	-	-	-	-	-	-	-	-	-	4	4	-	4	
Balance as at December 31, 2018	<u>810</u>	<u>4,449</u>	<u>9</u>	<u>(162)</u>	<u>-</u>	<u>(2)</u>	<u>88</u>	<u>3</u>	<u>(19)</u>	<u>(2,859)</u>	<u>2,317</u>	<u>4,024</u>	<u>6,341</u>	

Preliminary Report
Condensed Consolidated Statements of Changes in Equity (Cont.)

	Attributable to the Company's owners										Non-controlling interests	Total capital
	Share capital	Premium on shares	Reserves in respect of transactions with non-controlling interests	Reserves from translation differences	Hedging reserves	Reserves in respect of available-for-sale financial assets through other comprehensive income	Revaluation reserves	Controlling shareholders reserves	(Accumulated loss)	Total capital attributable to the Company's owners		
NIS millions												
For the year ended December 31, 2017												
Balance as at January 1, 2017	776	4,215	(190)	(100)	1	(2)	44	3	(2,441)	2,306	4,249	6,555
Initial adoption of IFRS 15	-	-	-	-	-	-	-	-	22	22	21	43
Net income (loss) for the year	-	-	-	-	-	-	-	-	(273)	(273)	456	183
Other comprehensive income (loss) for the year	-	-	-	(164)	(3)	-	-	-	(8)	(175)	(123)	(298)
Transactions with owners charged directly to equity, investments of owners and distributions to owners												
Dividend paid to the Company's owners	-	-	-	-	-	-	-	-	(678)	(678)	-	(678)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(283)	(283)
Acquisition of shares in consolidated companies from non-controlling interests	-	-	2	-	-	-	-	-	-	2	(2)	-
Sale of interests in consolidated companies to non-controlling interests	-	-	198	-	-	-	(1)	-	-	197	590	787
Investments of non-controlling interests in consolidated companies	-	-	-	-	-	-	-	-	-	-	4	4
Exercise of share warrants	33	226	-	-	-	-	-	-	-	259	-	259
Share-based payments given by consolidated companies	-	-	-	-	-	-	-	-	-	-	6	6
Share-based payments given by the Company	-	-	-	-	-	-	-	-	6	6	-	6
Balance as at December 31, 2017	809	4,441	10	(264)	(2)	(2)	43	3	(3,372)	1,666	4,918	6,584

Preliminary Report Condensed Consolidated Statements of Cash Flows

	2019	2018 ^{(1) (2)}	2017 ^{(1) (2)}
	NIS millions		
Cash flows from operating activities			
Net income for the year	317	690	183
Income from discontinued operations, after tax	(1,187)	(1,721)	(705)
Loss from continuing operations	(870)	(1,031)	(522)
Adjustments:			
The Group's share in the loss (profit) of investee companies accounted by the equity method, net	(37)	50	176
Received dividends (including from other investments)	49	13	6
Realization losses (profits), decrease (increase) and write-downs, net, of investments, assets and dividends	627	590	(52)
Increase in fair value of investment property, net	(106)	(116)	(107)
Depreciation and amortization	915	590	562
Financing costs, net	518	703 ⁽³⁾	963 ⁽³⁾
Expenses of tax on income, net	70	38	76
Income tax paid, net	(23)	(33)	(21)
Payments in respect of the settlement of derivatives	(10)	-	(3)
Share-based payment transactions	9	6	8
	<u>2,012</u>	<u>1,841</u>	<u>1,608</u>
Changes in other balance sheet items			
Decrease (increase) in other receivables and debit balances (including long-term amounts)	(2)	69	(269)
Decrease in trade receivables (including long term amounts)	215	107 ⁽³⁾	73 ⁽³⁾
Decrease in inventory (including long term amounts)	142	75	74
Change in provisions and benefits to employees	(1)	(1)	(2)
Decrease in trade payables	(53)	(45)	(18)
Increase (decrease) in other payables and credit balances, provisions and other liabilities (including long term amounts)	(28)	77	(25)
	<u>273</u>	<u>282</u>	<u>(167)</u>
Net cash from continuing operating activities	1,415	1,092	919
Net cash from discontinued operating activities	263	590	1,103
Net cash from operating activities	<u>1,678</u>	<u>1,682</u>	<u>2,022</u>
Cash flows for investing activities			
Deposits, loans and long term investments provided	(15)	(8)	(30)
Decrease in pledged and restricted deposits, net	9	-	-
Current investments, loans and short term deposits, net	(241)	185	(441)
Investments and loans, net, in investee companies accounted by the equity method	(191)	(67)	(38)
Non-current investments	(1)	(12)	(6)
Investments in investment property and in fixed assets	(370)	(406)	(418)
Investments in intangible and other assets	(233)	(237)	(237)
Receipts in respect of the settlement of derivatives, net	9	3	-
Change in cash due to the deconsolidation of subsidiaries (not including discontinued operations)	-	-	3
Receipts from realization of non-current investments, including dividend from the realization	27	525	235
Receipts from realization of investment property, fixed assets and other assets	720	99	53
Taxes paid, net, in respect of investment property, fixed assets and other assets	(53)	(22)	(17)
Interest received	50	62	44
Net cash from (used in) continuing operating activities	(289)	122	(852)
Net cash used in discontinued investing activities	(39)	(245)	(805)
Net cash used in investing activities	<u>(328)</u>	<u>(123)</u>	<u>(1,657)</u>

(1) Initial adoption of IFRS 16, Leases, beginning on January 1, 2019. In accordance with the chosen transition method, the comparative figures were not restated.

(2) Restated due to the presentation of the Gav-Yam operation under discontinued operations.

(3) Retrospective adoption of new accounting policy.

Preliminary Report
Condensed Consolidated Statements of Cash Flows (Cont.)

	2019	2018 ^{(1) (2)}	2017 ^{(1) (2)}
	NIS millions		
Cash flows for financing activities			
Non-current financial liabilities received	665	1,494	2,502
Repayment of non-current financial liabilities	(2,490)	(1,835)	(2,319)
Interest paid	(665)	(701)	(893)
Repayment of lease liabilities	(289)	-	-
Exercise of Company share warrants	-	9	259
Acquisition of treasury shares	(96)	(19)	-
Issuance of shares and options to non-controlling interests in consolidated companies	166	131	4
Current financial liabilities, net	(37)	(20)	(15)
Receipts, including exercised share options, from non-controlling interests in consolidated companies, net	4	28	1
Acquisition of shares in consolidated companies from non-controlling interests	(30)	(120)	-
Dividend paid to the Company's owners	(40) ⁽³⁾	-	(678)
Dividend to non-controlling interests in consolidated companies	(42)	(47)	(89)
Payments in respect of the settlement of derivatives	(2)	(18)	(9)
Net cash used in continuing financing activities	(2,856)	(1,098)	(1,237)
Net cash (used in) from discontinued financing activities	(493)	563	485
Net cash used in financing activities	(3,349)	(535)	(752)
Increase (decrease) in cash and cash equivalents from continuing operations	(1,730)	116	(1,170)
Increase (decrease) in cash and cash equivalents from discontinued operations	(269)	908	783
Increase (decrease) in cash and cash equivalents from continuing operations and discontinued operations	(1,999)	1,024	(387)
Balance of cash and cash equivalents at start of year	4,890	3,798	4,281
Effects of fluctuations in exchange rates on balances of cash and cash equivalents	(60)	68	(96)
Balance of cash and cash equivalents presented under held for sale assets	(19)	-	-
Balance of cash and cash equivalents at end of year	2,812	4,890	3,798

- (1) Initial adoption of IFRS 16, Leases, beginning on January 1, 2019. In accordance with the chosen transition method, the comparative figures were not restated.
- (2) Restated due to the presentation of the Gav-Yam operation under discontinued operations.
- (3) Not including a distribution of debentures (Series I) of IDB Development, as a dividend in the amount of NIS 64 million.

1. Results in 2019 - Preliminary Report

The Company concluded 2019 with net profit of NIS 14 million, as compared with net profit of NIS 539 million in the corresponding period last year. Net profit in the fourth quarter of 2019 amounted to a total of NIS 80 million, as compared with loss of NIS 347 million in the corresponding period last year.

The results in 2019 include, inter alia, the Company's share in profit in the amount of NIS 557 million due to the realization of Gav-Yam shares and the loss of control of Gav-Yam; profit in the amount of NIS 72 million from the recording of negative goodwill due to the loss of control of Mehadrin; and profit in the amount of NIS 78 million from the self-purchase of debentures, which was partially offset by the amortization for impairment of the goodwill attributed to Cellcom, in the amount of NIS 517 million, which the Company recorded in the second quarter of 2019.

2. Forecasted capital attributed to the Company's owners as at December 31, 2019 - Preliminary Report

The forecasted capital attributed to the Company's owners as at December 31, 2019 amounted to NIS 1.8 billion, as compared with equity of NIS 2.3 billion as at December 31, 2018. The change was mostly due to the recording of net profit in 2019, as stated above, in the amount of NIS 14 million; A decrease in the amount of NIS 171 million due to the initial adoption of the amendment to IAS 28; An acquisition of treasury shares - NIS 96 million; Dividends distributed in January 2019 in the amount of NIS 104 million, and a decrease in the amount of NIS 131 million with respect to capital reserves from translation differences, mostly due to the decrease of the USD exchange rate in 2019, at a rate of 7.8%.

3. Instability in markets and economic downturn -

For details regarding the implications and effects of the coronavirus (COVID-19) outbreak, around the world and in Israel, on the Company's activity (including the activities of the Company's investee companies), see the immediate report which was published by the Company on March 18, 2020 (reference number 2020-01-026535).

The Company's foregoing estimates regarding its operating results in 2019, and regarding the capital attributed to owners as at December 31, 2019, have not been audited and/or reviewed by the Company's auditor, are not final, and are based on information and indications which were available to the Company on the submission date of this report, before the completion of all of the tests, controls and processes which are required in order to complete the financial statements, which have not yet been approved by the Company's Board of Directors. Accordingly, these estimates may change, including significantly, until the date when the preparation of the financial statements for 2019 has been completed.

4. Presented below are the net asset value ¹ and leverage ratio as at December 31, 2019, and proximate to the publication date of the preliminary report:

	As at March 19, 2020	As at December 31, 2019	As at December 31, 2018
	NIS millions		
Asset value ¹	3,220	4,112	4,138
Less financial debt, net	(3,010)	(2,876)	(2,368)
Total net asset value [NAV] ²	210	1,236	1,770
Leverage ratio [LTV] ³	93%	70%	57%

¹ Net asset value is calculated according to the value of assets, as specified below: (A) With respect to holdings which constitute listed securities - according to their average market value during the five trading days preceding the relevant date. (B) With respect to non-marketable holdings - according to their value in the Company's financial statements;

² Net asset value [NAV] - The value of the Company's assets, after deducting net financial debt. It is a standard economic indicator of a company's economic equity (as opposed to independent accounting capital attributable to the Company's owners, which is presented in the Company's financial statements as of December 31, 2019 in the amount of NIS 1,824 million).

³ The LTV (loan to value) ratio is a standard economic indicator used to measure the leverage ratio of companies, and is used by the Company to measure the ratio of its net financial debt relative to its asset value.

Financial covenants

In connection with the Company's debentures (Series J), the Company undertook, in accordance with the deed of trust, to fulfill, during the entire period of the debentures, the grounds for adjustment of the interest rate and the financial covenants, which will be evaluated on each date of financial statements, as follows:

Grounds for adjustment of interest rate ⁽¹⁾ / financial covenant	Calculation results	
	As at December 31, 2019	As at March 19, 2020
In case of a reduction in the rating of the debentures by one or more notches below a rating of ilBBB, the stated interest rate will increase at a rate of 0.25% per year, and at a rate of 0.25% per year with respect to each additional decrease in rating, up to a maximum cumulative interest addition of 1% per year.	ilBBB+ Rating (Negative)	ilBBB+ Rating (Negative)
In case DIC's net asset value ⁽²⁾ falls below NIS 1.1 billion, and additionally, the ratio between the net financial debt and DIC's asset value exceeds 75%, the stated interest rate will increase by 0.25% per year.	Net asset value - NIS 1.2 billion. Ratio between net financial debt and asset value - 70%	Net asset value - NIS 0.2 billion. Ratio between net financial debt and asset value - 93%
In case the ratio between DIC's net financial debt and its asset value exceeds 85%, the stated interest rate will increase by 0.5% per year.	Ratio between net financial debt and asset value - 70%	Ratio between net financial debt and asset value - 93%
In case the ratio between DIC's capital and DIC's total balance sheet falls below 12.5%, the stated interest rate will increase at a rate of 0.25% per year.	Ratio between capital and total solo balance sheet - 33%	Ratio between capital and total solo balance sheet - 33%

- (1) It is noted that if and insofar as an adjustment of the interest rate is required, in any case, the maximum cumulative rate of the additional interest will not exceed 1.75% per year beyond the stated interest rate.
- (2) The asset value is in accordance with that stated in footnote 1 of section 4 above.
- (3) As at proximate to the date of this preliminary report, based on DIC's asset value and financial debt, DIC is not fulfilling the aforementioned covenants, and if the results of the calculation of the foregoing covenants remain the same on March 31, 2020 as they were on March 20, 2020, the interest rate applicable to the debentures (Series J) will increase by 0.75%.