2018 ANNUAL REPORT

IDB | UNLOCKING POTENTIAL

IDB Development Corporation Ltd.

Financial Statements

December 31, 2018
(Audited)

*** The English version of this information as at December 31, 2018 is a translation of the Hebrew version of the financial statements of IDB Development Corporation Ltd., and is presented solely for convenience purposes. Please note that the Hebrew version constitutes the binding version.**

TRANSLATION FROM HEBREW – IN THE EVENT OF ANY DISCREPANCY THE HEBREW SHALL PREVAIL

IDB Development Corporation Ltd.

Part A - Director's Report and its Annexes

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

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For the year ended December 31, 2018

The Board of Directors of IDB Development Corporation Ltd. ("IDB Development" or the "Company") is pleased to present Board of Directors' Report as at December 31, 2018, which reviews the Company's position and principal operations in 2018 (the "Reporting Period"). The report was prepared in accordance with the Securities Regulations (Periodic and Immediate Reports), 5730-1970.
The Board of Directors' Report constitutes an inseparable part of the periodic report for 2018 (the "Periodic Report"), including all of its parts, and the entire periodic report should be read as a single unit.

The Company is a private company which qualifies as a debenture company (as defined in the Companies Law, 5759 - 1999 (the "Companies Law")). In recent years, the Company has mostly worked with the aim of stabilizing and improving its financial position and its liquidity, within the context of which it has placed a special emphasis on the evaluation of various financing alternatives, including the performance of equity and debt raisings (including the receipt of subordinated loans from the controlling shareholder), the issuance of debentures, inter alia, for the purpose of refinancing debts and servicing its debts to its financial creditors, and financing its operating activities, and investing managerial efforts and maximizing the value of its investee corporations, including Discount Investment Corporation Ltd. ("DIC"), until its sale (as detailed below), and in other private companies which are directly held by the Company, including the examination of the various possibilities for enhancing the investee companies and improving their performance, inter alia, with the objective of maximizing their value.

As part of the process in the Company of dealing with the provisions of the Law to Promote Competition and Reduce Concentration, 5774-2013 (the "Concentration Law"), in November 2017, the Company sold all of the shares of DIC which were held by it to Dolphin IL Investments Ltd. ("Dolphin IL"), a private company incorporated in Israel, which is wholly owned by Dolphin Netherlands B.V., a corporation controlled by the Company's controlling shareholder (the "Transaction"). Accordingly, beginning on the closing date of the transaction, IDB Development no longer holds control of any "other tier companies", and therefore, it now complies with the requirements of the Concentration Law in respect of pyramid structures.

It should be noted that certain risk factors and areas of uncertainty, including legal risks, regulatory risks, changes in prices and in characteristics of competition, risks pertaining to DIC's market value and assets, and other business risks, may harm the debt service capability of Dolphin IL, and therefore also the repayment ability of Dolphin IL against the debenture and collateral which were given by Dolphin IL within the framework of the transaction. Therefore, the Company monitors DIC's activity and value.

The Company is continuing to perform activities and to invest efforts in the sale of its private assets and its holdings in Clal Holdings Insurance Enterprises Ltd .In January ,2019 the Company made an approach to the Chairman of DIC ,within the context of which the Company suggested opening a negotiations process for the acquisition of the control in Clal Holdings Insurance Enterprises .In addition ,in March ,2019 the controlling shareholder of the Company submitted ,to the Commissioner ,a request for a control permit in Clal Holdings Insurance Enterprises and Clal Insurance) See Note .3 B 8 .to the financial statements .(The Company is also investing managerial efforts in private companies which it holds directly.

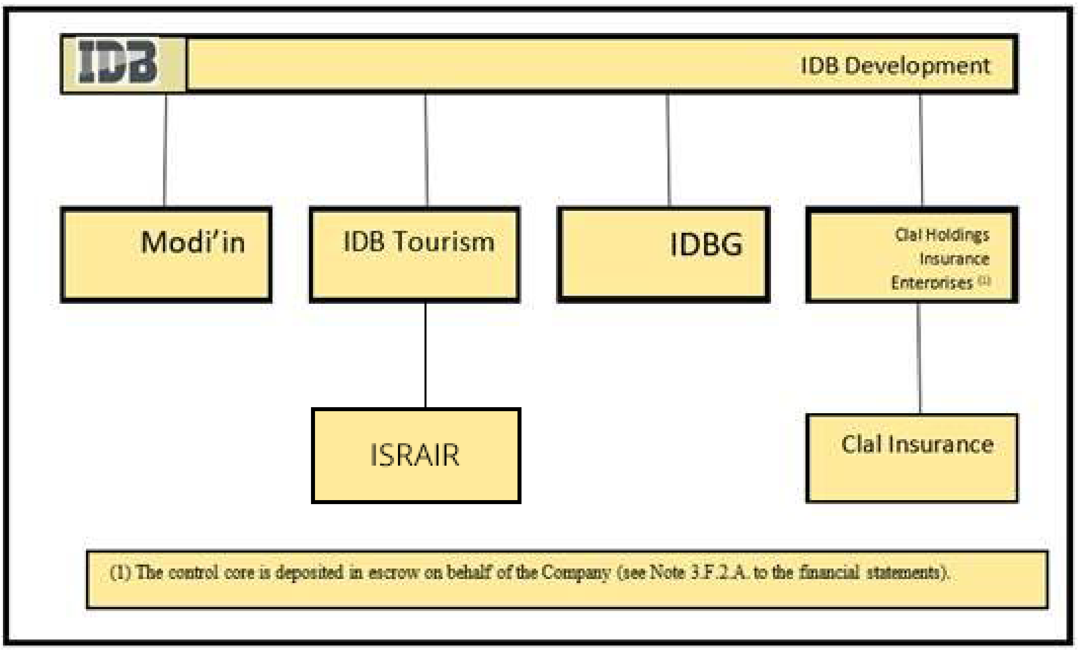
In August 2013, the Commissioner of the Authority of Capital Markets, Insurance and Savings appointed a trustee for most of the Company's holdings in Clal Holdings Insurance Enterprises, and in December 2014 an outline over time was established for the sale of the control of Clal Holdings Insurance Enterprises ("The Outline"). In April 2017, a ruling was given in which the Court ordered the trustee to sell 5% of the Company's holding in Clal Holdings Insurance Enterprises, within 30 days ("The ruling"). In May and August 2017 and in January, May and August 2018, the Company cumulatively sold 25% of the shares of Clal Holdings Insurance Enterprises, 5% each time and in parallel, the Company engaged, with two banking corporations, in five swap transactions, according to which, at the end of a period of 24 months from the date of each sale transaction, a settling of accounts will be conducted between the Company and those banking corporations, in respect of the difference between the selling price to a third party of the shares being sold, and the selling price of the shares as at the date of the settling of accounts. For details regarding the ruling, the sale transactions and the swap transactions and the performance of partial early repayments of the debentures (Series M), out of the funds from the aforementioned sale of shares, see sections 2 and 3 of Note 3.B. and Note 8.B.2. to the financial statements.

The terms and ratings of the Company's debentures are detailed in Appendix B below and in Note 8. to the financial statements.

Board of Directors' Report Regarding the State of the Company's Affairs (Continued)

As at December 31, 2018, the investee companies which are held by the Company include IDB Tourism (100%) and Clal Holdings Insurance Enterprises Ltd (in which there is a direct holding of 29.8% and an investment through the swap transactions on an additional 30%. See also sections 3 and 4 of Note 3B to the financial statements), which are presented under discontinued operations, and IDBG (50%), and Modi'in Energy (19%), investee companies that are treated at equity.

The following is a diagram detailing the primary companies, for the purpose of this report, which are held by the Company as at December 31, 2018



In the financial statements, the net income relates to the income that is attributed to the shareholders in the Company and to the non-controlling interests. The profit data that are presented in the Report of the Board of Directors relate to the profit attributed to the shareholders in the Company, unless otherwise stated.

1. The Board of Directors' explanations regarding the state of the Company's affairs

1.1 General

As at the date of the financial statements, the Company's main investments include: Clal Holdings Insurance Enterprises Ltd, the debenture from Dolphin IL (which was received in the transaction for the sale of the Company's holdings in DIC in November 2017, as stated above), IDB Tourism and IDBG. The business position of the Company's primary holdings, as well as their results of operations, cash flows, changes in equity, and their value and the value of the debenture from Dolphin IL, affect the Company's business position, results of operations, equity and cash flows. The value of the debenture from Dolphin IL is primarily affected by DIC's net asset value, whose shares are pledged to secure the payment of the debenture.

In addition, the Company's position, results of operations, capital and cash flows are also affected by the Company's headquarter activities, which include financing expenses and income, and general and administrative expenses.

The business results of the Company, and sometimes also the capital attributed to its shareholders, may fluctuate (in accordance with current accounting principles) a great deal between the various reporting periods, due to, inter alia, the timing and extent of realizations which are performed by the Company, due to the effects of changes in prices of securities on the capital market and the value of assets, as well as changes in the financing expenses of the Company.

The increased sector-wide legislation, standardization, regulation and competition in various operating segments of the Israeli economy in recent years have a negative impact, and sometimes a significantly negative effect, on the operations of certain material investee companies of the Company, on their financial results and on the prices of their securities, and also on the Company's operations, and the Company believes that the foregoing has a significant impact on the Company and on its business operations.

The Group's operations are affected by many additional external factors (see sections 7 and 22 in Part A of the Periodic Report).

1.2 Results in 2018

The Company ended 2018 with loss of NIS 465 million, as compared with a loss of NIS 610 million in 2017. The fourth quarter of 2018 ended with a loss of NIS 224 million as compared with a loss of NIS 1 million in the corresponding period last year.

For details regarding the main profits (losses), see section 1.7 below.

1. The Board of Directors' explanations regarding the state of the Company's affairs (Continued)

1.3 The segments and their contribution to the Company's results, by operating segment

	Contribution to profit (loss) For the year			Data on the level of the investee company[1]		
	2018	2017	2016	2018	2017	2016
	NIS millions					
IDBG	[1](69)	[2](161)	[2] (37)	[2] (251)	[3](1,152)	[3] (637)
Increase (decrease) in the fair value of debenture issued by Dolphin IL[3]	(326)	27	-			
IDB Tourism	[5]11	28	(74)	[5]38	25	(77)
Clal Holdings Insurance Enterprises [6]	(319)	363	53			
Activities sold						
Cellcom	-	33	56		[7]112	148
Property & Building	-	34	138		[7]170	263
Shufersal	-	77	92		[7]275	262
Adama	-	-	[8]697		-	[9]688
All other holdings	(2)	(24)	(12)			
Total companies	(705)	377	913			
Decrease (increase) in the fair value of convertible subordinated loans which were received from the controlling shareholder	[10]530	(444)	5			
Financing, administrative and others [11] - the Company	(290)	(209)	(183)			
Financing, administrative and others - the Company's share in DIC	-	(334)	(473)			
Net income (loss) for the year	(465)	(610)	262			

[1] The data presented relate to the results of the investee companies, as presented in their financial statements, ignoring the Company's holding rate in them and ignoring cancelled transactions between the companies and between segments. The segmental results in 2017 in respect of Cellcom, Property & Building and Shufersal are in respect of 2017 in its entirety, and not until November 22, 2017, the closing date of the transaction involving the sale of DIC shares.

1 Includes the direct share of the net amortizations that have been recorded in respect of the Great Wash project and in respect of additional land in Las Vegas in the amounts of NIS 40 million, NIS 143 million and NIS 48 million in the years 2018, 2017 and 2016, respectively.

2 The data include IDBG's financing expenses vis-à-vis the Company and vis-à-vis Property & Building, in respect of loans which were given by them on a pro rata basis (amounts of NIS 114 million, NIS 829 million, and NIS 564 million in the years 2018, 2017 and 2016, respectively), as well as IDBG's financing expenses in respect of loans which were given by Property & Building (amounts of NIS 20 million, NIS 18 million and NIS 10 million in the years 2018, 2017 and 2016 respectively).

3 See Note 3 A to the financial statements. The economic paper in connection with the fair value of the debenture as at December 31, 2018 is attached to the financial statements.

5. Income from the sale of 50% of incoming tourism, of NIS 29 million, was not reflected in the consolidated financial statements of the Company , as per Note 3 C 2 of the financial statements.

6. The contribution to income primarily reflects the change in the fair value of the Company's holdings in Clal Hodngs Insurance Enterprises (including swap transactions) and is reported in the statement of income under discontinued operations.

7. DIC was consolidated until the date of its sale on November 22, 2017. In 2017, the contribution to the Company was up to the time of the sale, while the data at the level of the investee company relates to the entire 2017. For additional information, see Note 3 A to the financial statements.

8. In 2016, includes the Company's share of income from the disposal of Adama and from the disposal of a non-recourse loan in the amount of NIS 524 million. In 2016, the contribution includes the Company's share of a provision for impairment in the value of the investment in Adama of NIS 23 million

9. The results of Adama are reported in US Dollars and are reported in this table in NIS, based on a convenience translation in accordance with average exchange rates in 2016.

10. Pursuant to the provisions of International Standard 9 (IFRS 9) , in 2018, in addition to said income, the Company recognized an other comprehensive loss of NIS 538 million, which is sourced to changes in the Company's credit risk. See Note 7 C to the financial statements.The economic paper regarding the fair value of the subordinate loans is attached to the financial statements.

11. See section 1.9 below. .

1. The Board of Directors' explanations regarding the state of the Company's affairs (Continued)

1.4 Abbreviated data from the financial statements

1.4.1 Summary balance sheet data

	Company		Consolidated	
	As at December 31			
	2018	2017	2018	2017
	NIS millions			
Current assets	1,633	1,662	2,084	2,069
Total assets	4,224	5,325	4,545	5,597
Current liabilities	1,261	783	1,713	1,183
Convertible subordinated loans which were received from the controlling shareholder	529	521	529	521
Other non-current liabilities	2,664	3,291	2,534	3,162
Capital (deficit) attributed to owners of the Company [12]	(230)	730	(230)	730
Shareholder's equity with the addition of the subordinated loans	299	1,251	299	1,251
Shareholders' equity (deficit) (including non-controlling interests in the consolidated statements)	(230)	730	(231)	731

1.4.2 Liabilities and financing

Data regarding debt and cash in the Company and in its wholly-owned companies (excluding IDB Tourism):

	As at March 26	As at December 31	
	2019	2018	2017
	NIS millions		
Financial liabilities[13]	(2,878)	(2,969)	(3,660)
Liquid asset balances[14]	60	52	955
Restricted deposits[15]	626	621	144
Debt, net	(2,192)	(2,296)	(2,561)
Average lifetime of liabilities	2.5	2.6	3.4

12. See also section 1.4. 6
13. The debentures include accrued interest. The amounts do not include subordinate convertible loans in the amount of NIS 558 million (principal) which were received from the controlling shareholder (see Note 7. C. to the financial statements) .For details regarding guarantees and pledges which were given by the Company ,see section 1.4.4.3 below and Notes 8. B and 12 to the financial statements.

14 Includes cash and cash equivalents, marketable securities, liquid investments and short term deposits.

15 Pledged deposits, which serve as collateral for banking institutions in connection with swap transactions that are described in Sections 3 and 4 of Note 3. B to the financial statements, which amounted to NIS 520 million as at December 31, 2018, a deposit that serves as collateral for the repayment of the debentures (Series M), which amounted to NIS 35 million as at December 31, 2018, as well as a deposit to collateralize the swap transaction in respect of the shares in DIC, which amounted to NIS 66 million as at December 31, 2018 (see Note 5 to the financial statements for details).

1. **The Board of Directors' explanations regarding the state of the Company's affairs (Continued)**

1.4 Abbreviated data from the financial statements (Continued)

1.4.3 The following are the book values of investee companies directly held by the Company, the net asset value[16] and the leverage ratio as at December 31, 2018:

	Holding rate	Book value	Asset value
		NIS millions	
Debenture of Dolphin IL[17]		1,203	1,203
Clal Holdings Insurance Enterprises	30%	873	863
IDB Tourism	100%	213	213
IDBG	50%	190	190
Others		43	50
		2,522	2,519
Value of swap transactions on 30% of the shares of Clal Holdings Insurance Enterprises			(115)
Value of a swap transaction on 6.5 million shares in DIC			(6)
			2,398
Less financial debt, net (section 1.4.2 above)			(2,296)
Total net asset value [NAV] [18]			102
Leverage ratio [LTV] – as at December 31, 2018			96%
Leverage ratio [LTV] – at a time close to the time of the publication of the report[19]			101%

[16]. Asset value is determined according to the value of the assets ,as stated below) :A (In respect of marketable holdings - according to their average market value during the last five trading days of) .2018 B (In respect of non-marketable holdings - according to their value in the Company's financial statements .

[17] For details regarding the sale of DIC shares and regarding the terms of the debenture from Dolphin IL ,see Note.3 A to the financial statements .As at December ,2018 ,31 the net asset value of DIC shares which are pledged against the debenture ,based on the provisions of footnote 17 below ,is NIS 1,360 million .The market value of the shares which are pledged against the debenture amounted ,as at that date ,to NIS 1,072 million.

[18] Excluding the asset value of the cost for achieving collaterals for the Company's liability from Dolphin IL in the amount of NIS 165 million and discount on the debentures issued by the Company in the amount of NIS 49 million.

.[19]The leverage level at a time close to the time of publication of the report is based on market date and the debt at a time close to the time of publication of the report. \in relation to the non-marketable holdings, including the debenture from Dolphin IL, the value of the holdings are in accordance with the carrying values in the Company's accounting records as at December 31, 2018.

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1. The Board of Directors' explanations regarding the state of the Company's affairs (Continued)

1.4 Abbreviated data from the financial statements (Continued)

1.4.4 The Company's financing sources

1.4.4.1 The following are the principal monetary movements in the Company's headquarters

	For the year ended December 31, 2018			
	Liquid assets [1]	Pledged and restricted deposits	Financial debt	Financial debt, net
	NIS millions			
Balance at the beginning of the year	955	144	(3,660)	(2,561)
Consideration from the disposal of shares in Clal Holdings Insurance Enterprises[2]	144	359	-	503
Deposits for supplementing collateral, net[3]	(375)	375	-	-
Deposit for a swap transaction on shares in DIC[4]	(66)	66	-	-
Repayment of financial debt - principal	(432)	[5](268)	700	-
Repayment of financial debt - interest	(136)	[5](55)	191	-
Receipt in connection with a compromise agreement in derivative claims of IDB Holdings[6]	14	-	-	14
Investments in Modi'in	(11)	-	-	(11)
General and administrative expenses less financing income, net	(22)	-	-	(22)
Payments in respect of derivatives, net	(19)	-	(1)	(20)
Financing expenses - accrual of interest plus linkage differentials on financial debt	-	-	(199)	(199)
	52	621	(2,969)	(2,296)

	For the year ended December 31, 2017			
	Liquid assets [1]	Pledged and restricted deposits	Financial debt	Financial debt, net
	NIS millions			
Balance at the beginning of the year	116	85	(3,079)	(2,878)
Recruitments of debt	2,037	-	(2,055)	(18)
Dividends received from DIC	408	72	-	480
Exercise of warrants into DIC shares	(210)	-	-	(210)
Investment in Colu Ltd. and in its coin[4]	(51)	-	-	(51)
Repayment of financial debt - principal	(1,333)	(136)	1,469	-
Repayment of financial debt - interest	(220)	(31)	251	-
Consideration from the disposal of the shares of Clal Holdings Insurance Enterprises[2]	157	161	-	318
Deposit in securities[3]	(144)	144	-	-
Cash consideration from the sale of DIC	70	-	-	70
Repayment of capital note which was given to IDB Tourism	14	-	-	14
Release of funds in respect of the debentures (Series K) in favor of the Company	85	(85)	-	-
Release of funds from restricted deposits, net[7]	66	(66)	-	-
General and administrative expenses less financing income, net	(35)	-	-	(35)
Payments in respect of derivatives, net	(5)	-	-	(5)
Financing expenses - accrual of interest plus linkage differentials on financial debt	-	-	(246)	(246)
	955	144	(3,660)	(2,561)

(1) Liquid assets including cash ,cash equivalents ,marketable securities and short term deposits .

(2) For details regarding transactions for the sale of Clal Holdings Insurance Enterprises ,and the performance of swap transactions in respect of the shares being sold ,see Note.3 B.3 to the financial statements.

(3) The collateral serves for swap transactions that have been performed on shares in Clal Holdings Insurance Enterprises as stated in sub-section (2) above.

(4) For details ,see Note 9 to the financial statements.

(5) Includes the partial early repayment of debentures) Series M ,(as stated in Note.8 B.2 .to the financial statements.

(6) See Note.7 E to the financial statements for details.

(7) Release of the balance of the dividend monies received from DIC against a deposit of shares in DIC in support of holders of debentures) Series N .(See Note .8B.3 to the financial statements for details.

1. <u>The Board of Directors' explanations regarding the state of the Company's affairs</u> (Continued)

1.4 <u>Abbreviated data from the financial statements</u> (Continued)

1.4.4 <u>The Company's financing sources</u>)Continued(

1.4.4.2 <u>The following are details regarding the repayment of the Company's liabilities:</u>

	For the year ending December 31, 2019			For the six months ending June 30, 2019		
	Principal	Interest	Total	Principal	Interest	Total
	NIS millions					
Debentures	743	146	889	130	75	205

See also the Company's report regarding the Company's set of liabilities, by maturity dates (T-126), which was published through public electronic reporting on March 28, 2019 (reference number 2019-01-029032).

1.4.4.3 <u>Financial restrictions and ratios</u>

1.4.4.3.1 In connection with the Company's debentures (Series M), the balance of which as at December 31, 2018 amounted to a total of NIS 659 million, the Company undertook, in accordance with the deed of trust, to fulfill, throughout the entire period of the debentures, a financial covenant which stipulates that the capital of Clal Holdings Insurance Enterprises Ltd must not fall below NIS 1.8 billion. Restrictions were also determined on the distribution of profits and on the creation of a general floating pledge, as specified in the deed of trust.

In accordance with the last published financial statements of Clal Holdings Insurance Enterprises Ltd., Clal Holdings Insurance Enterprises Ltd.'s shareholders' equity stood at approximately NIS 4.9 billion and accordingly, the Company is in fulfillment of the financial covenant which was determined in the deed of trust.

1. The Board of Directors' explanations regarding the state of the Company's affairs (Continued)

1.4 Abbreviated data from the financial statements (Continued)

1.4.4 The Company's financing sources)Continued(

1.4.4.3 Financial restrictions and ratios (Continued)

1.4.4.3.2 In connection with the Company's debentures (Series N), the balance of which (principal and interest) amount to NIS 993 million as at December 31, 2018, the Company has undertaken, in accordance with the deed of trust, to fulfill, during the entire period of the debentures, grounds for adjustment of the interest rate, and financial covenants, as follow:

	Calculation results	
Grounds for adjustment of interest rate / financial covenant	**As at December 31, 2018**	**As at a time close to the time of the publication of this report**
The long term issuer rating of DIC will be no lower than the base rating (ilBBB). In case of a reduction of the rating, as stated in the deed of trust, a maximum cumulative addition of up to 0.75% will be added to the annual interest rate applicable to the debentures (Series N).	ilBBB Rating with a stable rating outlook	ilBBB+ Rating with stable outlook
The asset value[16] after deducting net financial debt ("net asset value") of DIC will be less than NIS 1.1 billion. In case of an exception, an additional 0.25% will be added to the interest applicable to the debentures (Series N).	DIC's net asset value - NIS 1.8 billion	DIC's net asset value – NIS 1.5 billion (as at March 14, 2019, close to publication date of DIC's financial statements)
The ratio between DIC's net financial debt and its asset value exceeds 85%. In case of an exception, an additional 0.5% will be added to the interest applicable to the debentures (Series N).	The ratio between DIC's net financial debt and its asset value 57% –	The ratio between DIC's net financial debt and its asset value-) 64%as at March ,2019 ,14 close to publication date of DIC's financial statements (
A pledge on DIC shares in favor of the fulfillment of the undertakings towards the debenture holders (Series N).	Approximately 99.3 million DIC shares were pledged.	Approximately 99.3 million DIC shares were pledged.

[16] Asset value is determined according to the value of the assets, as stated below: (A) In respect of marketable holdings - according to their average market value during the last five trading days of 2018. (B) In respect of non-marketable holdings - according to their value in the Company's financial statements.

1. The Board of Directors' explanations regarding the state of the Company's affairs (Continued)

1.4 Abbreviated data from the financial statements (Continued)

1.4.4 The Company's financing sources (Continued)

1.4.4.3 Financial restrictions and covenants (Continued)

1.4.4.3.3 The following are details regarding the pledges which were given towards the Company's debenture holders, in favor of the liabilities to those holders:[20]

Pledged asset	Pledged in support of the holders of debentures series	As at December 31, 2018		Close to the publication of this report	
		Amount	Rate of pledged holdings	Amount	Rate of pledged holdings
		Millions of shares	%	Millions of shares	%
DIC shares(2)	N	99.26	65.5	99.26	70.2
Shares of Clal Holdings Insurance Enterprises (1)	K	2.77	5.0	2.77	5.0
	M(1)	13.81	24.8	11.31	20.3

(1) The Company pledged, for the debenture holders (Series M), the consideration in respect of the base shares, and not the base shares themselves. For details see Note 8.B.2 to the financial statements. In addition, on December 31, 2018, and at a time close to the publication of the report, an amount of NIS 35 million and NIS 22 million, respectively, is deposited in a trust account that is pledges in support of the trustee for the holders of the debentures (Series M).

(2) It should be noted that, beginning in November 2017, and at a time close to the time of the publication date of the report, the Company does not hold DIC shares (for details, see Note 3.A. to the financial statements). 99.26 million par value of the shares specified above were pledged by Dolphin IL, through a specific first priority pledge in favor of the debenture holders (Series N), through a specific second priority pledge in favor of the Company, and through a specific third priority pledge in favor of the Company's debenture holders (including Series N). Additionally, 17.16 million shares of DIC are pledged through a specific first priority pledge in favor of the Company, and through a specific second priority pledge in favor of all of the Company's debenture holders.

Accordingly, a total of 116.42 million shares of DIC, which are owned by Dolphin I.L. are pledged to secure the debenture from Dolphin IL. The market value of the shares as of December 31, 2018 on or about the publication date of the report is NIS 1,072 million and NIS 967 million, respectively.

In addition, on or about the publication date of the report, a sum of NIS 27 million was pledged in favor of the debenture holders (Series N), which was received from Dolphin IL on account of the interest on the debenture issued to the Company. For details see Note 3.A.6 to the financial statements. NIS 12 million of this amount will be used to repay interest to the holders of the Series N debentures on March 31, 2019.

[20] The value of the pledged shares as at the date of the first issuance, was 133% of the debt balance.

1. The Board of Directors' explanations regarding the state of the Company's affairs (Continued)

1.4 Abbreviated data from the financial statements (Continued)

1.4.4 The Company's financing sources (Continued)

1.4.4.4 Statements of forecast cash flows of the Company and of the wholly owned head office companies (except for IDB Tourism)

As at December 31, 2018, the Company has a deficit on equity attributed to the shareholders and the Company's auditors have drawn attention in their opinion to Note 1.B to the financial statements and specifically to the part relating to the Company's ability to repay its liabilities when required in the period commencing from 2021 which depends, inter alia, on factors beyond its control. . See Note 1.B. to the financial statements for details. In light of this, a statement of forecast cash flows is presented hereby, in which details appear of the liabilities and the sources of funds from which the Company expects to extinguish them, in the period of two years ending on December 20, 2020.

The information that is presented in this section should be read in conjunction with the periodic report in its entirety and with the financial statements, and in particular together with Note 1B to the financial statements regarding the Company's financial position

	For the period from	
	January 1 2019 to December 31 2019	January 1 2020 to December 31 2020
	NIS millions	
Sources		
Balance of liquid assets at beginning of period (1)	673	493
Receipts from IDB Tourism (2)	213	-
Recruitment of secured debt	80	-
Sale of shares in Clal Holdings Insurance Enterprises (3)	526	143
Receipt of interest on the debenture from Dolphin IL (4)	36	18
Total sources	1,528	654
The liabilities that are expected (expected uses): (5)		
Cash flows from operating activities		
General and administrative expenses, net	30	30
Cash flows for financing activities (6)		
Settlement of debenture principal (8)	(7)743	204
Settlement of debenture interest (8)	(7)146	114
Net payments on swap transactions (9)	116	109
Total uses	1,035	457
Liquid assets at the end of the period*	493	197
* Including forecasted balance of restricted deposits in an amount of	310	-

(1) The balance of liquid assets includes cash, cash equivalents, short-term deposits and restricted deposits. The balance of the restricted deposits amounted to NIS 621 million on January 1, 2019.

(2) See Note 3.C.1 to the financial statements for details.

(3) Pursuant to the outline for the sale of Clal Holdings Insurance Enterprises (on the assumption that no additional swap transactions will be executed). See Notes 3.B.2, 3.B.6 and 19.A to the financial statements. The considerations are stated in accordance with the market value of Clal Holdings Insurance Enterprises close to the time of the publication of the report. The forecasted statement of cash flows does not include the possible impact of submitting a request for a control permit in Clal Holdings Insurance Enterprises by the controlling shareholder of the Company, as noted in Note 3 B 8 to the financial statements.

1. The Board of Directors' explanations regarding the state of the Company's affairs (Continued)

1.4 Abbreviated data from the financial statements (Continued)

1.4.4 The Company's financing sources (Continued)

1.4.4.4 Statements of forecast cash flows of the Company and of the wholly owned head office companies (except for IDB Tourism) (Continued)

(4) For additional details regarding the amount of NIS 32 million received by the Company from Dolphin IL, see Note 3.A.6 to the financial statements. Additional amounts that Dolphin IL will receive in respect of interest of debentures (Series I) received as a dividend in kind from DIC, as stated in said note, will be transferred to the Company as payments on account of principal and interest of Dolphin IL debentures.

(5) The Company's statement of forecast cash flows does not include the repayment of a loan that has been made available by Property & Building to IDBG (see Note 3 D 4 to the financial statements for details). The Company is examining the possibility of the extension of the loan or alternatively the conversion of the loan into share capital in IDBG, pursuant to the conversion mechanism that is detailed in that note.

(6) The Company's statement of forecast cash flows is presented in accordance with the agreed repayment schedules of the Company's liabilities as at the time of the publication of the report.

(7) Includes payment in respect of the partial early repayment of debentures (Series M), which was executed on February 28, 2019. See Note 8.B.2 to the financial statements for details.

(8) The following are details of the repayments of the loans and the debentures (on the basis of the present repayment schedules in the Company's agreements, including interest and linkage differentials on the basis of the index at the time of the publication of the report):

		2019				2018			
		Total Q1	**Total Q2**	**Total Q3**	**Total Q4**	**Total Q1**	**Total Q2**	**Total Q3**	**Total Q4**
Debenture series		**NIS millions**							
I	Principal	-	-	-	-	-	-	-	204
	Interest	-	31	-	31	-	31	-	31
J	Principal	-	-	-	-	-	-	-	-
	Interest	-	-	-	-	-	-	-	-
K	Principal	-	-	-	87	-	-	-	-
	Interest	1	1	1	1	-	-	-	-
M	Principal	130	-	-	526	-	-	-	-
	Interest	11	7	7	7	-	-	-	-
N	Principal	-	-	-	-	-	-	-	-
	Interest	12	12	12	12	12	12	12	12
Total	Principal	**130**	**-**	**-**	**613**	**-**	**-**	**-**	**204**
	Interest	**24**	**51**	**20**	**51**	**12**	**43**	**12**	**43**
Total		**154**	**51**	**20**	**664**	**12**	**43**	**12**	**247**

(9) For details regarding the swap transactions on shares in Clal Holdings Insurance Enterprises, see sections 3-5 in Note 3.B to the financial statements. It should be noted that in relation to each of the swap transactions the Company can terminate the transaction before the end of its 24 months, subject to the payment of an insignificant early settlement commission, and release the relevant restricted deposit.

1. The Board of Directors' explanations regarding the state of the Company's affairs (Continued)

1.4 Abbreviated data from the financial statements (Continued)

1.4.4 The Company's financing sources (Continued)

1.4.4.4 Statements of forecast cash flows of the Company and of the wholly owned head office companies (except for IDB Tourism) (Continued)

The data that are recorded in the statement of forecast cash flows is based on estimates, assumption and assessments the basis for which includes forward looking information, as defined in the Securities Law, based on the Company's assessments regarding:

The probability of the realization of the relevant business scenarios from which the Company expects to have receipts, the timetables for the realization of those scenarios; the operating results; possible alternatives of the obtaining of sources for the extinguishment of its liabilities when they fall due for settlement; the amounts and the timings of the repayment of the Company's debentures and loans.

These assessments may not be realized, in whole or in part, or they may be realized in a manner that is significantly different from what has been expected. The main factors that may influence this are: the impact of the outline for the enforced sale on Clal Holdings Insurance Enterprises' share price and the impairment of the maximization of the consideration that will be received in respect of the sale of shares in Clal Holdings Insurance Enterprises; changes in business processes from which the Company expects to receive sources of financing; a fall or a worsening of the state of the capital market and the economy, which would lead to a significant decrease in the value of the Company's holdings; dependency on the yields on the Company's debentures; dependency on the share prices of DIC and its investee companies, which are charged in support of the Company and the holders of its debentures and Clal Holdings Insurance Enterprises ' share price.

1.4.5 Retained earnings and negative balances of distributable earnings[21]

The balance of distributable earnings (as this term is defined in section 302 of the Companies Law), of the Company and of primary investee companies held directly by the Company as at December 31, 2018, is as follows:

Company	Balance of distributable earnings (negative balances) NIS millions
IDB Development Corporation Ltd.[22]	(1,075)
IDB Tourism [22]	70
Clal Holdings Insurance Enterprises Ltd [23]	2,000
DIC [24]	(431)

21 For information pertaining to the restrictions on the distribution of dividends, see section 5 of part A of the periodic report.

22 The balance of distributable earnings is calculated based on the net profit (loss) attributed to shareholders, which was accrued in the last eight quarters, in accordance with the provisions of section 302 of the Companies Law, as at December 31, 2018. The balance of accumulated earnings is lower)in IDB Tourism – negative .(

23 For details regarding restrictions on dividend distributions in insurance companies, see sections 11.5.3.2 and 11.5.3.3 of chapter A (description of the Company's business) of the periodic report. .

24 In February 2019, subsequent to the date of the statement of financial position, DIC distributed a dividend in an overall amount of NIS 104 million. (For details see Note 3.A.6 to the financial statements) and performed buyback purchases of its shares in a total amount of NIS 96 million. .

1. The Board of Directors' explanations regarding the state of the Company's affairs (Continued)

1.4 Abbreviated data from the financial statements (Continued)

1.4.6 The following are the changes in the capital (capital deficit) attributed to Company[25]

	For the year ended December 31		
	2018	2017	2016
	NIS millions		
Balance at the beginning of the year	730	838	131
Initial adoption of IFRS 15	-	15	-
Changes during the year			
Receipt of convertible subordinated loans from the controlling shareholder[26]	-	-	315
Increase in capital due to sale of DIC shares	-	540	-
Net profit (loss) attributed to the Company's owners	(465)	(610)	262
Capital reserve in respect of the fair value of the subordinated loans, in relation to changes in the credit risk	(538)	-	-
Reserves from translation differences	33	(168)	218
Hedging reserves	(3)	(1)	(23)
Reserves in respect of transactions with non-controlling interests	-	129	(102)
Receipt for a compromise	14	-	-
Capital reserves and other movements, net	(1)	(13)	[27]37
Balance at the end of the year	(230)	730	838

25 See also section 1.5 below.

26 onvertible subordinate loans, see Note 7.C. to the financial statements.

27 Includes a controlling shareholders reserve in an amount of NIS 65 million, which was recorded following the issuance of the debentures (Series I) of the Company within the framework of the debt arrangement in IDB Holdings.

1. The Board of Directors' explanations regarding the state of the Company's affairs (Continued)

1.4 Abbreviated data from the financial statements (Continued)

1.4.7 Movement in the balance of convertible subordinated loans which were received from the controlling shareholder

	For the year ended December 31		
	2018	2017	2016
	NIS millions		
Balance at the beginning of the year	521	77	49
Changes in the period			
Receipt of convertible subordinated loans from the controlling shareholder [26]	-	-	33
Increase (decrease) in the fair value of the subordinated loans:			
Through profit and loss	(530)	444	(5)
Through other comprehensive income	538	-	-
	8	444	(5)
Balance at end of the year	529	521	77

It is clarified that the aforementioned convertible subordinated loans are subordinate to any current and future debts of the Company, and therefore, the Company does not predict that they will be repaid in the foreseeable future, and accordingly, even though they are presented in the Company's statement of financial position under non-current liabilities, the Company views them as part of the Company's "economic equity" (Non-GAAP measure).

1. The Board of Directors' explanations regarding the state of the Company's affairs (Continued)

1.4 Abbreviated data from the financial statements (Continued)

1.4.8 Linkage balance of the assets and liabilities of the Company as at December 31, 2018 (including wholly owned subsidiaries, other than IDB Tourism)

	Linked to the CPI	Linked to the USD	Un-linked	Non-monetary items	Total
			NIS millions		
Assets					
Debenture of Dolphin IL	-	-	1,203	-	1,203
Cost of obtaining collateral for the Company's liabilities from Dolphin IL	-	-	-	165	165
Investments in investee companies	-	-	-	204	204
Restricted and pledges deposits	-	-	621	-	621
Non-current financial assets presented at fair value	-	-	-	27	27
Other assets	-	-	-	2	2
Fixed assets	-	-	-	1	1
Current financial assets presented at fair value	-	-	-	3	3
Other receivables	-	-	2	1	3
Investments in investee companies held for sale(1)	-	-	-	1,816	1,816
Cash and cash equivalents	-	1	48	-	49
Total assets	-	1	1,874	2,219	4,094
Liabilities					
Debentures	1,272	-	1,642	-	2,914
Liabilities to banking corporations in connection with swap transactions	-	-	811	-	811
Subordinated loans	-	-	529	-	529
Derivatives	-	-	-	6	6
Other payables	14	-	13	3	30
Current provisions	-	-	-	2	2
Swap transaction on the shares of Clal Holdings Insurance Enterprises	-	-	-	32	32
Total liabilities	1,286	-	2,995	43	4,324
Net assets (liabilities) as at December 31, 2018	(1,286)	1	(1,121)	2,176	(230)
Net exposure as at December 31, 2017	(1,581)	119	(528)	2,720	730

(1) Including the fair value of Clal Holdings Insurance Enterprises in the swap transactions.

For details regarding the linkage bases of assets and liabilities in the consolidated statement of financial position, see Note 11.D. to the financial statements.

1. The Board of Directors' explanations regarding the state of the Company's affairs (Continued)

1.4 Abbreviated data from the financial statements (Continued)

1.4.9 Sensitivity tests for financial instruments

For details regarding sensitivity tests for sensitive financial instruments included in the consolidated financial statements as at December 31, 2018, based on changes in market factors, see Appendix A to the Board of Directors' Report. See also Note 11.E. to the financial statements.

The following are the summation rows of the sensitivity tables

As at December 31, 2018:

	Gain (loss) from changes in parameters examined in the sensitivity tests						
	Increase in parameter				Decrease in parameter		
	2% in absolute value	10%	5%	Fair value	5%	10%	2% in absolute value
	NIS millions						
Sensitivity to changes in interest rates	93	77	39	(2,202)	(41)	(83)	(104)

	Gain (loss) from changes in parameters examined in the sensitivity tests				
	Increase in parameter			Decrease in parameter	
	10%	5%	Fair value	5%	10%
	NIS millions				
Sensitivity to changes in the US dollar exchange rate	(14)	(8)	(147)	8	14
Sensitivity to changes in the prices of Clal Holdings Insurance Enterprises	175	87	1,749	(87)	(175)

As at December 31, 2017:

	Gain (loss) from changes in parameters examined in the sensitivity tests						
	Increase in parameter				Decrease in parameter		
	2% in absolute value	10%	5%	Fair value	5%	10%	2% in absolute value
	NIS millions						
Sensitivity to changes in interest rates	220	47	25	(3,623)	(25)	(49)	(246)

	Gain (loss) from changes in parameters examined in the sensitivity tests				
	Increase in parameter			Decrease in parameter	
	10%	5%	Fair value	5%	10%
	NIS millions				
Sensitivity to changes in the US Dollar exchange rate	(2)	(1)	(30)	1	2
Sensitivity to changes in the prices of marketable securities	220	110	2,204	(110)	(220)

1. The Board of Directors' explanations regarding the state of the Company's affairs (Continued)

1.5 Changes in equity and the quality of the profit (loss)

For details regarding factors which affect net income (loss), and regarding the Company's comprehensive income (loss), see section 1.1 above.

The Company's total comprehensive loss in 2018 (including non-controlling interests) amounted to NIS 973 million, compared with comprehensive loss (including non-controlling interests) of NIS 631 million in 2017. The aforementioned difference is primarily due to the following factors:

A. The loss in 2018 (including non-controlling interests) amounted to NIS 464 million, as compared with a loss in an amount of NIS 300 million in 2017.

B. In 2018, the Company recorded an other comprehensive loss in an amount of NIS 538 million on the updating of the fair value of subordinated convertible loans from the controlling shareholder, which was attributed to a change in the Company's credit risk.

C. In 2018, other comprehensive income (including non-controlling interests) net of tax was recorded for foreign currency translation differences in respect of foreign operations in an amount of NIS 14 million, as compared with other comprehensive loss net of tax in the amount of NIS 279 million in 2017. The difference derived from an increase of 8.1% in the exchange rate of the dollar in 2018, as compared with a decrease of 9.8% in 2017, and also from the reduction on the scale of the investments that are measured in foreign currency following the disposal of the investment in DIC in November 2017.

D. In 2018, other comprehensive income (including non-controlling interests) net of tax was recorded in respect of investee companies accounted for by the equity method net of tax in an amount of NIS 19 million, as compared with other comprehensive loss in the amount of NIS 26 million in 2017. The difference derived primarily from the change in the USD exchange rate as stated in Section C above.

The comprehensive loss attributed to the owners of the Company in 2018 amounted to NIS 974 million, as compared with a loss of NIS 787 million in 2017.

1.6 Summary of the Company's results (consolidated)

Select data from the Company's results	For the year ended		For the three months ended	
	December 31			
	2018	2017	2018	2017
	NIS millions			
Net loss attributed to the Company's shareholders	(465)	(610)	(224)	(1)
Net profit attributed to non-controlling interests	1	310	(2)	61
Net profit (loss) attributed to shareholders and to non-controlling interests	(464)	(300)	(226)	60
Income (loss) from discontinued operations (including non-controlling interests)	(307)	328	(534)	151
Comprehensive loss attributed to shareholders in the Company	(974)	(787)	(647)	(7)

1. The Board of Directors' explanations regarding the state of the Company's affairs (Continued)

1.7 Details regarding main non-recurring events

1.7.1 Details regarding main non-recurring profits (losses)

	For the year ended	For the three months ended
	December 31, 2018	
	NIS millions	
Not involving cash flows		
Decrease in the fair value of Clal Holdings Insurance Enterprises [(1)]	(302)	(513)
Decrease in the value of the debenture from Dolphin IL	(326)	(138)
Decrease in the fair value of convertible subordinated loans from the controlling shareholder[(2)]	530	533
Impairment of the Tivoli project and of real estate inventory in Las Vegas[(3)]	(40)	-

(1) Presented under discontinued operations.

(2) In 2018, only changes attributed to market changes have been recorded in the statement of income. See also section 1.4.7 above and Note 7C to the financial statements.

(3) See Note 3.D.1 to the financial statements for details.

	For the year ended	For the three months ended
	December 31, 2017	
	NIS millions	
Not involving cash flows		
Increase in the fair value of Clal Holdings Insurance Enterprises [(2)]	372	59
Increase in the fair value of convertible subordinated loans from the controlling shareholder	(444)	(82)
Impairment of the Tivoli project and of real estate inventory in Las Vegas [(1),(2)]	(208)	-
Increase in the value of the debenture from Dolphin IL	27	27
Tax income in respect of utilization of losses following realization of DIC shares	74	-
Loss from exchange of debentures in DIC[(2)]`	(163)	-
Compromise agreement in derivative action Ma'ariv[(2)]	62	62
Revaluation of the HSBC building [(2)]	29	-

[(1)] See Note 3.D.1 to the financial statements for details.

[(2)] Presented under discontinued operations.

1.7.2 The main non-recurring impacts on equity attributed to shareholders in the Company ("equity"), not involving the recording of a profit (loss) in 2018:

- Decrease in equity as a result of an increase in the fair value of the subordinated convertible loan from the controlling shareholder, which is sourced in the Company's credit risk, in an amount of NIS 538 million. See Note 7C to the financial statements for details.
- An increase in capital following a receipt of NIS 14 million in respect of a compromise agreement, which was received in May 2018. See Note .7E to the financial statements for details.

1. **The Board of Directors' explanations regarding the state of the Company's affairs (Continued)**

1.8 Contribution to the business results of the Company and of investee companies, by operating segment[28]

1.8.1 IDB Tourism segment

The Company's share in the results of the IDB Tourism segment in 2018 amounted to a profit of NIS 11 million, as compared with a profit of NIS 28 million in 2017. The profit from the decrease in control of incoming tourist operations in 2018, of NIS 29 million ,was not reflected in the Company's consolidated financial statements , as noted in Note 3 C 2 to the financial statements. The results in 2017 include a provision for loss in the amount of NIS 9 million, in respect of a merger transaction that was expected between Israir and Sun D'or International Airlines Ltd.

Summary of the business results of the IDB Tourism segment:

	For the year 2018	For the year 2017	Increase (Decrease)	2016	Explanation
	NIS millions		%	NIS millions	
Income	1,281	1,243	3.1	1,080	The increase in revenues in 2018 compared to 2017 derived from an increase in tourism and international and in country aviation sales as a result of the absorption of additional aircrafts and an increase in the market share in the in-country operations. The increase in 2017 compared to 2016 derived from an increase in Israir's revenues, mainly in the field of international tourism and aviation, as a result of the increase in the tourism market as a whole including recovery in the incoming tourism and from the increase in the share of the Israir Group in the tourism market which was offset from the decrease in revenues for the sale of Open Sky at the end of 2016.
Cost of revenue	1,143	1,087	5.2	922	The changes in the cost of revenues derive mainly from the changes in revenues as mentioned above.
Gross profit	138	156	(11.3)	158	The decrease in gross profit in 2018 compared to 2017 derives primarily from the results in the first half of 2018, in which activity executed by Israir in order to cope with the increasing competition in the sector had not yet found expression.
Rate of gross profit from total revenues	10.8%	12.5%	(14.0)	14.6%	
Operating expenses	(116)	(113)	3.5	(116)	
Other income (expenses), net	12	-		(3)	The net income in 2018 derived primarily from a net income of NIS 29 million from the sale of 50% of the incoming tourism operations, less the expenses relating to the absorption of pilots and aircrew for the new aircraft that were absorbed in Israir in the second quarter of 2018 and less loss in an amount of NIS 7 million for correcting immaterial error from previous years recorded in the results of 2018. .
Operating income	38	50	(23.1)	50	

28 In the tables presented in this section, the percentage of change relating to the comparison of data to the corresponding periods of last year is calculated based on exact figures which are not rounded to the nearest million.

1. **<u>The Board of Directors' explanations regarding the state of the Company's affairs</u> (Continued)**

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

1.8.1 <u>IDB Tourism segment</u> (Continued)

<u>Summary of the business results of the IDB Tourism segment</u> (Continued)

	For the year 2018	For the year 2017	Increase (Decrease)	2016	
	NIS millions		%	NIS millions	Explanation
EBITDA (including the share of the profits of affiliated companies)	59	83	(28.3)	85	The decrease in EBITDA in 2018 compared to 2017 mainly derives from decrease in gross profit. In addition, EBITDA includes share in the earnings of affiliates of NIS 4, 7 and 11 million in 2018, 2017 and 2016, respectively.
Rate of EBITDA from total revenues	4.6%	6.7%	(30.4)	7.9%	
Impairment loss	(6)	(9)	(35.1)	(110)	In 2016, an impairment loss of NIS 110 million was recorded, which was recognized in respect of a transaction for a merger between Israir and Sun D'or, which was expected. In 2017 and 2018, additional losses were recorded in respect of impairment resulting from an adjustments of Israir's derivative value from the merger transaction.
Financing expenses, net	(1)	(22)	(92.6)	(16)	The decrease in the financing expenses in 2018, by comparison to the year 2017 derives primarily from the refinancing of the aircraft loan, following which Israir recorded a gain in respect of the replacement of a debt instrument that does not constitute a significant change in an amount of NIS 4 million and from income from a change in the exchange rates. The increase in financing expenses in 2017 compared to 2016 derived primarily from expenses from a change in the exchange rates.
Tax benefit	7	8	(8.3)	4	The increase in the tax benefit in 2017 compared to the year 2016 is due to the recording of deferred tax revenues of NIS 2 million in Israir in 2017, compared to the recording of tax expenses of NIS 2 million in 2016, as a result of an additional consideration recorded in 2016 for the sale of Diesenhaus activity in 2015.
Net income (loss)	**37**	**25**	**48.5**	**(77)**	

For details regarding the main changes in the holdings of the IDB Tourism segment in the reporting period, see Note 3.C to the financial statements.

1. <u>The Board of Directors' explanations regarding the state of the Company's affairs</u> (Continued)

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

1.8.2 <u>Clal Holdings Insurance Enterprises Segment</u>

1.8.2.1 The Company's share in the results of the Clal Holdings Insurance Enterprises segment in 2018 amounted to loss of NIS 319 million, compared to an income of NIS 363 million in 2017. Following the transfer of the means of control in Clal Holdings Insurance Enterprises, which are held by the Company, to a trustee in August 2013, the results of Clal Holdings Insurance Enterprises, from the aforementioned date, are in accordance with the changes in the market value of the Company's holdings of the shares of Clal Holdings Insurance Enterprises.

For details regarding the market value of the shares in Clal Holdings Insurance Enterprises which are owned by the Company as at December 31, 2018, and at a date close to the time of the approval of this report, and for details regarding three additional transaction in the course of the year 2018 (and 5 transactions in total) for the sale of 5% of the shares in Clal Holdings Insurance Enterprises (in each transaction), which were held by the Company and the commitment under swap transaction in relation thereto regarding the manner of the accounting treatment and the presentation of the investment in the statement of financial position, see sections 3,6 and 7 in Note 3.B. to the financial statements.

For details regarding the Company's commitment under a swap transaction in connection with the shares that were sold by Bank Hapoalim, constituting 5% of the issued share capital of Clal Holdings Insurance Enterprises and regarding the manner of the accounting treatment thereof, see Note 3.B.4 to the financial statements.

1.8.2.2 For details regarding the appointment of a trustee for most of the Company's holdings in Clal Holdings Insurance by the Commissioner, regarding the outline over time which was determined for the sale of the Company's control of and holdings in Clal Holdings Insurance and regarding agreements with the trustee in connection with the Company's holdings in Clal Holdings Insurance Enterprises, see sections 1-2 in Note 3.B to the financial statements.

For details regarding the main changes in the holdings of the Clal Holdings Insurance Enterprises segment during the reporting period, see Note 3.B to the financial statements.

1. **The Board of Directors' explanations regarding the state of the Company's affairs (Continued)**

1.8 Contribution to the business results of the Company and of investee companies, by operating segment (Continued)

1.8.3 IDBG segment

The Company's share in the results of the IDBG segment, in respect of the Company's holding thereof, in 2018, amounted to loss of NIS 69 million, as compared with loss of NIS 161 million in 2017. The results in 2018 include the Company's direct share in the provision for impairment in respect of the Tivoli project and real estate inventory in Las Vegas, in an amount of NIS 44 million, relative to the provision for impairment in the amount of NIS 143 million which was recorded in 2017.

Summary of the business results of the IDBG segment:

	For the year 2018	For the year 2017	Increase	2016	
	NIS millions		%	NIS millions	Explanation
Revenues from rentals	42	37	14.7	30	The increase in 2018 compared to 2017 and the increase in 2017 compared to 2016, derives from the start of the occupancy of Triad B in the Tivoli project in 2017, and from the continuation of the occupancy in 2018.
EBITDA	1	2	(69.2)	-	The decrease in 2018 compared to 2017 derives primarily from an increase in the provision for doubtful debts.The increase in 2017, relative to 2016, was mainly due to the increase in property rentals. .
Decrease in fair value of investment property and assets	(88)	(286)	(69.3)	(96)	The changes in fair value derive primarily from updates to the valuations of the Tivoli project and real estate inventory in Las Vegas. See also Note 3.D.1 to the financial statements.
IDBG's share in the losses of investee companies	-	-		(1)	
Financing income (expenses), net to externals	(30)	(26)	13.3	(17)	The increase in expenses in 2017, as compared with income in 2016, was primarily due to the acquisition of the minority interests in the Tivoli project, in 2016, which led to the derecognition of the minority loans, and the recording of financing income in the amount of NIS 40 million, and due to the receipt of a loan from an Israeli lender in January 2017 (see also Note 3.D.3. to the financial statements).
Financing expenses in respect of credit under a facility agreement from Property & Building	(20)	(18)	13.6	(10)	Derives from a credit under a facility agreement received from Property & Building during 2016 (see Note 3.D.4. to the financial statements).
Loss *	**(137)**	**(323)**	**(57.4)**	**(73)**	

* Loss before financing expenses in respect of shareholders' loans granted by Property & Building in equal parts.

For details regarding the main changes in the holdings of the IDBG segment during the reporting period, see Note 3.D to the financial statements.

1. The Board of Directors' explanations regarding the state of the Company's affairs (Continued)

1.9 Administrative, financing and other expenses, net

Company	For the year ended December 31 2018	2017	2016	Explanation
	NIS millions			
Administrative income (expenses), net:				The decrease in 2018 as compared with 2017 derived primarily from • A decrease of NIS 2 million in payroll expenses, as a result of the reduction in the number of headquarters employees, and as a result of the transition of headquarters employees to DIC. • A decrease of NIS 3 million in legal expenses in consulting expenses and in insurance expenses, primarily in legal expenses and directors fees. This is inter alia, as a result of the Company's coping with the requirements of the Concentration Law in 2017. The increase in 2017 as compared with 2016 derived primarily from: • A decrease of NIS 6 million in payroll expenses, as a result of the reduction in the number of headquarters employees, and as a result of the transition of headquarters employees to DIC. • A decrease of NIS 6 million in legal expenses and in consulting expenses, primarily legal. Both due to the conduct vis-à-vis the trustees for the debentures and to the legal proceedings which the Company was a party to in 2016, and due to the savings in current expenses. • Recording of a provision for donations in 2016 in the amount of NIS 4 million. • A decrease of NIS 1 million, primarily due to the reduction of the Company's office area.
Administration and other expenses	(23)	(28)	(45)	
Reimbursement of expenses from DIC (see Note 17.B.(2) to the financial statements).	-	3	-	
	(23)	(25)	(45)	
Financing expenses, net:	(267)	(261)	(152)	The increase in 2018 as compared with 2017 derived primarily from: • In 2018, the Company recorded expenses in an amount of NIS 32 million in respect of the cost of obtaining collateral for the Company's liabilities from Dolphin IL as compared with NIS 3 million in 2017. Dolphin IL's debenture was issued in November 2017. • In 2018, the Company recorded an expense of NIS 22 million from impairment in the value of a Token (CLN), which was acquired in December 2017. See Note 3F to the financial statements for details. • On the other hand, the decrease in the volume of the Company's debt reduces the Company's financing costs by NIS 46 million, which is despite the rate of the increase in the index*, which contributed to an increase of NIS 11 million in the financing expenses. • In 2018, the Company recorded financing income of NIS 6 million in respect of the impact of the increase in the exchange rate of the dollar (approximately 8%) on its liquid assets, which are linked to the exchange rate of the dollar, as compared with expenses of NIS 2 million in 2017. • In 2018, the Company recorded a loss of NIS 8 million on a swap transaction on shares in DIC (see Note 9 to the financial statements for details). The increase in 2017 as compared with 2016 derived primarily from: • An increase in expenses in the amount of approximately NIS 52 million, due to an increase in gross debt, primarily due to the raisings of debentures (Series M and N) in 2017. On the other hand, in the fourth quarter of 2017, the Company recorded amortization in the amount of NIS 3 million in respect of the cost to obtain collateral for the Company's liabilities towards Dolphin IL. • An increase in expenses in the amount of NIS 13 million, due to the CPI's rate of increase*. • Early repayment fines which were paid in 2017, due to the early repayment of Series L (NIS 34 million), and the partial early repayment of Series M (NIS 9 million). • In the fourth quarter of 2017, the Company recorded revenue in the amount of NIS 27 million, in respect of the increase in value of the debenture from Dolphin IL. • Revenues in respect of the revaluation of investments in the Company's current portfolio in the amount of NIS 4 million, which was slightly offset by the decrease of the dollar exchange rate.

1. **The Board of Directors' explanations regarding the state of the Company's affairs (Continued)**

1.9 Administrative, financing and other expenses, net (Continued)

Company	For the year ended December 31			Explanation
	2018	2017	2016	
	NIS millions			
Other -taxes and the cancellation of a provision for taxes and other provisions	-	77	14	In 2017, the Company recorded a tax benefit of NIS 74 million as a result of the utilization of losses following the sale of shares in DIC. In addition, in 2017, the Company cancelled a provision of NIS 3 million by comparison with the cancellation of a provision of NIS 14 million in 2016.
Total	**(290)**	**(209)**	**(183)**	

* In 2018, the known index rose by 1.2% as compared with 0.3% in 2017. In 2016, the known index fell by 0.3%.

1.10 Analysis of quarterly business results

In the fourth quarter of 2018, the Company recorded a loss of NIS 224 million, as compared with a loss of NIS 1 million in the corresponding quarter of 2017.

The results in the fourth quarter of 2018 include, inter alia, a loss of NIS 513 million on impairment in the market value of the shares in Clal Holdings Insurance Enterprises (including all swap transactions on shares of Clal Holdings Insurance Enterprises),and a loss from a decrease in the value of the debenture from Dolphin IL, in an amount of NIS 138 million, which were partly offset by a gain in respect of a decrease in the value of the convertible subordinated loans from the controlling shareholder, which was attributed to changes in the market in an amount of NIS 533 million.

The results in the fourth quarter of 2017 include, inter alia, profit in the amount of NIS 36 million from the increase in market value of the shares in Clal Holdings Insurance Enterprises, profit from the increase in the value of the debenture from Dolphin IL, in the amount of NIS 27 million, and loss due to the increase in value of the convertible subordinated loans from the controlling shareholder, in the amount of NIS 82 million.

See also section 1.10.2 below.

1. The Board of Directors' explanations regarding the state of the Company's affairs (Continued)

1.10 Analysis of quarterly business results (Continued)

1.10.1 The Company's results of operations on a quarterly basis for the years 2018 and 2017:

Main items in the statement of income

	2018				
		Quarter			
	Total for the year	4	3	2	1
	NIS millions				
General and administrative expenses	(23)	(7)	(5)	(5)	(6)
Increase (decrease) in the fair value of the debenture that has been issued to Dolphin IL	(326)	(138)	108	(82)	(214)
Decrease (increase) in the fair value of the convertible subordinated loans	530	533	(430)	427	-
Other financing expenses, net	(267)	(64)	(62)	(86)	(55)
Profit (loss) from discontinued operations, after tax	(307)	(534)	579	(383)	31
Net profit (loss) for the period attributed to the shareholders in the Company	(465)	(224)	186	(174)	(253)

	2017				
		Quarter			
	Total for the year	4	3	2	1
	NIS millions				
General and administrative expenses	(22)	(7)	(8)	-	(7)
Increase in the fair value of the debenture that has been issued to Dolphin IL	27	27	-	-	-
Decrease (increase) in the fair value of the convertible subordinated loans	(444)	(82)	(89)	151	(424)
Other financing expenses, net	(261)	(100)	(45)	(70)	(46)
Taxes on income	74	74	-	-	-
Profit (loss) from discontinued operations, after tax	328	151	(13)	(70)	260
Loss for the period attributed to the shareholders in the Company	(610)	(1)	(233)	(91)	(285)

1. The Board of Directors' explanations regarding the state of the Company's affairs (Continued)

1.10 Analysis of quarterly business results (Continued)

1.10.2 Contribution to the Company's business results, by operating segments

	For the three months ended December 31	
	2018	2017
	NIS millions	
IDBG	(15)	(4)
Increase (decrease) in the fair value of the debenture from Dolphin IL	(138)	27
IDB Tourism	(15)	(4)
Clal Holdings Insurance Enterprises	(517)	53
Activities sold		
Cellcom	-	*2
Property & Building	-	*9
Shufersal	-	*13
All other holdings, net	(1)	(8)
	(686)	88
Decrease (increase) in the fair value of convertible subordinated loans which were received from the controlling shareholder	533	(82)
Financing, administrative and others – the Company	(71)	(33)
Financing, administrative and others – the Company's share in DIC	-	26
Loss for the period	(224)	(1)

(*) The contribution to the Company's results, for the period until the sale of the shares in DIC in November 22, 2017.

1.10.3 **The following are the changes in the results of investee companies from the fourth quarter of 2018 to the fourth quarter of 2017:**

IDB Tourism

Gross profit for the fourth quarter of 2018 decreased by NIS 8 million ,compared with gross profit for the fourth quarter of , 2017 primarily as a result of a decrease in sales ,because of the timing of the holidays in Tishrei of ,2018 compared with the corresponding period last year .On the other hand ,a loss of NIS 7 million was recorded in respect of the correction of an immaterial error from previous years that was recorded in the results of.2018

IDBG

In the fourth quarter of ,2018 IDBG recorded expenses in the amount of NIS13 million in respect of impairment in the value of the Tivoli project and an increase in general and administrative expenses. In addition, financing expenses in respect of loans from banks increased by NIS 3 million ,primarily in respect of costs of refinancing of bank loans .

1. **The Board of Directors' explanations regarding the state of the Company's affairs (Continued)**

1.10 Analysis of quarterly business results (Continued)

1.10.4 **Financing and administration expenses in the headquarters of the Company and DIC in the fourth quarter of the years 2018 and 2017**

In the fourth quarter of 2018, the Company recorded net financing expenses of NIS 64 million, as compared with net financing expenses of NIS 100 million in the corresponding period last year. The Company's financing expenses on gross debt in the fourth quarter of 2018 amounted to NIS 50 million, as compared with expenses of NIS 98 million in the corresponding period last year. The decrease in expenses derived primarily from a decrease in gross debt, following routine repayments during 2018.

On the other hand, in the fourth quarter of 2018, the Company recorded expenses of NIS 8 million in respect of the cost of obtaining collateral for the Company's liabilities and a loss of NIS 10 million on the swap transaction on shares in DIC, as compared with an expense of NIS 3 million in respect of the cost of obtaining collateral for the Company's liabilities in the fourth quarter of the previous year.

The Company's administrative and general expenses amounted to NIS 7 million in the fourth quarter of 2018, which was similar to the comparative period in the previous year.

In the fourth quarter of 2017, the Company recorded tax income in the amount of NIS 74 million for utilizing losses following the sale of DIC's shares.

2. Exposure to and the management of market risks

2.1 For details regarding the Company's management of market risks, and regarding the market risks to which the Company is exposed, as well as methods for managing such risks, see Note 11.A.1. to to the financial statements. The individual responsible for managing market risks in the Company is Mr. Gil Kotler, the Company's Chief Financial Officer, for details see Regulation 26A in Part D of the periodic report.

2.2 Company policy regarding the management of market risks

Company policy regarding risk management is implemented only for the Company itself and its wholly owned subsidiaries, excluding IDB Tourism. The Company does not determine policy, and does not manage the risks of its investee companies. The policies of the investee companies are determined directly by the companies themselves. Additionally, the Company does not take any actions to hedge market risks arising from the activity of its investee companies, and from the activities of investee companies which are held by them. Furthermore, the Company does not manage the aggregate risks of its investee companies and/or of investee companies which are held by them. For details regarding the Company's policy regarding the management of market risks, see Note 11.A.1. to the financial statements.

2.3 Control of the market risk management policy, and its method of implementation

In general, the oversight in respect of the implementation of the policy and the provision of a response to extraordinary developments in the various markets is available to the Company's Chief Risk Officer. Oversight in respect of the fulfillment of the Company's policy is implemented through periodic reports of the Chief Risk Officer to the Company's financial statements review committee and Board of Directors.

2.4 Linkage balance sheet

2.4.1 For details regarding the Company's consolidated balance sheet, see Note 11.D. to the financial statements.

2.4.2 For details regarding the linkage balance sheet of the Company and its wholly owned subsidiaries (excluding IDB Tourism), see section 1.4.8 above.

For details regarding sensitivity tests for sensitive financial instruments included in the consolidated financial statements as at December 31, 2018, based on changes in market factors, see Appendix A to the Board of Directors' Report. See also Note 11.E. to the financial statements.

3. Corporate Governance Aspects

3.1. Donations and Assistance to the Community

The Company views donations and assistance to the community in Israel as a component of its business vision, and believes that it has a responsibility towards Israeli society, based on the recognition that business leaderships goes hand in hand with moral-social leadership.
For details regarding the resolution of the Company's Board of Directors, and the manner of determination of the Company's annual budget of donations for 2017 and the manner of determination of the donations budget for the IDB For The Community Foundation (R.A.), a charitable association that concentrates donations from companies in the Group ("The foundation"), see Note 17.D.(3)(D) to the financial statements.
In 2018, the Foundation donated a total of NIS 3 million to the field of education, NIS 1.7 million to the field of welfare, and NIS 0.5 million to the field of health.
It should be noted that the Foundation has not received donations from the companies in the Group in 2018 and that the monies that have accumulated in the Foundation are monies that were contributed in previous years.

3. Corporate Governance Aspects (Continued)

3.2 Directors with accounting and financial expertise

The Company's Board of Directors determined, on February 26, 2014, that the minimum number of directors on the Company's Board of Directors who are required to have accounting and financial expertise is two (of which at least one outside director), in consideration of the Company's type, the Company's operating segments, and the scale and complexity of its operations, and also in consideration of the composition of the Company's Board of Directors, which includes individuals with considerable business, managerial and professional experience.

In the Board of Directors' assessment, after taking into consideration all of the declarations which were made by the directors, in which the directors specified their education, experience and knowledge in the relevant fields, in order to evaluate the fulfillment of the conditions and tests in accordance with the accounting and financial expertise regulations, the members of the Company's board who hold office as at the reporting date and who have accounting and financial expertise are Messrs. Giora Inbar (outside director) and Alina Frankel Ronen (outside director). For details regarding the facts by virtue of which the aforementioned directors can be considered as such, see Regulation 26 in Part D of this report.

3.3 Independent directors

The Company's bylaws do not include a provision regarding the number of independent directors.

3.4. Details regarding internal auditing in the Company

Details of the internal auditor and compliance with the conditions:

Name of the auditor: Yitzhak Ravid CPA.

Start of the period of office: March 26, 2018**.**

Qualifications for the position: A graduate in accounting and economics from Tel-Aviv University. Approximately 30 years of experience. The managing partner of the Raveh Ravid & Co. firm, with considerable experience in internal auditing.

The internal auditor is not an interested party in the Company, he does not hold office in the Company (except as the internal auditor), he is not relative of any other of these and he is not the external auditor or someone acting on their behalf. The Internal auditor does not fill any role in the company in addition to that of internal auditor, except for the handling of complaints by the Company's employees in connection with the management of the business in accordance with the decision of the Company's Audit Committee. To the best of the Company's knowledge, the internal auditor does not fill a role outside of the corporation that creates or might create a conflict of interests with his role as internal auditor.

The holding of securities; significant connections; to the best of the Company's knowledge, the internal auditor does not hold securities in the Company or in bodies that are connected to it, and the internal auditor is not connected under significant transactions or other significant connections with the Company or with a body that is connected to it.

His employment status: An external provider of services.

Other roles: To the best of the Company's knowledge, the internal auditor is a senior partner in the Raveh Ravid & Co, Accounting Firm. He also serves as the internal auditor of DIC and Cellcom.

Appointment as internal auditor: The appointment of the internal auditor was approved by the Audit Committee and the Board of Directors at its meeting on February 12, 2018 and by the Board of Directors at its meeting on March 26, 2018 after considering the internal auditor's educational background, his experience in internal auditing and taking into account the extent and the complexity of the Company's operations.

The identity of the person to whom the internal auditor is subordinate: The Chairman of the Board of Directors.

3. **Corporate Governance Aspects (Continued)**

3.4. Details regarding internal auditing in the Company (Continued)

The internal auditor's work plan: The work plan is in an annual framework, it relates to the Company and the headquarters companies. The considerations in the determination of the work plan are the nature of the Company's business operations, the probability of the existence of faults and exposures in the business activity and the ambition to audit significant issues in the Company's operations at least once every four or five years. The parties involved in determining the work plan are the internal auditor, the Company's management and the Audit Committee, which approves the plan. The internal auditor has the discretion to deviate from the work plan, subject to reporting to the Audit Committee and receiving its approval for the proposed change.

Auditing of investee corporations and auditing of international activities:

As part of the internal audit work, the internal auditor also performed routine monitoring of the existence and adequacy of the internal audit work in several investee companies, including several of material investee companies which were in the Company's group, including foreign corporation. It should be clarified that the audit work in respect of the aforementioned investee corporations, as relevant, was not performed by the internal auditor.

The extent of the engagement: In 2018, the internal auditor dedicated 356 hours of work to internal audit in the Company. In the opinion of the Company's Board of Directors, the internal auditor's work plan, as well as the extent of the engagement that has been determined for the realization of this plan accord with the Company's needs. If necessary the Company has the possibility of expanding the extent of the engagement.

The extent of the internal audit work in the Company's significant investee companies in 2018 was as follows:

Hours directly invested in the internal auditing of material investee company by the Company:

Name of company	Work hours during the year	Notes
IDB Tourism	345	Performed by external auditors in respect of the member companies of the Tourism Group (Israir Aviation and Tourism Ltd.).

Performance of the internal audit: According to notification provided by the internal auditor, the internal audit work is conducted by him in accordance with generally accepted professional standards pursuant to the Internal Audit Law.

Access to information: The internal auditor has access to information, as stated in Section 9 of the Internal Audit Law, including continuous and unrestricted access to the information systems of the Company and its headquarters companies.

Report by the internal auditor: The reports of the internal auditor are submitted in writing. Within the framework of the internal audit work plan for 2018, audit reports were prepared, submitted and discussed in two meetings of Audit Committee, which were held on the following dates: February 12, 2018, August 20, 2018 and February 24, 2019. The internal audit reports are distributed routinely to the Chairman of the Board, and the Chairman and the members of the Audit Committee, as well as to the Company's management.

3. Corporate Governance Aspects (Continued)

3.4. Details regarding internal auditing in the Company (Continued)

Assessment of the Board of Directors: In the opinion of the Board of Directors, the scope, nature and continuity of the internal auditor's work and his work plan are reasonable under the circumstances of the matter and are sufficient to obtain the objectives of the internal audit in the Company.

Remuneration: The remuneration for the internal auditor is done on the basis of the hours actually worked. In 2018, the internal auditor was paid an overall amount of NIS 106 thousand in consideration for his work.

3.5 Ethical code

The Company has an ethical code (which was approved by the Company's Board of Directors), which anchors the basic values according to which the Company, inter alia, operates. The Ethical Code includes rules of conduct for officers of the Company, its managers and employees, which must be implemented alongside provisions of law and the relevant procedures of the Company. This includes, inter alia, the following issues: affinity to Israel, assistance and contribution to the community, prevention of conflicts of interest, fairness, equality, prohibition of exploiting business opportunities of the Company, prohibition of granting and receiving benefits other than in proper manners, retention of records and maintaining confidentiality.

3.6 Disclosure regarding the approval process of the Company's financial statements

For details regarding the approval process of the financial statements, see the corporate governance questionnaire which is included in Part D of this report, which is implemented on a voluntary basis by the Company.

4. Disclosure Requirements in Connection with the Corporation's Financial Report

4.1 Major events subsequent to the date of the statement of financial position

For details regarding major events subsequent to the date of the statement of financial position, see Note 19 to the financial statements.

4.2 Critical accounting estimates

The preparation of the financial statements of the Company and its consolidated companies, in accordance with international accounting principles, requires the managements of those companies to make assumptions and to prepare estimates which affect the amounts which are presented in the financial statements. These include estimates which require the exercise of judgment in an uncertain environment, and which have a significant impact on the presentation of the data in the financial statements.

For details regarding the critical accounting estimates which are used in the preparation of financial statements, which, at the time of their formulation, required making assumptions in respect of circumstances and events involving significant uncertainty see Note 1.E.(3) to the financial statements. In its discretion regarding the determination of the estimates, the Company or the investee company, as applicable rely on past experience, various facts, external factors and reasonable assumptions in accordance with the appropriate circumstances for each estimate. Actual results may differ from these estimates.

4.3 The drawing of attention in the opinion furnished by the Company's auditors

In the report by the Company's auditors, a referral is included, which draws attention to what is stated in Note 1.B to the financial statements, and specifically the part relating to the Company's ability to repay its liabilities in the period from 2021. As specified in that note, the Company's repayment ability of liabilities at the required time effective from 2021, depends, among others, on factors beyond its control and mainly the economic value of the debenture from Dolphin IL and cash flows deriving therefrom until the conclusion date of the Company's liabilities to its creditors.

4.4 Specific disclosure for the debenture holders

See Appendix B to the Board of Directors' Report.

______________	____________
Eduardo Elsztain	Sholem Lapidot
Chairman of the Board	CEO

Tel Aviv, March28 , 2019

Appendix A - Qualitative reports regarding the exposure to and management of market risks

Sensitivity tests in respect of market factors

Presented below are tables of sensitivity tests regarding the market value of sensitive financial instruments held by the Group.

The following tables should be read in light of the following remarks:

1. The specified instruments are not necessarily presented in the financial statements at fair value. The information refers primarily to the Company's debentures.
2. Changes in exchange rates have an effect on both reported results and on the Company's capital as a result of the charging of translation differences, due to the translation of the financial statements of investee companies which are prepared in foreign currency.
3. As at December 31, 2018, the Company's assets includes an investment in the debenture from Dolphin IL in the amount of NIS 1,203 million, which is measured at fair value (level 3) through profit or loss, and is presented in the Company's financial statements under non-current assets. For details regarding sensitivity analyses in respect of the debenture's fair value, see Note 11.F.(2) to the financial statements.

A. Sensitivity tests as at December 31, 2018 (NIS millions)

Sensitivity test to changes in interest rates							
Instrument	Profit (loss) from the change				Profit (loss) from the change		
	Absolute interest increase of 2%	Interest increase of 10%	Interest increase of 5%	Fair value as at December 31, 2018	Interest decrease of 5%	Interest decrease of 10%	Absolute interest decrease of 2%
Debentures (including maturities)	93	77	39	(2,202)	(41)	(83)	(104)

Sensitivity test to changes in the exchange rate of the dollar					
Instrument	Profit (loss) from the change			Profit (loss) from the change	
	Exchange rate increase of 10%	Exchange rate increase of 5%	Fair value as at December 31, 2018	Exchange rate decrease of 5%	Exchange rate decrease of 10%
Assets classified as held for sale	9	4	86	(4)	(9)
Liabilities classified as held for sale	(23)	(12)	(234)	12	23
Cash and cash equivalents	-	-	1	-	-
Total	**(14)**	**(8)**	**(147)**	**8**	**14**

Sensitivity test to changes in the prices of marketable securities on Israeli and foreign stock exchanges					
Instrument	Profit (loss) from the change			Profit (loss) from the change	
	Exchange rate increase of 10%	Exchange rate increase of 5%	Fair value as at December 31, 2018	Exchange rate decrease of 5%	Exchange rate decrease of 10%
Investment Clal Holdings Insurance Enterprises	175	87	*1,749	(87)	(175)

* The investment in Clal Holdings Insurance Enterprises, which is measured at fair value through profit and presented under assets and liabilities held for sale in the Company's financial statements (including swap transactions. See sections 3 and 4 of Note 3.B to the financial statements for details regarding the swap transactions that have been executed and regarding the accounting treatment thereof).

Appendix A - Qualitative reports regarding the exposure to and management of market risks

Sensitivity tests in respect of market factors

B. Sensitivity tests as at December 31, 2017 (NIS millions)

Sensitivity test to changes in interest rates

Instrument	Profit (loss) from the change				Profit (loss) from the change		
	Absolute interest increase of 2%	Interest increase of 10%	Interest increase of 5%	Fair value as at December 31, 2017	Interest decrease of 5%	Interest decrease of 10%	Absolute interest decrease of 2%
Current investments, not including derivatives	(13)	(2)	-	163	-	2	13
Debentures (including maturities)	233	49	25	(3,786)	(25)	(51)	(259)
Total	**220**	**47**	**25**	**(3,623)**	**(25)**	**(49)**	**(246)**

Sensitivity test to changes the exchange rate of the dollar

Instrument	Profit (loss) from the change			Profit (loss) from the change	
	Exchange rate increase of 10%	Exchange rate increase of 5%	Fair value as at December 31, 2017	Exchange rate decrease of 5%	Exchange rate decrease of 10%
Current investments, not including derivatives	8	4	82	(4)	(8)
Assets classified as held for sale	8	4	75	(4)	(8)
Cash and cash equivalents	4	2	37	(2)	(4)
Liabilities classified as held for sale	(22)	(11)	(224)	11	22
Total	**(2)**	**(1)**	**(30)**	**1**	**2**

Sensitivity test to changes in the prices of marketable securities on Israeli and foreign stock exchanges

Instrument	Profit (loss) from the change			Profit (loss) from the change	
	Exchange rate increase of 10%	Exchange rate increase of 5%	Fair value as at December 31, 2017	Exchange rate decrease of 5%	Exchange rate decrease of 10%
Investment in marketable securities	220	110	2,204*	(110)	(220)

* Including an investment in the amount of NIS 1,873 million in Clal Holdings Insurance Enterprises, which is measured at fair value through profit and loss under assets held for sale (including shares for which swap transactions have been executed).

Appendix B – The financial position and sources of financing

Information regarding the Company's debentures

Presented below is a table detailing the Company's debenture series
Summary of data regarding debentures[1], NIS millions, as at December 31, 2018

Series	Original issuance date	Par value at the time of the issue	Balance of the par value in circulation	Linked balance of the par value in circulation	Amount of interest accrued in the accounting records	Carrying value of the debentures as at December 31, 2018	Material series[2]	Market value	Interest rate (fixed)	Principal payment dates[3] From	Principal payment dates[3] to	Interest payment dates	Linkage terms	Trust company - Name and address of person in charge and telephone number
I [5]	19/12/2006 24/06/2007* 30/03/2017*	547.5 440.2 138.4												
Total Series I[10]		1,126.1	1,119.6	1,356.6	2.4	1,318.3	Yes	787.4	4.95%	18/12/2020	18/12/2025	18/06, 18/12	CPI	**Hermetic Trust (1975) Ltd.** (Beginning on April 11, 2013) Person in charge: Meirav Ofer, Adv. 113 Hayarkon St., Tel Aviv 63573. Tel: 03-5272272
Total Series I self-purchases [4]		(106.9)	(106.9)	(129.5)	(0.2)	(130.4)	Yes	(75.2)	4.95%	18/12/2020	18/12/2025	18/06, 18/12	CPI	
Total Series I less self-purchases			1,012.7	1,227.1	2.2	1,187.9	Yes	712.2	4.95%	18/12/2020	18/12/2025	18/06, 18/12	CPI	
Total Series K [6),(8] (Original issuance date: August 3, 2016)		325.0	85.5	86.6	0.3	86.6	No	87.8	4.25%	In a single payment on November 28, 2019		28/2, 28/5, 28/8, 28/11	CPI	**Reznik Paz Nevo Trustees Ltd.** Person in charge: Yossi Reznik, C.P.A., 14 Yad Haroutzim St. Tel Aviv Tel: 03-6393311
Total Series M [6), (8] (Original issuance date: February 16, 2017)		1,060.0	655.8	655.8	.32	653.6	Yes	667.4	5.40%	In a single payment on November 28, 2019		28/2, 28/5, 28/8, 28/11	Unlinked	**Mishmeret Trust Company Ltd.** Person in charge: Rami Sabato, C.P.A. 48 Menachem Begin Road, Tel Aviv Tel: 03-6374351
N [8) (9)(10]	24/7/2017 7/11/2017*	642.1 351.2												
Total Series N		993.3	993.3	993.3	-	991.5	Yes	734.5	5.00%	In a single payment on December 30, 2022.		30/3, 30/6, 30/9, 30/12	Unlinked	**Reznik Paz Nevo Trustees Ltd.** Person in charge: Yossi Reznik, C.P.A., 14 Yad Haroutzim St. Tel Aviv Tel: 03-6393311
Total			2,747.3	2,962.8	5.8	2,919..6								

* At this time, the abovementioned series was expanded. The data in the table refer to the entire series, after its expansion.

Appendix B – The financial position and sources of financing (Continued)

Information regarding the Company's debentures (Continued)

Summary of debenture data(1), NIS millions, as at December 31, 2018 (Continued)

Remarks:

(1) As at December 31, 2018, and as at the time of the publication of the report, the Company has fulfilled and currently fulfills all of the terms and undertakings in accordance with the deeds of trust for the debentures, and conditions which would give rise to grounds for requiring the immediate repayment of the liability certificates have not been fulfilled.

(2) A material series is a series which comprises 5% or more of the Company's total liabilities as presented in the separate financial statements.

(3) Annual payments.

(4) The self-purchases of the debentures were executed by a wholly owned subsidiary of the Company: in December 2008, January 2009, December 2011 and May 2012.

(5) In August 2009, NIS 230 million par value of Series G (which was repaid in full) and NIS 6.5 million par value of Series I were exchanged for NIS 274.1 million par value of Series J (which was repaid in full).

(6) The debentures (Series K) are secured by a pledge on the shares of Clal Holdings Insurance Enterprises, as stated section 1.4.4.3.3 above. For details regarding the information which is required in respect of Clal Holdings Insurance Enterprises Ltd, see also the current reports of Clal Holdings Insurance Enterprises Ltd on the MAGNA website. On November 1, 2016, the Company performed a partial early redemption of the debentures. For additional details, see Note 8.B.(1) to the financial statements.

(7) On February 16, 2017, the Company issued debentures (Series M) which are secured by a pledge on the right to receive the entire consideration, in cash and in kind, which will result for the Company from the 27,583,104 shares of Clal Holdings Insurance Enterprises which it owns. Pursuant to a decision by the Company's Board of Directors the Company made an early redemption in May 2017, in May 2018 and in November 2018 of NIS 136 million par value, NIS 129.6 million par value and NIS 138.6 million par value, respectively. (in February 2019, subsequent to the date of the statement of financial position, the Company repaid, by early repayment additional par value of NIS 129.5 million. For details regarding the debentures (Series M) and early repayments see Note 8.B.(2) to the financial statements. The balance of the shares, where the right to receive their consideration is pledged in favor of this series, as at December 31, 2018 and at a time close to the time of the publication of the financial statements, amounts to 13,808,672 par value, amounts to 11,307,626 par value, respectively. For details regarding the information which is required in respect of Clal Holdings Insurance Enterprises Ltd, see also the current reports of Clal Holdings Insurance Enterprises Ltd on the MAGNA website.

(8) The Company has the right of early redemption in respect of the debentures.

(9) On July 24, 2017, the Company issued debentures (Series N) which are secured by a pledge on 60,370,493 DIC shares. On November 7, 2017, the Company issued, by way of a series extension, an additional approximately 351.2 million par value. Against this extension, and against the release of the dividend funds which were received from DIC in respect of the pledge DIC shares, the Company pledged an additional 38,882,215 DIC shares. For details regarding the sale of the Company's holding in DIC to a company owned by the controlling shareholder, see Note 3.A. to the financial statements. At a time close to the time of the publication of this report, 99,258,708 DIC shares are pledged, by first ranking pledge in favor of the debenture holders (Series N), which are held by Dolphin IL (additional DIC shares are pledged in a lower ranking lien in favor of all of the debenture holders). For additional details, see Note 3.A. to the financial statements and section 1.4.4.3.3 above. For details regarding the information that is required in respect of DIC, see also DIC's routine reports in the Magna website.

(10) For details regarding the purchase of debentures (Series I) and debentures (Series N) by DIC (a corporation that is controlled by the controlling interest in the Company), see Note .17D(1). to the financial statements.

Appendix B – The financial position and sources of financing (Continued)

Details regarding debenture ratings

Series	Name of rating company	Rating as at December 31, 2018	Rating as at March 24, 2019	Rating determined on the series' date of issuance	Date of rating issuance as at March 24, 2019 *	Additional ratings and updates to existing ratings during the period between the original issuance date and the current rating as at March 24, 2019	
						Date	Rating
I	Maalot	BBB-	BBB-	AA	27.7.2017	18.6.2007, 29.7.2009, 3.1.2011, 3.10.2011, 2.11.2011, 13.5.2012, 19.9.2012, 17.1.2013, 2.5.2013, 4.6.2013, 17.6.2013, 6.7.2014, 20.1.2015, 26.2.2015, 11.1.2016, 29.3.2016, 26.2.2017, 9.8.2018	AA, A+, A- BBB+, BB, B, BBB- CC, D, CCC

* On August 9, 2018, Maalot announced that it was ratifying the Company's rating with a rating of BBB- with a stable outlook. The rating report is attached as Appendix D to the Report of the Board of Directors.

See the Company's report regarding the rating, which was published in a public electronic report on August 9, 2018 (Document number 2018-01-075444).

Appendix C - Disclosure regarding the auditor's fees

Name of company	Other services	2018 Professional fees (NIS thousands)* In respect of audit and tax services**	2018 Professional fees (NIS thousands)* Other services	2018 Work hours Audit and tax services	2018 Work hours Other services	2017 Professional Fees (NIS thousands) In respect of audit and tax services**	2017 Professional Fees (NIS thousands) Other services	2017 Work hours Audit and tax services	2017 Work hours Other services
The Company and its wholly owned companies	Kesselman & Kesselman	973	-	5,109	1,195	1,195	-	5,351	-
	Somekh Chaikin	-	-	-	138	138	-	555	-
IDB Tourism and its material consolidated company	Kost Forer Gabbay & Kasierer	1,072	518	9,390	1,390	1,066	445	9,159	1,235
	Certified Public Accountants in Germany	60	-	120	-	78	-	143	-

The fees of the Company's auditors for their audit services to the Company are determined on the basis of their actual amount of work, and are approved by the Board of Directors.

* Audit services - Professional fees for audit services, services associated with auditing and tax services.

Appendix D

Details regarding economic papers and valuations in accordance with Regulation 8B of the Securities Regulations (Periodic and Immediate Reports), 5730-1970

Details regarding an economic paper presenting an opinion on the subject of the fair value of subordinated loans convertible to shares, as at December2018 ,31 , [Regulation 49(A) the Reporting Regulations]:

The abovementioned economic paper is attached to the Company’s financial statements. See also Note 7.C to the financial statements.

The following are details regarding the valuation:

A. The identity of the subjects of valuation - opinion regarding the fair value of the convertible subordinated loans as at December2018 ,31 .

B. The date of the valuation – December2018 ,31 ;

C. The value of the subjects of the valuation in the Company’s accounting records at a time close to the day of the valuation - the estimated fair value of the convertible subordinated loans was estimated at NIS 521 million and at NIS 629 million as of December 31, 2017 and as at September30 , 2018, respectively.

D. The value of the subject of the valuation - the estimated fair value of the convertible subordinated loans was estimated at NIS 529 million as at December 31, 2018.

E. The identity and characteristics of the appraiser - Fair Value Ltd. is a private company specialized in the performance of complex professional valuations, economic consulting projects and appraisal of equipment and machines, including projects for accounting purposes. There is no dependence between the appraiser and the commissioner of the paper, the Company. The contractual agreement with the appraiser includes an undertaking by Discount Investment to indemnify the appraiser in respect of any amount that the appraiser may incur in a ruling given in favor of a third party, as well as any reasonable direct legal expenses which it may incur in connection with the valuation, above an amount equivalent to 3 times the consideration that is paid to the appraiser as part of the engagement with it, except where the appraiser has acted with gross negligence or malice.

F. The valuation model used by the appraiser -

The value of the convertible subordinated loans was determined using the Monte Carlo model, which is an algorithmic model for solving calculation problems by running stochastic parameters through a large number of global scenarios, and performing calculations on the various scenarios which are obtained. The indication regarding the calculation of the underlying asset was estimated based on market indications in respect of the Company’s assets and liabilities, less the effect of fire sale factors and the probability of insolvency, as calculated based on market data, and less a discount in respect of the non-marketability of a block, and based on qualitative indicators which was received from the Company management.

G. The assumptions in accordance with which the paper was prepared:

1. Annual default probability rate - approximately 39%.
2. Fire sale factor in case of insolvency - 10%.
3. Non-marketability factor - approximately 7%.

Details regarding an economic paper as at December 31, 2018, in respect of an opinion on the subject of the fair value of the debenture which was received by the Company within the framework of the transaction for the sale of its holdings in DIC to a company controlled by the controlling shareholder (the Buyer") as at December 31, 2018 [Regulation 8B of the Securities Regulations (Periodic and Immediate Reports), 5730-1970]:

The aforementioned economic paper is attached to the Company's financial statements. See also Note 3.A to the financial statements.

Presented below are details regarding the valuation:

A. Identity of the valuation subjects - an opinion regarding the fair value of the debenture which was received by the Company within the framework of the transaction for the sale of its holdings in DIC to the buyer on December 31, 2018.

B. Date of the valuation - December 31, 2018;

C. Value of the valuation subjects in the Company's books shortly before the valuation - the estimated fair value of the debenture as at December 31, 2017 and as at September 30, 2018 was estimated at NIS 1,529 million and as at NIIS 1,341 million, respectively.

D. Value of the valuation subjects - the estimated fair value of the debenture as at December 31, 2018 was estimated at NIS 1,203 million.

E. Identity and characteristics of the appraiser - Fair Value Ltd. is a private company specialized in the performance of complex professional valuations, economic consulting projects and appraisal of equipment and machines, including projects for accounting purposes. There is no dependence between the appraiser and the party ordering the work, the Company. The contractual agreement with the appraiser includes an undertaking by Discount Investment to indemnify the appraiser in respect of any amount which the appraiser may incur in a ruling given in favor of a third party, as well as any reasonable direct legal expenses which it may incur in connection with the valuation, above an amount equal to 3 times the consideration which is paid to the appraiser as part of the engagement with it, save in the event that the appraiser has acted with gross negligence or malice.

F. Valuation model used by the appraiser -

The value of the convertible subordinated loan was determined using a correlative Monte Carlo model. The Monte Carlo model is an algorithmic model which is used to solve calculation problems by running stochastic parameters through a large number of global situations, and the performance of calculations on the various scenarios which were obtained.

For the purpose of calculating the various scenarios, simulations were prepared regarding the future value of DIC's holdings, and the fair value of the Company's holdings, in order to evaluate the ability to actually repay the debenture and the impact of these values on insolvency situations, both of the Company and of the buyer.

Use was also made of the Merton model, in order to estimate the future value of the debenture at different dates and in different scenarios, in order to evaluate natural situations of early repayment, both by the buyer and by the Company.

G. Assumptions which were used to prepare the paper:

1. The threshold ratio and/or insolvency trigger were determined based on the ratio of assets to liabilities VTL of 90%.
2. Fire sale discount rate –of 10%.
3. Discount rate in respect of the sale of a block for realizations which are not part of an insolvency event - 10%.

Details regarding an economic paper as of June 30, 2018, which has been received by the Company on the subject of an economic valuation of a commercial and office project in Las Vegas ("The Tivoli project"), which is owned by Great Wash Park LLC ("GW"), an investee company of IDBG, in which the Company has a holding of 50%, [Regulation 8(B) of the Securities Regulations (Periodic and Immediate Reports) - 1970:

The aforementioned evaluation is attached to the Company's financial statements by way of a referral to the financial statements of Property & Building Ltd.. See Note 3.D.1 to the financial statements for details.

The following are details regarding the economic paper:

A. The identity of the subject of the valuation – the Tivoli project.

B. The date of the valuation - June 30, 2018;

C. The value of the subject of the valuation in the accounting records of Great Wash Park LLC ("GW") as of June 30 – 2018, before the performance of the valuation – 271 million dollars.

D. Value of the subject of the valuation that has been determined in the valuation - 249 million dollars. As a result of this the Company recorded its share of the right down in an amount of NIS 40 million in the second quarter of 2018. The write down is recorded as part of the Group's share of the losses of investee companies that are treated at equity, net.

E. The identity and characteristics of the appraiser – Cushman & Wakefield (for additional details, see Appendix E to the valuation). No dependency exists between the appraiser and the commissioner of the appraisal.

F. Valuation model used by the appraiser – Income-generating assets – discounted cash flows (DCF); Land - the comparative approach.

G. The assumptions that were used in the preparation of the valuation:

1. NOI in a stabilized year (the third year) – 15 million dollars.
2. Annual discount rate in respect of part of the income generating asset – Triad A and Triad B:
   - In respect of the forecast NOI during the first twelve years and the forecast consideration from the disposal of the asset at the end of the twelfth year (discount rate - 8.50%.
   - In respect of the forecast NOI in the thirteenth year, in accordance with which the consideration from the expected disposal of the asset (terminal capitalization rate) has been determined – 6.50%.
3. Ratio of the terminal value to the overall value that has been determined in the valuation – 57.20%.

IDB

IDB Development Corporation Ltd.

Part B - Financial Statements

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IDB Development Corporation Ltd.

Periodic Report for 2018

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Auditors' Report to the Shareholders of IDB Development Corporation Ltd.

We have audited the attached consolidated statements of financial position of IDB Development Corporation Ltd. (hereinafter: the "Company") as at December 31, 2018 and 2017, as well as the consolidated statements of income, comprehensive income, changes in equity and cash flows for the three year then ended on December 31, 2018. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements, based on our audit.

We did not audit the financial statements of consolidated subsidiaries, including as discontinued operations as at the year 2017, whose the losss included therein, including discontinued operations after tax constitute NIS 189 million and NIS 49 million for each of the years ended December 31, 2017 and 2016, respectively. In addition, We did not audit the financial statements of consolidated subsidiary, including as discontinued operations, whose assets as included in the consolidation constitute approx. NIS 688 and 599 million as at December 31, 2018 and 2017, respectively, and the income (losses) included therein, including discontinued operations after tax constitutes approx. NIS 40, 28 and (74) million for each of the years ended December 31, 2018, 2017 and 2016, respectively. In addition, we have not audited the financial statements of investee companies accounted by the equity method, including as discontinued operations as at the year 2017 where the Company's share in their losses amounted to approx. NIS 40 million and NIS 192 million for the years ended at December 31, 2017 and 2016, respectively . In addition, we have not audited the financial statements of investee companies accounted by the equity method, including discontinued operations, the investment in which amounted to approx. NIS 206 million and NIS 245 million as at December 31, 2018 and 2017, respectively, and where the Company's share in their losses amounted to approx. NIS 68 million, NIS 2 million and NIS 0 million for the years ended at December 31, 2018, 2017 and 2016, respectively. The financial statements of those companies were audited by other auditors, whose reports were presented to us, and our opinion, insofar as it refers to the amounts included for those companies, is based on the reports provided by the other auditors.

We have conducted our audit in accordance with generally accepted accounting principles in Israel, including standards set forth in the Auditors' Regulations (Auditor's Mode of Performance), 5733-1973. According to these standards, we are required to plan the audit and perform it in order to obtain a reasonable measure of assurance regarding whether the financial statements are free of any material misrepresentation. Performing an audit includes testing, on a sample basis, the evidence provided to support the amounts and information presented in the financial statements. Audit also includes performing an evaluation of the accounting principles used and of the significant estimates made by the Company's board of directors and management, as well as an evaluation of the overall adequacy of presentation in the financial statements. We believe that our audit, and the reports provided by the other auditors, provide a reasonable basis for our opinion.

In our opinion, based on our audit and on the reports provided by other auditors, the consolidated financial statements referred to above present fairly, in all material respects the financial position of the Company and its subsidiaries as of December 31, 2018 and 2017, and their results of operations, changes in equity and cash flows for each of the year then ended those dates, in accordance with IFRS and the directives of the Securities Regulations (Yearly Financial Statements), 5770-2010.

Without qualifying our aforementioned opinion, we hereby draw the reader's attention to the provisions of Note 1.B. to the financial statements and specifically to the part regarding the company's ability to repay its obligations as at the year 2021. As it emphasized in note 1.B., the company's abilitiy to repay its obligations as at the year 2021, dependent upon factors that are not under the Company's control, and mainly from the economic value of the debenture from Dolplhin IL and the cash flow from it until the completion of its obligations.

We have also audited, in accordance with Auditing Standard 104 of the Institute of Certified Public Accountants in Israel "Audit of Internal Control Components over Financial Reporting" and its amendments,
the components of the Company's internal control over financial reporting as of December 31, 2018, and our report dated March 28, 2019 expressed an unqualified opinion on the effectiveness of such components.

Kesselman & Kesselman PwC
PricewaterhouseCoopers International Limited

March 28, 2019

Consolidated Statements of Financial Position

	Note	December 31 2018	December 31 2017
		NIS millions	
Non-current assets			
Debenture from Dolplhin IL	3.A	1,203	1,529
Cost to obtain collateral for the Company's liabilities towards Dolphin IL	3.A	165	197
Investments in investee companies accounted for by the equity method	4.A	204	245
Financial assets presented on a fair value basis	3.F	27	27
Other assets	3.F	2	24
Loans, deposits, restricted deposits and debit balances	5	264	144
Fixed assets		1	1
Asset classified as held for sale :			
Value of shares in Clal Holdings Insurance Enterprises in SWAP transaction	3.B	292	341
Investment in shares of Clal Holdings Insurance Enterprises	3.B	303	1,020
		2,461	3,528
Current assets			
Pledged and restricted deposits	5	357	-
Financial assets presented on a fair value basis	4.B	3	332
Receivables and debit balances		3	2
Assets classified as held for sale :			
Value of shares in Clal Holding Insurance Enterprises in SWAP transactions	3.B	438	-
Investments in shares of Clal Holding Insurance Enterprises	3.B	570	512
IDB Tourism assets	3.K.2.A	664	599
Cash and cash equivalents	6	49	624
		2,084	2,069
Total assets		4,545	5,597

The notes attached to the consolidated financial statements constitute an integral part hereof.

Consolidated Statements of Financial Position (Cont.)

	Note	December 31 2018	December 31 2017
		NIS millions	
Capital (Capital deficit)	7		
Premium on shares		3,262	3,262
Capital reserves		593	996
Accumulated losses		(4,085)	(3,528)
Capital attributed to shareholders of the Company		(230)	730
Non-controlling interests		(1)	1
		(231)	731
Non-current liabilities			
Debentures	8	2,177	2,847
Liabilities to banks in connection with SWAP transactions	3.B.3	325	315
Subordinated loans	7.C	529	521
Liabilities classified as held for sale – SWAP transaction	3.B.4	32	-
		3,063	3,683
Current liabilities			
Current maturities of debentures	8	737	734
Liabilities to banks in conection with SWAP transactions	3.B.3	486	-
SWAP transaction on DIC shares	9	6	-
Payables and credit balances	10	30	41
Provisions		2	2
Liabilities classified as held for sale - IDB Tourism	3.K.2.b	452	406
		1,713	1,183
Total capital and liabilities		4,545	5,597

Eduardo Elsztain
Chairman of the Board

Sholem Lapidot
CEO

Gil Kotler
CFO

Date of approval of the financial statements: March 28, 2019

(1) SWAP transactions which have been executed in respect of shares of Clal Holdings Insurance Enterprises.

Consolidated Statements of Income

	Note	For the year ended December 31 2018	2017	2016
		NIS millions		
Revenues				
Financing income	14.A	540	32	5
		540	32	5
Expenses				
General and administrative expenses	15	23	22	45
The Group's share in the loss of investee companies accounted for by the equity method, net		71	2	-
Financing expenses	14.B	603	710	152
		697	734	197
Loss before taxes on income		(157)	(702)	(192)
Taxes on income	16	-	74	14
Loss for the year from continuing operations		(157)	(628)	(178)
Profit (loss) from discontinued operations, after tax	3.L.2	(307)	328	1,086
Net profit (loss) for the year		(464)	(300)	908
Net profit (loss) for the year attributed to:				
The Company’s owners		(465)	(610)	262
Non-controlling interests		1	310	646
		(464)	(300)	908

The notes attached to the consolidated financial statements constitute an integral part hereof.

Consolidated Statements of Comprehensive Income

	For the year ended December 31		
	2018	2017	2016
	NIS millions		
Net profit (loss) for the year	(464)	(300)	908
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	14	(279)	(44)
Foreign currency translation differences for foreign operations, charged to profit or loss	-	-	6
Effective part in changes in the fair value of cash flow hedging	-	(6)	2
Net change in the fair value of cash flow hedging, charged to profit and loss	(3)	1	1
The Group's share in other comprehensive income (loss) in respect of investee companies accounted for by the equity method	19	(26)	271
Total other comprehensive income (loss) after initial recognition under comprehensive income which has been transferred or will be transferred to profit and loss	30	(310)	236
Other comprehensive income (loss) items which will not be transferred to profit and loss, net of tax			
Net change in the fair value of subordinated loans, attributed to changes in credit risk	(538)	-	-
Actuarial gain from defined benefit plan	(1)	(21)	(11)
Revaluation of fixed assets transferred to investment property	-	-	6
The Group's share in other comprehensive loss in respect of investee companies accounted for by the equity method	-	-	(5)
Total other comprehensive loss which will not be transferred to profit and loss	(539)	(21)	(10)
Total other comprehensive income (loss) for the year, net of tax	(509)	(331)	226
Total comprehensive income (loss) for the year	(973)	(631)	1,134
Attributed to:			
The Company's owners	(974)	(787)	396
Non-controlling interests	1	156	738
Comprehensive income (loss) for the year	(973)	(631)	1,134
Comprehensive income (loss) for the period attributable to the Company's owners from:			
Continuing operations	(676)	(632)	(178)
Discontinued operations	(298)	(155)	574
	(974)	(787)	396

The notes attached to the consolidated financial statements constitute an integral part hereof.

Consolidated Statements of Changes in Equity

	Attributed to the Company's owners											
	Share capital	Other reserves	Reserves in respect of transactions with non-controlling interests	Reserves from translation differences	Hedging reserves	Reserves in respect of financial assets through other comprehensive income	Reserve Controlling shareholders		(Accumulated losses)	Total capital attributed to shareholders of the Company	Non-controlling interests	Total capital
	NIS millions											
For the year ended December 31, 2018												
Balance as at January 1, 2018	3,262	270	(117)	(11)	2	-	852		(3,528)	730	1	731
Initial implementation of the final version of IFRS 9 (see Note 2.M below)	-	-	-	-	-	105	-		(105)	-	-	-
Net profit (loss) for the year (see Note 7.d below)	-	-	-	-	-	-	-		(465)	(465)	1	(464)
Other comprehensive loss for the year	-	-	-	33	(3)	(538)			(1)	(509)		(509)
Transactions with owners charged directly to equity, investements of owners and distributions to owners												
Dividends to non-controlling interests	-	-	-	-	-	-	-		-	-	(2)	(2)
Non controlling interests in a business combination	-	-	-	-	-	-	-		-	-	(1)	(1)
Receipt of settlement from claim (see note 7.E below)	-	-	-	-	-	-	-		14	14	-	14
Balance as at December 31, 2018	3,262	270	(117)	22	(1)	(433)	852		(4,085)	(230)	(1)	(231)

The notes attached to the consolidated financial statements constitute an integral part hereof.

Consolidated Statements of Changes in Equity (cont.)

	Attributed to the Company's owners											
	Share capital	Other reserves	Reserves in respect of transactions with non-controlling interests	Reserves from translation differences	Hedging reserves	Reserves in respect of financial assets through other comprehensive income	Reserve Controlling shareholders	Revaluation reserves	(Accumulated losses)	Total capital attributed to shareholders of the Company	Non-controlling interests	Total capital
	NIS millions											
For the year ended December 31, 2017												
Balance as at January 1, 2017	3,262	270	(246)	(134)	1	(1)	540	65	(2,919)	838	4,852	5,690
Initial implementation of IFRS 15	-	-	-	-	-	-	-	-	15	15	28	43
Net profit (loss) for the year (see Note 7.d below)	-	-	-	-	-	-	-	-	(610)	(610)	310	(300)
Other comprehensive loss for the year	-	-	-	(162)	(1)	-	-	-	(14)	(177)	(154)	(331)
Transactions with owners charged directly to equity, investements of owners and distributions to owners												
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(481)	(481)
Sale of interests in DIC to Dolphin IL (see Note 3.A) below)	-	-		291	2	1	312	(66)	-	540	(5,067)	(4,527)
Sale of interests in subsidiaries to non-controlling interests [(1)]	-	-	87	-	-	-	-	(3)	-	84	495	579
Investments of non- controlling interests in consolidated companies	-	-	-	-	-	-	-	-	-	-	4	4
Exercise of options in a subsidiary	-	-	41	(6)	-	-	-	4	-	39	4	43
Acquisition of interests in subsidiaries from non-controlling interests[(2)]	-	-	1	-	-	-	-	-	-	1	(1)	-
Share-based payments granted by consolidated companies	-	-	-	-	-	-	-	-	-	-	11	11
Balance as at December 31, 2017	3,262	270	(117)	(11)	2	-	852	-	(3,528)	730	1	731

(1) Includes effects in respect of issue of shares in consolidated companies to non-controlling interests and exercise of share-based payments granted by consolidated companies

(2) Includes effects in respect of expiry of share-based payment instruments in consolidated companies.

The notes attached to the consolidated financial statements constitute an integral part hereof.

Consolidated Statements of Changes in Equity (cont.)

	Attributed to the Company's owners											
	Share capital	**Other reserves**	**Reserves in respect of transactions with non-controlling interests**	**Reserves from translation differences**	**Hedging reserves**	**Reserves in respect of financial assets through other comprehensive income**	**Revaluation reserves**	**Reserve Controlling shareholders**	**(Accumulated losses)**	**Total capital attributed to shareholders of the Company**	**Non-controlling interests**	**Total capital**
	NIS millions											
For the year ended December 31, 2016												
Balance as at January 1, 2016	3,262	270	(144)	(352)	24	(2)	86	160	(3,173)	131	3,726	3,857
Profit for the year	-	-	-	-	-	-	-	-	262	262	646	908
Other comprehensive income (loss) for the year (see note 7.d. below)	-	-	-	164	(24)	-	2	-	(8)	134	92	226
Transactions with owners charged directly to equity, investments of owners and distributions to owners												
Receipat of a subordinated loan from the controlling shareholder	-	-	-	-	-	-	-	315	-	315	-	315
Issuance of bonds (Series I) as part of the completion of the debt arrangement in IDB Holdings	-	-	-	-	-	-	-	65	-	65	-	65
Dividends to non-controlling interests	-	-	-	-	-	-	-		-	-	(231)	(231)
Sale of interests in subsidiaries to non-controlling interests [(1)]	-	-	(4)	55	1	1	(24)	-	-	29	634	663
Acquisition of interests in subsidiaries from non-controlling interests [(2)]	-	-	(98)	(1)	-	-	1	-	-	(98)	(19)	(117)
Change in non-controlling interests following discontinuance of consolidation of a subsidiary	-	-	-	-	-	-	-		-	-	(25)	(25)
Investments of non- controlling interests in consolidated companies	-	-	-	-	-	-	-		-	-	4	4
Share-based payments granted by consolidated companies	-	-	-	-	-	-	-		-	-	25	25
Balance as at December 31, 2016	3,262	270	(246)	(134)	1	(1)	65	540	(2,919)	838	4,852	5,690

(1) Includes sale of shares in DIC to the controlling shareholder.
(2) Includes exercise of options on DIC shares by the company.

The notes attached to the consolidated financial statements constitute an integral part hereof.

Consolidated Statements of Cash Flows

	For the year ended December 31		
	2018	2018	2016
		NIS millions	
Cash flows from operating activities			
Net profit (loss) for the year	(464)	(300)	908
Loss (profit) from discontinued operations, after tax	307	(328)	(1,086)
Loss from continuing operations	(157)	(628)	(178)
Adjustments:			
The Group's share in the loss of investee companies accounted for by the equity method, net	71	2	-
Financial costs, net	63	678	147
Income tax paid (tax refund), net	1	(1)	-
Income tax	-	(74)	(14)
	135	605	133
	(22)	(23)	(45)
Changes in other balance sheet items			
Change in receivables and debit balances	-	(1)	4
Change in other payables and credit balances	(9)	(11)	6
Change in provitions and benefits to employees	-	-	(1)
	(9)	(12)	9
Net cash used in continuing operating activities	(31)	(35)	(36)
Net cash from discontinued operating activities	58	1,874	2,252
Net cash from operating activities	27	1,839	2,216
Cash flows from investing activities			
Investment in current financial assets presented on a fair value basis	325	(329)	(1)
Increase in pledged and restricted deposits	(476)	(144)	-
Investment in non-current assets, which are measured at fair value	-	(27)	-
Other assets	-	(24)	-
Investment in investee companies accounted for by the equity method	(11)	-	(2)
Interest received	5	3	-
Net cash used in continuing investing activities	(157)	(436)	(3)
Net cash from DIC disposal (used in) net from cash realased as part of discontinued consolidated activities	-	(3,059)	-
Net cash from (used in) discontinued investing activities[1]	469	(1,611)	106
Net cash from (used in) investing activities	312	(5,106)	103

[1] Includes amounts received from sales of Clal Holding Insurance Enterprises : In the year 2018 – 503 NIS millions (2017 – 318 NIS millions). See note 3.B.3 below.

The notes attached to the consolidated financial statements constitute an integral part hereof.

Consolidated Statements of Cash Flows (Cont.)

	For the year ended December 31		
	2018	2017	2016
		NIS millions	
Cash flows from financing activities			
Repayment of non-current financial liabilities	(700)	(1,469)	(635)
Interest paid	(191)	(251)	(155)
Net receipts from raising bonds	-	2,037	544
Convertible subordinated loans from a controlling shareholder	-	-	348
Receipts in respect of settlement of derivatives, net	-	1	1
Receipts for claim settlement	14	-	-
Net cash (used in) from continuing financing activities	(877)	318	103
Net cash used in discontinued financing activities	[1](8)	(732)	(1,325)
Net cash used in financing activities	(885)	(414)	(1,222)
Change in cash and cash equivalents from continuing operations	(1,065)	(153)	64
Change in cash and cash equivalents from discontinued operations	519	(3,528)	1,033
Change in cash and cash equivalents from continuing operations and discontinued operations	(546)	(3,681)	1,097
Balance of cash and cash equivalents at beginning of year	624	4,405	3,356
Effects of fluctuations in exchange rates on balances of cash and cash equivalents from continuing operations	6	(2)	-
Effects of fluctuations in exchange rates on balances of cash and cash equivalents from discontinued operation	1	(87)	(9)
Effects of fluctuations in exchange rates on balances of cash and cash equivalents	7	(89)	(9)
Change in balance of cash presented under held for sale assets	(36)	(11)	(39)
Balance of cash and cash equivalents at end of year	49	624	4,405

[1] Payments in respect of SWAP transactions in respect of shares of Clal Holding Insurance Enterprises.

The notes attached to the consolidated financial statements constitute an integral part hereof.

Note 1 - General

A. IDB Development Corporation Ltd. (the "Company") is a company registered in Israel and incorporated in Israel. Its official address is 3 Azrieli Center, Triangle Tower, 44th Floor, Tel Aviv. In recent years, the Company has worked to stabilize and improve its financial position and liquidity, and as part of the above, it has placed a particular emphasis on the evaluation of various financing alternatives, including the performance of equity and debt raisings (including the receipt of subordinated loans from the controlling shareholder), the issuance of debentures, inter alia, for the purpose of refinancing debts and servicing its debts to its financial creditors, and to finance its operating activities; and the dedication of managerial efforts to private companies which are directly held by the Company, including the evaluation of various possibilities for optimizing and improving the performance of investee companies, inter alia, with the aim of maximizing their value. In March ,2019 the cotrolling shareholder of the Company submitted a request with the Supervisor for a control permit for Clal Holdings Insurance Enterprises ,and Clal Insurance (see Note 3 B 8 below) .As part of the Company's dealing with the requirements of the Law to Promote Competition and Reduce Concentration, 5774-2013 (the "Concentration Law ,("as stated in Note.3 A.1 below ,in November 2017, the Company sold its entire holding in DIC to Dolphin IL Investments Ltd") .Dolphin IL ,("a private company incorporated in Israel , which is wholly owned by Dolphin Netherlands B.V") .Dolphin Netherlands ,("a corporation controlled by the Company's controlling shareholder (the" Transaction .("Accordingly, beginning on the closing date of the transaction, IDB Development no longer holds control of any" other tier companies "(as this term is defined in the Concentration Law), and therefore, it now complies with the requirements of the Concentration Law in respect of pyramid structures .

On April ,2016 ,3 upon the completion of the amendment to the Debt Settlement of IDB Holding ,the trading of the Company's shares was discontinued ,and as at the reporting date ,the Company's debentures are listed for trading on the Tel Aviv Stock Exchange.

B. In connection with the Company's financial position, its cash flows and its ability to service its liabilities in the period of 24 months ended on December ,2020 ,31 it should be mentioned ,inter alia ,as follows:

The balance of the Company's liquid assets as at December ,2018 ,31 is NIS 673 million ,including NIS 621 million of charged deposits .It should be indicated that the main charged deposits as aforesaid, are expected to be released upon the conclusion of the SWAP transactions in respect of the shares of Clal Holdings Insurance Enterprises .

The Company presents in the board of directors report which is attached to these financial statements forecasted cash flows for the years 2019 and 20) 20unaudited (which assumes in relation to those years that the Company is expected to receive, inter alia, cash flows from the sale of shares in Clal Holdings Insurance Enterprises (pursuant to the outline for the sale of the Company's holdings in Clal Holdings Insurance Enterprises) and disposal of the Company's holdings in IDB Tourism) see Note.3 C.1 below (a total amount of NIS 882 million) .in addition to such charged deposits to be released following the sales and current debt payments .(In addition, the Company is expected to refinance a debt of NIS 80 million backed by charging the Company's remaining holdings in the shares of Clal Holdings Insurance Enterprises .

The balance of the payments that are expected in the years 2019 and 2020 ,including the repayments that are required vis-à-vis the holders of the Company's debentures ,amounts to NIS 1,492 million.

In light of the aforesaid, the Company has sources of financing for the continuation of its operations for a period of at least 24 months from the date of the financial statements. It should be emphasized that the realization of part of the Company's plans in connection with the realization of its assets and refinancing the above debt ,is also dependent upon factors that are not under the Company's control .However ,in the Company's assessment ,it will be able to realize these or other plans and meet the repayment of its liabilities.

Note 1 - General (Continued)

B. (Continued)

In connection with the periods commencing 2021 until the repayment of the Company's full liabilities , it is indicated, inter alia as follows :the Company is expected to retain three main assets ,which are supposed to serve as the principal repayment source of its liabilities and for the financing of its current operations over this period) in addition to cash balances expected to be held by the Company) (see also Note 8.A below (1) (the Company's holdings in IDBG ,which is the owner of a commercial center in Las Vegas ,USA (2) ,the remaining holdings in Clal Holdings Insurance Enterprises) approximately 2.8 million par value (which are held directly by the Company and (3) Debentures from Dolphin IL ,as stated in Note.3 A.2 below .Debenture from Dolphin IL is secured by various levels of charges on 116.4 million shares of DIC held by Dolphin IL .In accordance with the above ,the repayment ability of the Company for the balance of its debts at the required time ,beginning in ,2021 also depends ,inter alia , on factors that are not under its control ,mainly the economic value of the Dolphin IL debenture and the cash flows deriving until the conclusion date of the Company's liabilities towards its creditors.

C. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS").

These financial statements were prepared in accordance with the provisions of the Securities Regulations) Annual Financial Statements.5770-2010.

These financial statements were approved by the Company's Board of Directors on March.2019 ,28

D. Main Definitions

(1) Consolidated companies - Entities controlled by the Company. Control exists when the Group is exposed to, or has rights to, the variable returns from its involvement in the investee company, and when it has the ability to affect those returns through its influence over the investee company. The evaluation of control includes taking into account real rights which are held by the Group and by others. See also Note 2.A. below .

(2) Associate Companies - Companies) including gas and oil partnerships (which are held by the Company or its consolidated companies ,directly or indirectly ,over whose monetary and operational policy it has significant influence ,and which are not consolidated companies .The aforementioned investments are presented according to the equity method.

(3) Joint Arrangement - An arrangement in which the Group has joint control over another party or parties ,which was obtained through an agreement which requires the unanimous consent of all parties regarding the actions which significantly affect the arrangement's returns.

(4) Joint Venture - A joint arrangement in which the parties have rights to the net assets attributed to the arrangement.

(5) Investee Company - Consolidated companies ,associate companies and joint ventures.

(6) Significant Influence - Voting rights of twenty percent or more, or the right to appoint twenty percent or more of the Board members, unless it is clearly apparent that significant influence does not exist. Such rights, in lower rates, may also be considered as conferring significant influence in cases where the influence is clearly apparent .

(7) The functional currency and presentation currency of these financial statements is the New Israeli Shekel, which is the Company's functional currency, and the financial data included herein are rounded to the nearest million, except as detailed otherwise. The New Israeli Shekel is the currency that represents the Company's main operating economic environment.

(8) Financial Statements Regulations - the Securities Regulations) Annual Financial Statements ,(.5770-2010

(9) Periodic and Immediate Reports Regulations - the Securities Regulations) Periodic and Immediate Reports.5730-1970 ,(

(10) Companies Law - the Companies Law.5759-1999 ,

(11) IFRS - International Financial Reporting Standards.

Note 1 - General (Continued)
D .Main Definitions) (Continued)

(12) In these financial statements) hereinbefore and hereinafter:(

The Company	-	IDB Development Corporation Ltd;.
The Group	-	The Company and/or its investee companies;
Dolphin IL		Dolphin IL Investments Ltd., which is a company incorporated in Israel and wholly owned by Dolphin Netherlands, which is under the control of Mr. Eduardo Elsztain ;
DIC	-	Discount Investment Corporation Ltd;.
Clal Holdings Insurance Enterprises Holdings	-	Clal Holdings Insurance Enterprises Ltd ;.
Clal Insurance	-	Clal Insurance Company Ltd .
IDB Tourism	-	IDB Tourism (2009) Ltd .
Elron	-	Elron Electronic Industries Ltd;.
Cellcom	-	Cellcom Israel Ltd;.
Shufersal	-	Shufersal Ltd;.
Property & Building	-	Property & Building Corp .Ltd;.
Koor	-	Koor Industries Ltd;.
IDBG	-	IDB Group USA Investments Inc.

E. The basis for the preparation of the financial statements

(1) Measurement basis

These financial statements were prepared in accordance with the historical cost of assets and liabilities, except in respect of the following derivative financial instruments: financial instruments, derivatives and others which were measured at fair value through profit and loss; non-current assets and realization groups held for sale; provisions and investments in investee companies treated at equity.

For details regarding the measurement of these assets and liabilities ,see Note 2 below and below regarding significant accounting policies.

The value of non-monetary assets and capital items measured at historical cost was adjusted to changes in the CPI until December ,2003 ,31 due to the fact that ,until that date ,the Israeli economy was considered hyper-inflationary.

The following are details regarding the CPI and the exchange rate of the US dollar ,and the rates of change therein:

	CPI		Exchange rate of the
	Known index	Index for the month	US dollar
	Points		NIS
As at			
December2018 ,31	101.5	101.2	3.748
December2017 ,31	100.3	100.4	3.467
December2017 ,31	100.0	100.0	3.845
Changes during the year ended			
December2018 ,31	1.2%	0.8%	8.1%
December2017 ,31	0.3%	0.4%	(9.8%)
December2017 ,31	(0.3%)	(0.2%)	(1.5%)

(2) The operating cycle period and the expense analysis framework which were recognized in the statement of income

The operating cycle period is one year .Due to the foregoing ,current assets and current liabilities include items which are designated and expected to be realized within the operating cycle period , as stated above .The analysis framework of expenses which were recognized in the statement of income is in accordance with a classification method which is based on the activity characteristic of the expense .Additional information regarding the characteristics of the expense is included ,as relevant ,in the notes to the financial statements.

Note 1 - General (Continued)

E. Basis for preparation of the financial statements (Continued)

(3) A. Use of estimates and judgment

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

During the formulation of the accounting estimates which are used in the preparation of the Company's financial statements, the Company and the investee companies are required to make assumptions regarding circumstances and events which involve significant uncertainty . In exercising judgment regarding the determination of the estimates ,managements rely on past experience ,various facts ,external factors and reasonable assumptions ,in accordance with the appropriate circumstances of each estimate.

The underlying estimates and assumptions, which were used in the preparation of these reports, are reviewed on a routine basis. Changes in accounting estimates are recognized in the period when the estimates were corrected, and in any future affected period .

The following is a description of the critical accounting estimates and material judgments which were use in the preparation of these financial statements, regarding which, at the time of their formulation, management of the Company and the investee companies were required to make assumptions regarding circumstances and events involving significant uncertainty .

Note 1 - General (Continued)

E. Basis for preparation of the financial statements (Continued)

(3) A. Use of estimates and judgment (Continued)

Estimate / judgment	Main assumptions	Possible implications	Main references
Fair value measurement of convertible subordinated loans from the controlling shareholder	• Indications regarding the fair value of the Company's capital. Unobservable inputs used in the model which is applied for the determination of the value of the subordinated loans.	• As at the initial recognition date - classification of an amount which was recorded in capital attributed to the owners of the Company vs. the amount which was recorded as a liability . • After the initial recognition date - change in the fair value of the subordinated loan ,part of which was recorded under the item for financing income or expenses and part of which directly under other comprehensive income.	• Note.11 F (2).below regarding a sensitivity analysis of financial instruments measured at fair value level.3 • Note.7 C (4)-(1).below regarding the amounts which were recognized in these reports in respect of the subordinated loan, and Note.7 C.(1) below regarding its terms .
Fair value measurement of the Debenture from Dolphin IL	• Indications regarding the fair value of DIC's capital and the Company's capital . Unobservable inputs used in the model which is applied for the determination of the value of the Debenture from Dolphin IL.	• As at the initial recognition date - classification of an amount which was recorded as a controlling shareholders reserve, vs. the amount which was attributed to the Debenture . • After the initial recognition date - change in profit or loss in respect of change in the debenture's value, which was recorded under the item for financing income or expenses.	• Note.11 F (2).below regarding a sensitivity analysis of financial instruments measured at fair value level.3 • Note.3 A .below regarding the transaction for the sale of shares in DIC and regarding the terms of the Debenture .
The assessment of where the cash flows in respect of financial assets granted include principal and interest alone (SPPI)	Whether the business model assumes the collection of the cash flows of the principal and interest alone ,which will be paid at the times set in accordance with its contractual terms.	Insofar as the expectation is that the Company will receive cash flows of the principal and interest at times that are known in advance ,then the measurement of the financial asset is in accordance will be in accordance with its amortized cost and if not ,the measurement will be in accordance with its fair value	Notes 2.C.1.c and 3.A below regarding the assessment whether the cash flows in the Dolphin IL debenture include principal and interest alone and the fair value of the debentures .See also Note 2.N.2 below regarding the loans granted to IDBG .
Fair value measurement of investment property.	Expected rate of return on investment property.	Profit or loss in respect of change in the fair value of investment property and investment property under construction.	Notes 2.D below .
Estimated chances of contingent liabilities.	Whether it is more likely than not that economic resources will be spent in respect of lawsuits which have been filed against the Company and its investee companies ,based on the opinion of their legal advisors.	Cancellation or creation of a provision in respect of a claim .	Note 13 below regarding outstanding lawsuits and contingent liabilities.
Unasserted claims	Reliance on internal estimates of the handling entities and the managements of companies . Consideration of an estimate regarding the chances that a claim will be filed and the claim's chances of success ,if and insofar as it is filed.	In light of the preliminary stage of the investigation of the lawsuits, actual results may differ from the assessment which was prepared during the stage when the claim had not yet been filed .	Note.13 B below regarding lawsuits against the Company and its investee companies.
Classification of activities held for sale	Estimate that the sale is expected in a year	Expected sale will not be in a year and therefore will not be classified accordingly and not measured at the lower of market value net of selling costs to carrying cost and/or as current or noncurrent	Note 3.B and 3.C regarding the investments in Clal Holdings Insurance Enterprises and IDB Tourism, respectively .

Note 1 - General (Continued)

E. Basis for preparation of the financial statements (Continued)

(3) B. Determination of fair value

1. For the purpose of preparing the financial statements, the Group is required to determine the fair value of certain assets and liabilities. Additional information regarding the assumptions which were used in the determination of fair value is included in the following notes:

   A .Note 4 regarding financial assets presented on a fair value basis;

   B. Note 11 regarding financial instruments.

2. In its determination of the fair value of assets or liabilities, the Group uses observable market inputs as much as possible. Fair value measurements are divided into three levels in the fair value hierarchy, based on the inputs which were used in the evaluation, as follows :

   Level 1 - Quoted (non-adjusted) prices in an active market for identical assets or liabilities;

   Level 2 - Directly or indirectly observable market inputs, which are not included in Level 1 above ;

   Level 3 - Fair value which is not based on observable market inputs.

Note - 2 Significant Accounting Policies

The accounting policies detailed below were applied consistently throughout all periods presented in the consolidated financial statements, except as detailed in Note.2 M.1 below regarding the initial adoption in the reporting year of IFRS ,(2014) 9 financial instruments") The final version of IFRS "9 and the implementation of IFRS 15, revenues from contracts with customers), which was not implemented for the figures for 2016, as detailed in Note 2G.4.d.18 to the Company's annual financial statements as at December 31, 2017, which were published on March 26, 2018 .The accounting principles detailed below refer, in the context of the consolidated financial statements, both to the Group’s member companies and to investee companies treated at equity .**In this note ,issues presented in bold are those to which the Company has chosen to apply accounting alternatives which are permitted under accounting standards and/or issues regarding which no explicit provision exists in accounting standards ,or in case of the early adoption of new accounting standards .** Such bold text serves for identification purposes only of the aforementioned issues, and does not attribute any additional importance to non-bold text.

A. Consolidated financial statements

The consolidated financial statements include the statements of companies over which the Company holds control (subsidiaries). Control exists when the Group is exposed, or holds rights, to variable returns from its involvement in the acquired entity, and when it is able to affect those returns through its influence over the acquired entity. The evaluation of control includes taking into account real rights which are held by the Group and by others .The consolidation of the financial statements is performed beginning on the date when control is obtained, until the date when control is lost .

Balances ,material inter-company transactions and profit and loss due to transactions between the Group’s member companies were canceled in the consolidated financial statements .Unrealized losses were canceled in the same manner which was used to cancel unrealized profits ,so long as there is no evidence of impairment.

Business combinations and transactions with non-controlling shareholders

1. **Business combinations**

A business combination is a transaction or another event in which the Buyer obtains control over one business or several businesses.

A business is an integrated system of operations and assets which can be operated and managed in order to achieve returns in the form of dividends ,reduced costs or other economic benefits directly for investors or other owners ,members or participants.

A business is comprised of inputs and processes which are applied in respect of those inputs, which have the ability to create outputs .

The Group applies the acquisition method to all business combinations .

The acquisition date is the date when the Buyer obtained control of the acquired entity. The Company exercises judgment in determining whether it qualifies as a business, in determining the acquisition date, and in determining whether control has been obtained .

Subsidiaries

The financial statements of subsidiaries are included in the Company’s consolidated financial statements beginning on the date when control is obtained, until the date when control is discontinued. The accounting policy of subsidiaries was changed if needed in order to adjust it to the accounting policy which was adopted by the Group .

2. **Non-controlling shareholders**

Non-controlling shareholders are the capital of a subsidiary which is not attributable, directly or indirectly, to the parent company .

<u>Allocation of profit or loss and other comprehensive income among shareholders</u>

Profit or loss ,and any component of other comprehensive income ,are attributed to the owners of the Company and to non-controlling shareholders .The total profit or loss and other comprehensive income is attributed to the owners of the Company and to non-controlling shareholders ,even if , balance of the balance of non-controlling shareholders is negative .

<u>Transactions with non-controlling shareholders, while retaining control</u>

Transactions with non-controlling shareholders while retaining control are treated as capital transactions .Any difference between the consideration which was paid or received ,and the change in non-controlling shareholders, is applied to the **capital reserve in respect of transactions with non-controlling shareholders ,under the capital attributed to owners of the Company** .The capital reserve in respect of transactions with non-controlling shareholders is not applied to the statement of income or to comprehensive income (including not upon realization of the subsidiary for which the reserve was created) .

Note 2 - Significant Accounting Policies (Continued)

A. Consolidated financial statements (Continued)

2. **Non-controlling shareholders (Continued)**

   In case of changes to the holding rate of a subsidiary ,while retaining control ,the Company re-attributes the cumulative amounts which were recognized under other comprehensive income between the owners of the Company and non-controlling shareholders .

   The amount at which non-controlling shareholders are calculated is as follows:

   In an increase in the holding rate ,**according to the relative share of the acquired entity out of the balance of non-controlling shareholders in the consolidated financial statements before the transaction ,and attributed original differences**.

   In a decrease in the holding rate ,**according to the relative share which was realized by the owner of the subsidiary in the net assets of the subsidiary ,including goodwill and original attributed differences ,if any ,with no change to their value .**Cash flows from transactions with non-controlling shareholders while retaining control are classified under financing activities in the statement of cash flows.

   Inter-company transactions which are attributed to the transfer of shares in subsidiaries (regardless of whether such transactions are performed in cash or through a share exchange) in which a change has occurred in the rate of non-controlling shareholders ,are treated as transactions with non-controlling shareholders.

3. **Transactions resulting in the discontinuation of the consolidation of financial statements**

   Loss of control

   Upon loss of control ,the Group writes off the assets and liabilities of the subsidiary ,any non-controlling shareholders, and amounts which were recognized in capital reserves through other comprehensive income, with reference to that subsidiary. If the Group still has any remaining investment in the former subsidiary, the balance of the investment is measured at fair value on the date of loss of control .

   When the sale of the subsidiary takes place to the controlling shareholder ,or to a company under its control ,the difference between the consideration and the fair value of the balance of the investment ,and the balances which were written off ,is directly recognized in the statement of changes in equity as a capital reserve for transactions with controlling shareholders .In other cases , the difference is recognized **in the item for" profit from realization and increase in value of investments ,assets and dividends ,and gain due to rise to control "or in the item for" loss from realization ,impairment and write-down of investments and assets ,"as applicable .**

   As from the time that control is lost ,the remaining investment is treated at equity or as a financial asset, in accordance with the text of the Group’s influence on the relevant investee company ,after the sale transaction .

   The amounts which were recognized in capital reserves through other comprehensive income with reference to that subsidiary are reclassified to profit or loss or to retained earnings, in the same manner which would have been required had the subsidiary independently realized the applicable assets or liabilities. When the sale takes place to the controlling shareholder or to a company under its control, the aforementioned classification is done against the reserve on transactions with controlling shareholders.

4. **Cancellation of inter-company transactions**

   Inter-company balances in the Group, and unrealized material income and expenses which are due to inter-company transactions, were canceled as part of the preparation of these financial statements .**Unrealized profits due to transactions with associate companies and with joint ventures were canceled against the asset involved in the transaction ,in accordance with the Group’s rights in those investments .**Unrealized losses were canceled in the same manner which was used to cancel unrealized profits, so long as there is no evidence of impairment .

Note 2 - Significant Accounting Policies (Continued)

A. Consolidated financial statements (Continued)

5. **Investment in associate companies and joint ventures**

In the evaluation regarding the existence of significant influence over an associate company, potential voting rights are taken into account which are exercisable or convertible immediately into its shares. The investment in associate companies and joint ventures is treated at equity and is recognized for the first time at cost. The cost of the investment includes transaction costs.

These financial statements include the Group's share in the profit and loss of associate companies and joint ventures**) including recognition of profit or loss in respect of the Company's share in the capital reserve which was recorded by the associate companies and joint ventures in respect of transactions with non-controlling shareholders (**and under their other comprehensive income) loss ,(following the required adjustments in order to adjust their accounting policy to that of the Group ,from the date when significant influence or joint control materialized ,until the date when significant influence or joint control was discontinued .When the Group's share in the losses exceeds the value of the Group's rights in a comp`any treated at equity ,the book value of those rights (including long term loans, which constitute a part of the account in respect of the investment in the investee) is amortized to zero. In cases where the Group's share in long term loans, which constitutes a part of the investment in the investee, is different from its share in the capital of the investee, the Group continues to recognize its shares in the losses of the investee, after amortizing to zero the capital investment, in accordance with the rate of its economic entitlement to the investment over the long term at that time. The Group does not recognize additional losses of the investee company, except insofar as the Group has an obligation to support the investee company, or if the Group has paid amounts for it, or has given loans to it .

Excess cost in associate companies and joint ventures is presented as part of the investment .The excess acquisition cost of the investment in an associate company or joint venture beyond the Group's share in the fair value of the identifiable assets of the investee company) including intangible assets ,(after deducting the fair value of the identifiable liabilities of the investee company) after attribution of taxes (on the acquisition date is attributed to goodwill.

The excess cost which was attributed in the associate company or joint venture to identifiable assets and identifiable liabilities with a defined useful lifetime are amortized in accordance with the aforementioned useful lifetime. Goodwill and intangible assets with an undefined useful lifetime are not systematically amortized. For details regarding the impairment test of goodwill and intangible assets, as stated above, see section F. below .

For details regarding the attribution of in respect of investment in associate companies and joint ventures, see section K. below .

For details regarding adjustments due to the translation of financial statements of associate companies and joint ventures, see section B. below .

Loans with characteristics of long term investments, which are intended to finance losses due to a capital deficit of those companies, which are provided by the Group to associate companies, constitute a part of the investment in investee companies which are treated at equity .

In parallel ,the financing income in respect of such loans is presented under the item for the Company's share in the losses ,net ,of investee companies ,instead of presentation in separate sections .

<u>Note 2 - Significant Accounting Policies</u> (Continued)

A. Consolidated financial statements (Continued)

6. **Change in holding rates in associate companies and joint ventures treated at equity ,while retaining significant influence or joint control**

   In case of an increase of the holding rate in an associate company or joint venture treated at equity , while retaining significant influence, the Group applies the acquisition method only in respect of the additional holding rates, whereas the previous holding remains unchanged .

   In case of a decrease in the holding rate of an associate company or joint venture treated at equity , while retaining significant influence or joint control, the Group writes off the relative share of its investment, and recognizes the profit or loss from the sale under the item for" profit from realization and increase in value of investments and assets ,and dividends ,and profit due to change in control "or under the item for" loss from realization ,impairment and write-down of investments and assets ,"as applicable .

   The cost of **the rights which were sold for the purpose of calculating profit or loss from the sale is determined according to a weighted average .**

   Additionally, the relative share of the amounts which were recognized in capital reserves through other comprehensive income, with reference to that associate company or joint venture treated at equity ,or entity under joint control ,is applied to the statement of income or to retained earnings .

   The aforementioned accounting treatment is also relevant in cases where the investment in the associate company becomes a joint venture ,or vice versa.

7. **Loss of significant influence or joint control**

   The Group discontinues the application of the equity method beginning on the date when it lost significant influence over the associate company or the joint control over the joint venture ,and accounts for the remaining investment as a financial asset ,and in case of rise to control - as a subsidiary ,as applicable.

   At the time of loss of significant influence or joint control, the Group measures the fair value of the balance of the investment in the former associate company or joint venture. The Company recognizes, in the statement of income, under the item for" profit from realization and appreciation of investments ,assets and dividends ,and gain due to change in control ,"or in the item for" loss from realization ,impairment and write-down of investments and assets ,"as applicable ,

   Any difference between the fair value of any remaining investment and any consideration from the realization of part of the investment in the associate company or joint venture ,and the book value of the investment on that date .The amounts which were recognized through other comprehensive income ,with reference to that associate company or joint venture ,are reclassified to profit and loss or to retained earnings in the same manner as would have been required ,had the associate company or joint venture independently realized the applicable assets or liabilities.

B. Foreign currency

The functional currency is determined separately for each investee company ,including an associate company presented in accordance with the equity method ,and this currency is used to measure its financial position and results of operations .When the functional currency of an investee company is different from that of the Company ,the investee company constitutes a foreign operation whose financial statements data are translated for the purpose of including them in the Company’s financial statements.

1. **Transactions in foreign currency**

   Transactions in foreign currency are translated to the relevant functional currencies of the Group’s member companies according to the exchange rate transactions as at the dates of the transactions. Monetary assets and liabilities denominated in foreign currency, which exist as at the reporting date, are translated to the functional currency according to the exchange rate which is in effect as at that date .

   Non-monetary assets and liabilities which are measured at historical cost in the foreign currency are translated according to the exchange rate on the transaction date. Non-monetary assets and liabilities, which are denominated in foreign currencies and measured at fair value, are translated to the functional currency according to the exchange rate which is in effect on the date when the fair value was determined. Foreign currency differences due to translation into the functional currency are generally recognized under profit and loss .

<u>Note 2 - Significant Accounting Policies</u> **(Continued)**

B. Foreign currency (Continued)

2. **Foreign operations**

Assets and liabilities of foreign operations, including goodwill and adjustments to fair value which were created in the acquisition, were translated to NIS according to the exchange rate which was in effect as at the reporting date. Income and expenses of foreign operations were translated to NIS according to the exchange rates which were in effect on the dates of the transactions .

Foreign currency differences in respect of the translation are recognized under other comprehensive income (loss) and are presented under capital in the translation reserve for foreign operations , ")Translation Reserve.("

When a foreign operation is a subsidiary which is not wholly owned by the Group, the proportional part of the foreign currency differences in respect of the foreign operation is allocated to non-controlling shareholders.

The financial statements of a foreign operation which is not directly held are translated to NIS in accordance with the consolidation in stages method, according to which the financial statements of the foreign operation are first translated to the functional currency of the direct parent company, and are later translated to the functional currency of the ultimate parent company .

Accordingly ,upon the realization of a foreign operation which is not directly held, the Group reclassifies to profit and loss the cumulative amount in the cumulative amount translation reserve in the direct parent company that holds the foreign operation .

If the functional currency of the directly held operation and the functional currency of the direct parent company are identical, the Group's policy is not to classify under profit and loss foreign currency differences which have accumulated in the translation reserve of the ultimate parent company in respect of the realization of the foreign operation which is indirectly held, as stated above .

Upon the realization of a directly held foreign operation, which results in loss of control, or to loss of joint control or loss of significant influence, the cumulative amount in the translation reserve which is due to the foreign operation is reclassified to profit and loss as part of the profit or loss from the realization .

In addition ,where there are changes to the Group's holding rate in a subsidiary which includes a foreign operation ,while retaining control of the subsidiary ,a proportional part of the cumulative total of the foreign currency differences which were recognized under other comprehensive income)loss (is re-attributed to non-controlling shareholders .

When the Group realizes part of an investment which is an associate company or joint venture that includes a foreign operation, while retaining significant influence or joint control, the proportional part of the cumulative amount of foreign currency differences is reclassified under profit and loss.

In general, foreign currency differences in respect of loans which were received or provided to foreign operations, including foreign operations which are subsidiaries, are recognized under profit and loss in the consolidated reports.

When the settlement of loans which the Group received from a foreign operation, or provided to it, is not planned and not expected in the foreseeable future, profit and loss from foreign currency differences which are due to those monetary items are included as part of the investment in the foreign operation, net, and are recognized under other comprehensive income (loss), and are presented in capital, as part of the translation reserve .

The settlement of these loans is not considered realization of the investment, net, in the foreign operation, and therefore, upon realization of the loans, as stated above, the foreign currency differences which were recognized in respect of other comprehensive income are not applied to profit and loss.

Note 2 - Significant Accounting Policies (Continued)

C. Financial instruments

1. **Non-derivative financial assets**

a. Initial recognition of financial assets:

The Group initially recognizes customers and debt instruments that have been issued at the time of their creation. Other financial assets are initially recognized on the trade date .

Financial assets are initially measured at fair value, with the addition of transaction costs, for all financial assets that are not measured at fair value through profit or loss, except for trade receivables. Financial assets that are measured at fair value through profit or loss are initially recognized at fair value and the transaction costs are reflected in profit or loss. Receivables that are sourced in contract assets are initially measured in accordance with the carrying values in the accounting records of the contract assets at the time of the change of the reclassification from the contract assets to receivables.

b. De-recognition of financial assets:

Financial assets are de-recognized when the Group's contractual rights to the cash flows which are due to the financial asset expire, or when the Group transfers the rights to receive the cash flows which are due to the financial asset in a transaction wherein all risks and benefits from the ownership of the financial asset are effectively transferred .

If the Group retains substantially all of the risks and the benefits deriving from the ownership of the financial asset ,the Group continues to recognize the financial asset .See Note.3 B.3 below.

c. Classification of financial assets into groups:

At the time of the initial recognition ,financial assets are classified into one of the following measurement groups :amortized cost fair value through other comprehensive income-investments in debt instruments; fair value though other comprehensive income – investments in capital instruments; or fair value through profit and loss.

Financial assets are not reclassified in subsequent periods unless and only where the Group changes its business model for the management of financial debt assets ,and in such a case ,the financial debt assets that are affected are reclassified at the start of the reporting period subsequent to the change in the business model.

A fixed asset is measured at amortized cost if the following two cumulative conditions are met and also where it is not designated for measurement at fair value through profit and loss:

- It is held within the framework of a business model the objective of which is to hold assets in order to collect the contractual cash flows ;and
- The contractual terms of the financial asset provide entitlement at predetermined times to cash flows consisting solely of payments of principal and interest in respect of the amount of the principal that has not yet been settled.

A debt instrument is measured at fair value through other comprehensive income if it meets the following two cumulative conditions are met and also where it is not designated for measurement at fair value through profit and loss.

- It is held within the framework of a business model the objective of which is achieved both by the collection of the contractual cash flows and also by the sale of the financial assets; and
- The contractual terms of the debt asset provide entitlement at predetermined times to cash flows consisting solely of payments of principal and interest in respect of the amount of the principal that has not yet been settled.

In certain cases ,at the time of the initial recognition of an investment in a capital instrument that is not held for trading ,the Group makes an irrevocable election to present subsequent changes in the fair value of the instrument through other comprehensive income .This election is made for each investment separately.

All of the financial assets that are not classified for measurement at amortized cost or at fair value through other comprehensive income, as aforesaid, as well as financial assets that are designated at fair value through profit and loss, are measured at fair value through profit and loss. At the time of the initial recognition, the Group designated financial assets at fair value through profit and loss and such designation cancels or significantly reduces an accounting mismatch.

The Group has balances of trade receivables ,other receivables and deposit that are held within the context of a business model ,whose objective is to collect the cash flows.

Note 2 - Significant Accounting Policies (Continued)

C. Financial instruments (Continued)

1. **Non-derivative financial assets (Continued)**

c. Classification of financial assets into groups:

The contractual cash flows in respect of these financial assets ,include solely and exclusively payments of principal and interest, which reflect the consideration for the time value of the money and the credit risk. Accordingly, these financial asserts are measured at amortized cost.

The evaluation of the business model

The Group evaluates the objective of the business model in which the financial asset is held at the level of the portfolio ,since this best reflects the manner in which the business is managed and information is provided to the management .The considerations that are taken into account in the determination of the Group's business model are as follows:

- The declared policies and objectives in respect of the portfolio and the actual implementation, including whether the management's strategy focuses on the receipt of the contractual interest ,on the maintenance of a particular interest profile, with adjustments for the lifetimes of the financial assets to the lifetimes of any related liabilities whatsoever or the expected cash flows, or the realization of the cash flows by means of the sale of the assets;
- The manner in which the performances of the business model and of the financial assets that are held in that model are assessed and reported to key management personnel.
- The risks that affect the performance of the business model) and the financial assets that are held in that business model (and how those risks are managed.
- The manner in which the managers of the business are remunerated) for example ,if the remuneration is based on the fair value of the managed assets or on the contractual cash flows that have been collected ;(and
- The frequency, the value and the timing of the sales of financial assets in previous periods, the reasons for the sales and the expectations in respect of future sale activity.

Transfers of financial assets to third parties in transactions that do not qualify for de-recognition are not considered to be sales for the purpose of the evaluation of the business model, consistently over the length of the recognition of those financial assets by the Group.

Financial assets that are held for trading or which are managed and the performance of which are assessed on the basis of the fair value ,are measured at fair value through profit and loss.

The assessment of whether the cash flows include principal and interest alone

For the purpose of examining whether the cash flows include principal and interest alone , "Principal "is the fair value of the financial asset at the time of the initial recognition" .Interest " is comprised of the consideration for the time value of the money ,for the credit risk that is attributed to the amount of the principal that has not yet been settled during the course of a particular period of time and for other risks and costs at the basis of the loan ,as well as the profit margin.

In the examination of whether the contractual cash flows are cash flows of principal and interest alone, the Group examines the contractual cash flows of the instrument, and within this context the it assesses whether the financial asset includes contractual terms that may change the timing or the amount of the cash flows, such that they will not meet the abovementioned condition.

- Any conditional events whatsoever that will change the timing or the amount of the cash flows;
- Conditions that may change the denoted interest rate ,including variable interest;
- Characteristics of extension or early repayment; and
- Conditions that restrict the Group's right to cash flows from defined assets) for example a non-recourse financial asset).

The characteristic of early repayment is consistent with the principal and interest alone criterion with the amount of the early repayment substantially representing amounts that have not yet been paid for principal and interest in respect of the unpaid balance of the principal ,which may include reasonable compensation ,which is received or paid ,in respect of the early termination of the contract.

Note 2 - Significant Accounting Policies (Continued)

C. Financial instruments (Continued)

1. **Non-derivative financial assets (Continued)**

c. Classification of financial assets into groups (Continued)

In addition, for a financial asset that is acquired at a significant premium or with a significant discount in relation to the value that is denoted in the contract, a characteristic that permits or required early repayment in an amount that substantially represents the contractual par value and the contractual interest that has accumulated but which has not yet been paid (which may include reasonable compensation, which is received or paid in respect of early termination), is consistent with the principal and interest alone criterion if the fair value of the early repayment characteristics is significant at the initial recognition.

d. Subsequent measurement and profit and loss:

Financial assets at fair value through profit and loss

In subsequent periods ,these assets are measured at fair value .Profits and losses ,net ,including interest or dividend income ,are recognized in profit and loss) except for certain derivative instruments ,which are designated as derivative instruments.(

Investments in capital instruments at fair value through other comprehensive income

These assets are measured at fair value in subsequent periods .Dividends are recognized as income in profit or loss ,unless the dividend clearly represents the recovery of part of the cost of the investment .Other gains and losses ,net are recognized in other comprehensive income and are not reclassified to profit and loss.

Financial assets at amortized cost

These assets are measured at amortized costs in subsequent periods ,using the effective interest method and less impairment losses .Interest income ,gains or losses from exchange differences and impairment in value are recognized in profit and loss .Any gain or loss whatsoever that derives from de-recognition ,is also recognized in profit and loss.

Investments in debt instruments at fair value though other comprehensive income

These assets are measured at fair value in subsequent periods. Interest income is calculated using the effective interest method, gains or losses from exchange differences and impairment in value are recognized in profit and loss. Other net gains and losses are recognized in other comprehensive income. At the time of de-recognition, gains and losses that have accumulated in other comprehensive income are reclassified to profit and loss .

2. **CPI-linked assets and liabilities which are not measured at fair value**

The value of CPI-linked financial assets and liabilities which are not measured at fair value is revalued in each period in accordance with the actual rate of increase / decrease of the CPI.

3. **Financial liabilities**

The Group has non-derivative financial liabilities ,such as :debentures issued by the Group ,loans and credit from banking corporations and other providers of credit, finance leasing obligations , trade payables and other payables.

a. Initial recognition of financial liabilities

The Group recognizes for the first time issued debt instruments on the date of their creation, according to their fair value on the trade date .

Financial liabilities are recognized for the first time at fair value plus attributable transaction costs. Following initial recognition, financial liabilities are measured at amortized cost using the effective interest method .

Transaction costs which are directly attributed to an expected issuance of an instrument which will be classified as a financial liability are recognized as an asset in the statement of financial position .These transaction costs are deducted from the financial liabilities upon initial recognition ,or are amortized as financing expenses in the issuance when the issuance is no longer expected to occur .

Upon an extension of a debenture series for cash, the debentures are measured for the first time according to their fair value, which is consideration which was received in the issuance (since this is the best market to which the issuer has immediate access), without any recognition of profit or loss in respect of the difference between the issuance consideration and the market value of the marketable debentures proximate to their issuance.

Note 2 - Significant Accounting Policies (Continued)

C. Financial instruments (Continued)

.3 Financial liabilities (Continued)

b. De-recognition of financial liabilities

Financial liabilities are de-recognized when the Group's liabilities, as detailed in the agreement, expire, or when they have been settled or canceled .

c .Changes in the terms of debt instruments

An exchange of debt instruments with materially different terms ,between an existing borrower and a lender ,is treated as settlement of the original financial liability and recognition of a new financial liability at fair value ,while the difference is applied to the statement of income in the item for financing income or expenses .Additionally ,significant changes in the terms of a current financial liability ,or a part thereof ,are treated as a settlement of the original financial liability and as recognition of a new financial liability.

The terms are significantly different even if the discounted present value of the cash flows , according to the new terms ,including any fees which were paid ,after deducting any fees which were received ,and is discounted using the original effective interest rate ,is different by at least ten percent than the discounted present value of the remaining cash flows of the original financial liability.

In addition to the quantitative test, as stated above, the Group also evaluates qualitative considerations in order to determine whether it involves an exchange of conditions with materially different terms, and as part of the above, an evaluation if performed regarding the entire set of characteristics of the exchanged debt instruments and the economic parameters embodied therein, which, if they are indeed significantly different from one another, may create a different economic risk for the holder of the debt instruments upon their exchange .

These economic parameters include, inter alia, the average lifetime of the exchanged debt instruments and the extent of impact of the debt terms (such as linkage to the CPI, linkage to foreign currency ,fixed/variable interest (on the cash flows from the instruments.

An insignificant change in the terms of a debt instrument – accounting policy that is implemented as from January 1, 2018

In the case of a change in the terms) or the replacement (of a debt instrument ,which is not significant ,the new cash flows ,discounted at the original effective interest rate ,where the difference between the present value of the financial liability under the original terms and the present value of the original financial liability is recognized in profit or loss.

d. Subordinated loans that have beeen received from the controlling shareholder

See Note 7C below for details regarding the terms of the subordinated loans .The subordinated loans are subordinated to all of the Company's existing and future liabilities and they are convertible into an unfixed number of shares in the Company .Accordingly they are measured at fair value through profit and loss and are presented under non-current liabilities.

Until January 1, 2018, any change in the fair value of the subordinated loans was reflected in profit and loss. As from the time of the initial adoption of the final version of IFRS 9, as stated in section M below in this note ,changes in the fair value of the subordinated loans, which are sourced in changes in the Company's credit risk, are reflected in other comprehensive invoke under change in the fair value of the subordinated loans that is attributed to changes in the credit risk, whereas changes in the fair value of the subordinated loan, which are sourced in changes in the market, continue to be recorded in profit and loss under financing income or expenses.

D. Investment property

Investment property is property) land or building - or part of a building - or both (which is held by the Group as the owner for the purpose of generating rental income ,or for capital appreciation ,and not for any of the following purposes:

(1) Use in the production or provision of goods or services ,or for administrative purposes :or

(2) Sale in the ordinary course of business.

Investment property is measured for the first time at cost, including discounted borrowing costs. Cost includes expenses which was directly attributed to the acquisition of investment property. The cost of investment property under self construction includes the cost of materials and direct labor and other costs which are directly attributed to bringing the asset to the location in order for it to operate in the manner intended by management .

In subsequent periods ,investment property is measured at fair value ,and changes in fair value are applied to the statement of income.

Note 2 - Significant Accounting Policies (Continued)

D. Investment property

Investment property under construction is measured by the Group as follows:

(1) At fair value (without discounting borrowing costs), when the fair value of the investment property under construction is reliably measurable; And -

(2) When the fair value is not reliably measurable ,according to the fair value of the land ,plus cost during the construction period until the earlier of either the construction end date and the date when they fair value is reliably measurable.

When investment property which was classified in the past as fixed assets is sold to the controlling shareholder or to a company under its control, the revaluation reserve which is included in capital in respect of the investment property is transferred directly to retained earnings (in case of sale to a third party - transferred directly to retained earnings) .

The Group estimates the value of the investment property at least once per year, and when there are indications of changes in its value (whichever is earlier). The liability in respect of the payment of land betterment levies for investment property is recognized on the exercise date of the rights. Accordingly, as part of the measurement of fair value for investment property before the recognition of liabilities to pay land betterment levies, the negative cash flows attributed to the levies are included .

E. Cost of obtaining collateral for the Company's liabilities from Dolphin IL

For details regarding the transaction involving the sale of the Company's holdings in DIC (the "Transaction ("to Dolphin IL, a company under the control of the Company's controlling shareholder (the" Buyer ,("see Note.3 A below. In the transaction, the Buyer accepted shares which are not free and clear, but rather are charged, with various priorities, to various entities, as detailed in the aforementioned note, mostly to the Company's debenture holders. The cost of obtaining the collateral represents the Company's ability to continue pledging the shares which were sold to secure the Company's liabilities . The fair value of the cost to obtain the collateral was estimated, on the transaction date, by an independent external appraiser .The calculation of fair value is based on the savings which were created for the Company due to the aforementioned charge ,which allowed the Company to avoid an early repayment of the debentures (Series N), and to save the costs associated with such repayment (including the early repayment fine, the costs of an alternative debt raising, and the savings on interest, relative to an alternative raising without charges). This asset is presented as a deferred asset under non-current assets, and is amortized using the effective interest method .

F. Impairment in value

1. **Non-financial assets**

Timing of impairment test

The book value of non-financial assets in the Group is tested on each reporting date in order to determine whether indicators of impairment exist .

If indicators of impairment exist, the estimated recoverable value of the asset is calculated .

Determination of cash generating units

For the purpose of implementing the impairment test ,assets which cannot be specifically evaluated are joined together into the smallest possible group of assets which generate cash flows from ongoing use ,which are primarily independent of other assets and other groups of assets") Cash Generating Unit") .

Measurement of recoverable amount

The recoverable amount of an asset or cash generating unit is the higher of either its value in use or its fair value, after deducting selling expenses. In the determination of value in use, the Group discounts the projected future cash flows which reflect the current condition of the asset, and represent the best estimate in respect of the economic conditions which will prevail during the asset's remaining useful lifetime. The discounting of cash flows in respect of a cash generating unit is performed according to the discount rate before taxes, which reflects the estimate of market participants in respect of the time value of money and the specific risks attributed to the asset or cash generating unit, for which the future cash flows which are expected to arise from the asset or cash generating unit were not adjusted. In the impairment test of associate companies and joint ventures, cash flows are discounted according to the appropriate discount rate after tax.

Recognition of impairment loss

Impairment losses are recognized when the book value of the asset's or cash generating unit to which the asset belongs exceeds the recoverable amount ,are applied to the statement of income.

Note 2 - Significant Accounting Policies (Continued)

F. Impairment in value (Continued)

2. **Investments in associate companies and joint ventures**

An impairment test in respect of an investment in an associate company or joint venture is performed only where there is objective evidence indicating impairment. Such objective evidence includes general information regarding the market, decline in stock exchange prices, ongoing losses in its investments, the branch in which its investing activities take place, non-fulfillment of research and development goals of investee companies, significant deviation from the business plan of the investee companies, efforts to raise capital at a lower price than the value of the investment in the financial statements, and additional parameters .

Goodwill which constitutes a part of the account of the investment in the associate company or joint venture is not recognized as a separate asset, and therefore, impairment is not evaluated separately for it .

If objective evidence exists indicating impairment of the value of the investment ,the Group estimates the recoverable amount of the investment which is the higher of either its value in use or its net selling price.

In its determination of the investment's value in use ,the Group estimates its share in the present value of the estimated future cash flows ,which are expected to be generated by the associate company or joint venture ,including cash flows from its activities ,and the consideration from the ultimate realization of the investment ,or estimates the present value of the estimated future cash flows which are expected to result from the dividends which will be received ,and from the final realization.

Impairment loss is recognized when the book value of the investment, after application of the equity method, exceeds the recoverable amount ,**and is applied to the item for the Group's share in the loss of investee companies treated at equity ,net, in the statement of income .**

Impairment loss is not allocated to any asset, including to goodwill which constitutes a part of the account of the investment in the associate company or joint venture .

Impairment loss is canceled only if changes have occurred in the estimates which were used in the determination of the recoverable amount of the investment ,from the date when the impairment loss was most recently recognized .The book value of the investment ,after cancellation of impairment loss ,will not exceed the book value of the investment which would have been determined according to the equity method had impairment loss not been recognized.

If excess costs are attributed to assets in the associate company or to assets in the joint venture, and the aforementioned company performs an amortization for impairment in respect of such assets, the Company amortizes the aforementioned attributed excess costs, and applies the amortization to the statement of income.

G. Non-current assets and realization groups held for sale

Non-current assets) or realization groups which are comprised of assets and liabilities (are classified as assets held for sale if it is highly probable that the recoupment of their amount will be implemented primarily through a sale transaction or a distribution to owners ,and through ongoing use .When a company is committed to a sale plan which involves loss of control of a subsidiary ,all of the assets and liabilities which are attributed to the subsidiary are classified as held for sale ,will bear the Company will remain with any non-controlling shareholders in the former subsidiary after the sale .

Immediately before their classification as held for sale, the asset (or the components of the realization group) are measured according to the Group's accounting policy. Subsequently, the assets, the components of the realization group (or the Group which is intended for realization or for settlement) are measured according to the lower of either book value or fair value, net of selling costs .

Any impairment loss of a group designated for realization is initially attributed to goodwill, and later, proportionately, to the remaining assets and liabilities, except that loss is not attributed to assets which are not covered under the measurement provisions of IFRS 5, such as: inventory, financial assets, deferred tax assets, employee benefit plan assets, investment property measured at fair value. Impairment losses which are recognized upon initial classification of an asset held for sale, as well as subsequent profit or loss due to the remeasurement, are applied to the statement of income. Profit is recognized up to the cumulative amount of the impairment loss which was recorded in the past .

Note 2 - Significant Accounting Policies (Continued)

H. The Company's capital

Share capital

Costs which are directly attributed to an issuance of ordinary shares are presented as an amortization of capital.

Transactions with controlling shareholder

Assets and liabilities regarding which a controlling shareholder transaction was performed are measured at fair value on the transaction date. Since the transaction in question is on the equity level, the Group applies the difference between the fair value and the consideration from the transaction to equity, under the item for the controlling shareholders reserve .

I. Provisions

A provision is recognized when the Group has a current legal or constructive obligation, as a result of an event which occurred in the past, and which is reliably measurable, and when it is more likely than not that resources will be required in order to settle the liability. The provisions were determined by discounting future the cash flows **by the interest rate before tax which reflects the current market estimates regarding the time value of money and the specific risks of the liability ,without taking into account the credit risk of the debtor company .**The book value of the provision is adjusted in each period in order to reflect the passage of time. The amount of the adjustment is recognized as financing expenses .

The Group recognizes an indemnification asset if and only if it is virtually certain that the indemnification will be received if the Company settles the liability. The amount which is recognized in respect of the indemnification does not exceed the amount of the provision.

Contingent liabilities and lawsuits

Lawsuits with unique characteristics are not joined together, and the need for recognition of provisions in respect of them is evaluated separately.

A claims is recognized when group the Group has a legal obligation in the present, or a constructive obligation as a result of an event which occurred in the past, when it is more likely than not that the Group will require its economic resources in order to settle the liability, and when it is reliably measurable. When the impact of the value of time is significant, the provision is measured in accordance with its present value. The amount of the provisions which were performed is based on an estimate of the degree of risk associated with each of the claims, when events which take place during the litigation may require a re-evaluation of such risk .

In estimates regarding the chances of lawsuits which were filed against the Company and its investee companies, the companies relied on the opinions of their legal advisors. These opinions of the legal advisors are based on their best professional judgment, in consideration of the stage of the proceedings, and on their accumulated legal experience on the various issues. The results of the claims will be determined in the courts .

There are legal proceedings in the Group which were recently received ,although at this stage it is not possible to estimate their chances (see also Note.13 B .below).

A provision in respect of unasserted claims is recognized in accordance with the claim's overall chances of success, if filed, against the Group's member companies (which is based on the probability of the filing of the claim and the claim's chances of success).

J. Financing income and expenses

Financing income includes interest income and linkage differentials in respect of financial assets, dividend income and interest in respect of marketable securities (excluding from associate companies and joint ventures, from financial assets presented at fair value through profit and loss which do not constitute a part of the Group's liquid resources, and excluding dividends which clearly constitute recoupment of investment), increase in the fair value of financial assets presented at fair value through profit and loss) **which also include income from dividends and interest** ,(which constitute a part of the Group's liquid resources ,an increase in the fair value of the debenture from Dolphin IL, gains from foreign currency differences which are recognized in profit and loss ,again on the early redemption of debentures and a decrease in the fair value of financial liabilities measured at fair value through profit and loss ,which are sourced in changes in the market conditions .

Interest income is recognized upon accrual, using the effective interest method. Income from dividends is recognized on the date when the Group obtains the right to receive payment. If a dividend as ben received in respect of marketable shares, the Group recognizes the dividend income on the ex date .

<u>Note 2 - Significant Accounting Policies</u> (Continued)

J. Financing income and expenses (Continued)

Interest in respect of loans which have characteristics of long term capital investments to investees treated at equity are canceled against the Group's share in the (profit) loss of investee companies treated at equity ,net.

Financing expenses include interest expenses and linkage differentials on loans which have been received ,including amortization of the cost of obtaining collateral for the Company's liabilities from Dolphin IL, a decrease in the fair value of financial assets presented at fair value through profit and loss , impairment losses of financial assets ,an increase in the fair value of financial liabilities measured at fair value through profit and loss, which are sourced in changes in market conditions, a decrease in the fair value of the debenture from Dolphin IL. Losses from exchange differences and impairment of other assets .

Changes in the fair value of financial assets presented at fair value through profit and loss also include income from dividends and interest.

Profit and loss from foreign currency differences in respect of financial assets and liabilities are reported net as financing income or financing expenses, depending on the fluctuations in the exchange rate, and depending on their position (profit or loss, net).

The statements of cash flows include the presentation of interest which was received within the framework of cash flows from investing activities. Interest paid is presented under cash flows from financing activities

K. Taxes on income

Taxes on income include current and deferred taxes. Current and deferred taxes are applied to the statement of income, unless the tax is due to a business combination, or are applied directly to capital or to other comprehensive income (loss) if they are due to items which are recognized directly under capital or other comprehensive income (loss) .

Current tax is the amount of tax ,which is expected to be paid (or received) on the taxable income for the year, calculated according to the tax rates which apply under the laws which were enacted or effectively enacted as at the date of the statement of financial position. Current taxes also include taxes in respect of previous years .

The Group offsets current tax assets and liabilities if a legally enforceable right exists to offset current tax assets and liabilities ,and if there is an intention to settle current tax assets and liabilities on a net basis ,or if the current tax assets and liabilities are settled simultaneously.

A provision in respect of uncertain tax positions, including additional tax expenses and interest, is recognized when it is more likely than not that the Group will require economic resources to settle the liability .

The recognition of deferred taxes applies in respect of temporary differences between the book value of assets and liabilities for the purpose of financial reporting and their value for tax purposes .

The Group does not recognize deferred taxes in respect of differences due to investment in subsidiaries, in joint arrangements and in associate companies, if the Group controls the difference reversal date, and if it is expected that they will not reverse in the foreseeable future, whether by way of realization of the investment or by way of a dividend distribution in respect of the investment .

The measurement of deferred taxes reflects the tax implications which will result from the way in which the Group expects, upon conclusion the reporting period, to repay or settle the book value of the assets and liabilities. Deferred taxes are measured according to the tax rates which are expected to apply on the date when they are expected to be realized, based on the laws which have been enacted, or the enactment has been completed effectively, as at the reporting date .

A deferred tax asset is recognized in the books in respect of transferred losses, tax benefits and deductible temporary differences, when it is expected that taxable income will arise in the future, against which it will be possible to use them, in consideration of the current tax losses which are expected materialize during the tax year when the temporary differences will be used, and against which they can be used. Deferred tax assets are evaluated on each reporting date, and if the attributed tax benefits are not expected to materialize, they are amortized .

Deferred tax assets which were not recognized are re-evaluated on each reporting date, and are recognized if the expectation has changed such that taxable income is expected to arise in the future, against which they can be used .

Note 2 - Significant Accounting Policies (Continued)

K. Taxes on income (Continued)

The Group offsets deferred tax assets and liabilities if a legally enforceable right exists to offset current tax assets and liabilities ,and if they are attributed to the same taxable income by the same tax authority in the same assessee company ,or in different companies ,which intend to settle current tax assets and liabilities on a net basis ,or if the deferred tax assets and liabilities are settled simultaneously.

Additional taxes on income which are due to dividend distributions by the Group's member companies are applied to the statement of income on the date when the liability to pay the relevant dividend is recognized .

L. Discontinued operations

Discontinued operations are a component of the Group's business operations which constitutes an operation which was realized or which is classified as held for sale, as stated above, and represents a significant separate business line, or a geographical area of an activity which is significant and separate. The classification as a discontinued operation is made at the earlier of the time at which the operation is realized, or when it meets the criteria for classification as held for sale.

Results of operations which refer to discontinued operations are presented separately in the statement of income after deducting the tax impact, and also in respect of comparative figures which were restated for this purpose, as if the operation had been discontinued from the start of the earliest comparison period. Additionally ,**the Company presents the cash flows which are attributed to discontinued operations separately in the statements of cash flows, including reclassification of the comparative figures .**For details regarding the significant accounting policies which were applied to the discontinued operations , see Note.3 G .4.to the financial statements for the year 2017 .

M. The initial adoption of a new standard

IFRS ,(2014) 9 Financial Instrument ("Final Version of IFRS 9")

The final version of IFRS 9 includes updated provisions regarding the classification and measurement of financial instruments ,and a new model for the measurement of impairment of financial assets .These provisions are added to the chapter regarding hedge accounting - general ,which was published in.2013 The Group adopted the final version of IFRS 9 as from January 1, 2018, without adjusting comparative figures ,whilst adjusting the balance of the retained earnings and other components of equity as at January 1, 2018 .The impact as at the time of the adoption was a decrease in retained earnings in an amount of NIS 105 million, against an increase in the capital reserve in respect of the change in the fair value of the subordinated loans attributed to changes in the credit risk ,such that the total impact on equity attributable to the Company's shareholders is zero. The aforementioned change derives from the cumulative change in the fair value of the subordinated loans as at January 1 ,2018 which is attributed to changes in the Company's credit risk .Such routine charges are recorded in other comprehensive income under the item change in the fair value of the subordinated loans attributable to changes in the credit risk.

Classification and measurement of financial assets

In accordance with the final version of IFRS 9, there are three main categories for the measurement of financial assets: amortized cost, fair value through profit and loss and fair value through other comprehensive income. The classification basis in respect of debt instruments is based on the entity's business model in respect of the management of financial assets and the characteristics of the financial asset's contractual cash flows. Investment in capital instruments is measured at fair value through profit and loss (unless the Company has chosen, upon initial recognition, to present the changes in fair value under other comprehensive income) .

See Section C.3 above of this Note, for additional information regarding the manner in which the Group classifies and measures financial instruments and treats these profits pursuant to IFRS9 .

The Group has adopted ,the classification and measurement rules in accordance with IFRS 9 (2009) in connection with financial assets by way of early adoption, as from 2012 ,without adopting the other rules of the final version of IFRS 9, as detailed below by way of early adoption:

Classification and measurement of financial liabilities

Changes in the fair value of financial liabilities which were designated to fair value through profit and loss which are attributed to changes in the self credit risk will be recognized ,for the most part ,under other comprehensive income.

Note 2 - Significant Accounting Policies (Continued)

M. The initial adoption of a new standard (Continued)

IFRS ,(2014) 9 Financial Instruments ("Final Version of IFRS9 ") (Continued)

Impairment of financial assets

The final version of IFRS 9 includes a new model for the recognition of expected credit losses (the "Expected Credit Loss Model" . (In respect of most financial debt assets, the new model presents a dual measurement approach to impairment: if the credit risk attributed to the financial asset has not since initial recognition, a provision will be recorded for loss in an amount of the expected credit losses due to default events whose occurrence is possible during the twelve months after the reporting date. If the credit risk has increased significantly, in most cases, the provision for impairment will increase, and will be recorded in an amount of the expected credit losses throughout the entire lifetime of the financial asset .

N. New standards which have not yet been adopted

1. **IFRS 16, Leases** ("IFRS16 ")

IFRS 16") The standard ("replaces International Accounting Standard ,17 Leases) IAS 17 .The standard cancels classification of a lease as an operating lease or as a financing lease .Instead of this , the standard classifies all leases similar to financing lease so the lessee is required to recognize an asset a right of use and a liability in respect of the lease In the statement of financial position ,IFRS 16 allows lessees not to adopt these provisions in respect of short- term leases according to groups of base assets and in respect of leases in which the base asset the object of the lease has a low value .

The Group intends to adopt the standard as from January 1 ,2019 under the cumulative effect approach.

In the Group's assessment ,as at the time of the initial implementation there is expected to be an increase in assets of IDB Tourism classified as held for sale in the Company's reports in the amount of NIS 190 million, an increase in the liabilities of IDB Tourism classified as held for sale in the Company's reports in the amount of NIS 208 million and according to an increase in accumulated deficit (decrease in equity attributed to shareholders (in the amount of NIS 18 million .In addition ,as a result of the adoption of the standard ,IDB Tourism is expected to present in its cash flow statement for 2019 an increase in cash flows from operating activities of NIS 38 million against a decrease in cash flows from financing activities .Accordingly ,the Company will present in its consolidated cash flows an increase in cash flows from discontinued operating activities in the amount of NIS 38 million against a decrease in cash flows from discontinued financing activities .

Amendment to International Accounting Standard 28, Investments in Associates and Joint Ventures (the" Amendment to IAS("28

In accordance with the amendment to IAS 28, an entity will adopt the provisions of IFRS 9 in respect of long term investments which essentially constitute a part of the entity's net investment in the associate or joint venture. The provisions of IFRS 9 were adopted in respect of those investments before the adoption of sections 38 and 40-43 of IAS 28, regarding the participation in part of the losses of the associate or joint venture, and regarding the recognition of impairment of the investment in the associate or joint venture. Additionally, upon the adoption of IFRS 9 in respect of those long term investments, the entity will not take into account adjustments which were made to the value of the investment in the books, following the adoption of the provisions of IAS 28 .

Note 2 - Significant Accounting Policies (Continued)

N. New standards which have not yet been adopted (Continued)

2. **Amendment to International Accounting Standard ,28 Investments in Associates and Joint Ventures) (the" Amendment to IAS 28")**

The Company will adopt the aforementioned amendment retrospectively commencing January ,1 2019 Following the adoption of the provisions of the above amendment, loans granted to investees will be classified as financial assets presented at fair value through profit or loss, and the Company will also include its share in the losses held after the provision of said loans at their fair value .The effect of the initial adoption of this amendment will result in a decrease in investments in investee companies accounted at equity method as of January 1 ,2019 against the balance of the Company's retained earnings in the same amount ,as detailed in the table below.

In addition ,the translation reserve of foreign operations as of December 31 2018 includes a credit balance in the amount of NIS 5 million in respect of said loans .The Company intends ,after the adoption of said amendment, to elect an accounting policy ,under which exchange rate differences deriving from said loans will be recorded in other comprehensive income. Accordingly, the balance of said translation reserve will remain as part of the Company's capital reserves even after January 1, 2019.

Implications of the adoption of the standard amendment to IAS 28 on the Financial Statements as of January 1, 2019 are as follows:

	In accordance with the previous policy	Impact of the standard	In accordance with the implementation of the amendment of the revision to IAS28
		NIS millions	
Impact on the Company's assets			
Investments in unvesteee companies treated at equity	204	(129)	75
Impact on equity attributed to the shareholders			
Accumulated losses	(4,097)	(129)	(4,226)

The impact on the standard derived from loans the Company granted together with Property & Building) in equal parts (to IDBG see also Note.3 D.6 below .

O. See Note 3.G.4 to the financial statements for the year 2017 for details regarding the main measurement basis, estimates ,judgments and accounting policies ,which have been used in the preparation of the data on the assets and the liabilities of the discontinued operations that have been sold .

Note 3 - Investments

A. Investment in the debenture from Dolphin IL

1. Background - the Concentration Law and the sale of the Company's holdings in DIC

In December 2013, The Law to Promote Competition and Reduce Concentration, 5774-2013, was published in the Official Gazette (in this section: the" Law").

According to the provisions of the law, a pyramid structure for the control of" reporting corporations "(in general, corporations whose securities were offered to and are held by the public) is restricted to 2 tiers of reporting corporations (where a first tier company may not include a reporting corporation which does not have a controlling shareholder). In accordance with transitional provisions which were determined in the Law, a third tier company or higher tier company is no longer entitled to control reporting corporations, except for corporations as stated above which were under its control as at the publication date of the Law in the Official Gazette (the" Publication Date (" regarding which it was required to discontinue control by no later than December 2019 ("The 2019 Requirement)".

Prior to the transaction for the sale of the holdings in DIC ,the Company and DIC were companies in the first and second tiers ,respectively.

On November ,2017 ,21 after that independent procedure took place and upon the receipt of all approvals required by law an agreement was signed for the sale of the Company's entire holdings in Dolphin IL ("The agreement "and" The Buyer").

2. The debenture and the main points of the agreement

a. The transaction - Within the framework of the transaction, the Buyer purchased from the Company 106,780,853 shares in DIC (approximately 70.74% of DIC's issued capital at that time), which constituted all shares in DIC which were held by the Company on the closing date of the transaction") The shares being sold ,("free and clear, except for charges which applied to some of those shares in support of the debenture holders (Series N), on the closing date of the transaction. The sale transaction was performed according to a price of NIS 16.6 per acquired share (and in total - approximately NIS 1,772 million in respect of all of the shares being sold ( )the" Consideration per Share" ;"The total consideration for the shares ,("and it included a cash payment in an amount of NIS 70 million. The Sshares being sold were sold to the Buyer" as is ,"without any requirement for the Company to undertake any representations towards the Buyer ,excluding conventional representations pertaining to ,inter alia ,the Company's ability and authority to engaged in the aforementioned transaction.

(1) Except for the aforementioned cash payment, the payment balance in respect of the total consideration for the shares was paid through a debenture with a par value of NIS 1,772.5 million, which the Buyer issued to the Company (the" Debenture .("The Debenture will be repayable in a single payment, which will be paid to the Company 5 years after the closing date of the transaction (subject to options for extension, as detailed below), and will bear annual interest of 6.5% (a rate which will increase during the extension period, as detailed below), which will be paid by the Buyer on a semi-annual basis, beginning 6 months after the closing date of the transaction.

Note 3 – Investments (Continued)

A. Investment in the debenture from Dolphin IL (Continued)

.2 The debenture and the main points of the agreement (Continued)

a. The transaction (Continued)

(2) Until the Debenture has been paid in full, each cash dividend which may be distributed and paid to the Buyer in respect of the charged securities (as defined in section C.(2) below) will be used to pay the interest payments in respect of the Debenture ,and accordingly, the aforementioned dividend amounts will be deposited in an Israeli bank account, which will be charged in support of the Company or in support of the holders of the debentures (Series N), as the case may be ,through a first ranking charge ,until the interest payment dates which were agreed upon between the parties.

In addition ,it is indicated that in the event of the distribution of a dividend in kind , monies payable in respect of the asset ,the object of the distribution in kind, which will be deposited as collateral in favor of the debentures (Series N) in accordance with the provisions of the deed of trust, will be used for repayment on account of accrued and unpaid interest in respect of the debentures Dolphin issued to the Company and the repayment of the Company's liabilities towards the holders of the debentures (Series N), in accordance with the terms of the deed of trust of the Series N debentures.

(3) In the event that the payment of the dividend that has been distributed and paid to the Buyer in respect of securities that are charged in a particular interest period ,together with the balance of previous dividend payments in respect of the charged securities which were unused by the Buyer for the purpose of paying its liabilities towards the Company, in accordance with the Debenture, is lower than the applicable interest rate in respect of the relevant interest period according to the Debenture, then the Buyer will be entitled to defer the interest payments in accordance with the Debenture) in an amount of the difference between the aforementioned dividend amounts and the total interest payment during that interest period), provided that each interest payment which was deferred, as stated above in this paragraph, will bear additional interest of 2%, beginning on the date when the interest payment is due in accordance with the Debenture, until the actual payment date thereof. It is clarified that the Buyer's right to defer the principal and interest payments, as stated above, will be available to it until no later than five years after the closing date of the transaction, and this period may be extended by 3 additional periods of one year each (where in respect of each extension period of one year, as stated above, the Buyer will be obligated to pay additional interest of 1%).

(4) If the dividend payments which were distributed and paid in respect of the charged securities are higher than the applicable interest amount in respect of the relevant interest period in accordance with the Debenture, the Buyer will be entitled to make use of the difference which was created in respect of each relevant period for the repayment of the next interest payment, and later, for the purpose of the early repayment of previous interest payments which it deferred.

(5) The Company will not be entitled to assign, transfer or charge its rights under the Debenture to any third party whatsoever (except for a lien in support of the Company's creditors who have a first ranking charge on all or some of the acquired shares, as detailed below).

See Section 6 below of this Note for details regarding DIC's announcement of the distribution of a dividend to its shareholders after the date of the statement of financial position.

Note 3 – Investments (Continued)

A. Investment in the debenture from Dolphin IL (Continued)

2. The debenture and the main points of the agreement (Continued)

b. Demand for immediate repayment / early repayment of the Debenture

(1) The Company will be entitled to demand the immediate repayment of the Debenture in case of a change in the control of the Buyer ,or in case a payment has gone unpaid by the payment date in accordance with the Debenture ,and in case of the occurrence of events indicating the Buyer’s insolvency (as determined in the Debenture), or insofar as the Buyer has defaulted on its material undertakings in accordance with the Debenture and/or the acquisition agreement .

(2) The Buyer will be entitled to repay, through an early repayment, the amounts which are due in accordance with the Debenture, before the scheduled repayment date, in whole or in part, in its absolute discretion, without being required to pay any fine, early repayment fee or interest whatsoever, except for the interest payments which have accrued in respect of the Debenture, and which have not yet been paid .
In case of an early repayment initiated by the Buyer, as stated above, the Company will have absolute discretion regarding the use of the amounts which will be paid to it within the framework of the early repayment (including its right to make use of such funds for an early repayment of any of its debenture series) .

c. Collateral

(1) Collateral for the holders of debentures from secured series ("The Secured Debentures")
The charges which applied on the closing date of the transaction in support of the holders of the Company’s debentures (Series N), which are secured by a charge on 99.3 million shares in DIC ,which constitute some of the shares being sold and the rights associated therewith") The secured debentures ("will remain in effect after the closing date of the transaction, and any collateral which will be created in connection with the shares being sold ,in support of the Company or any of the Company’s financial creditors as at the closing date of the transaction (excluding creditors, as stated above, which constitute affiliated parties of the Company") - The guaranteed creditors ,("will be subject to the charges which apply in accordance with the secured debentures (and including charges in accordance with the secured debentures on all or some of the acquired shares which will be created after the closing date of the transaction).
At the time of the actual payment to the holders of the secured debentures, by the company, the proportional part of the charge which applies to shares in DIC ,according to the terms of the deeds of trust for the secured debentures, will be released, and may be again charged by the Company, in certain cases (subject to the restrictions which were determined in the acquisition agreement) .
In addition ,the Company will create ,in support of the holders of the secured debentures, a first ranking charge on its rights in accordance with the debenture ,which are due only to the shares in DIC which were charged in support of the holders of the secured debentures , which have been solve .To avoid doubt, it is clarified that any amount which may be received by the Company in accordance with the Debenture, which is not due to the shares being sold which are charged to secure the secured debentures ,may not be charged in support of the said holders of the secured debentures .
In addition ,in respect of a charge which the Buyer has created in support of the holders of the Company’s secured debentures, it was determined that, in case amounts which are due to the realization of the charge on the shares in DIC which have been charged by the Buyer in support of the secured debentures, as stated above, or from the consideration from their sale, will serve for the repayment of the Company’s liabilities towards the holders of the secured debentures, the foregoing will be considered as payment on account of the debenture ,in an amount of the aforementioned repayment.

Note 3 – Investments (Continued)

A. Investment in the debenture from Dolphin IL (Continued)

2. The debenture and the main points of the agreement (Continued)

c. Collateral (Continued)

(2) Collateral for the Company (under the debenture)

As collateral to guarantee the Buyer's fulfillment of its undertakings under the debenture, the Buyer created the charges detailed below towards the Company (hereinafter, jointly : "The charged securities) :("A) A specific first ranking lien on all of the shares being sold which are not charged in support of the holders of the Secured Debentures, as they stand from time to time, including in respect of the rights associated with those shares) as at December 31 2018 - 7,522,145 shares in DIC) ;(B) A specific second ranking charge on the shares which are charged in support of the holders of the Secured Debentures, including on the rights which are associated with those shares) as at December 31, 2018 - 99,258,708 shares in DIC) ;(C) A specific first ranking charge on an additional 9,636,097 ordinary shares in DIC, which constitute, proximate to the approval date of these financial statements, approximately 6.81% of DIC's share capital for trading issued capital, which were held by the Buyer as at the closing of the transaction, and including the rights which are associated with those shares; (D) A first ranking charge on the bank account which will be opened, and on the rights thereto, as detailed in section A.(2) above .

(3) Collateral for the guaranteed creditors

The Buyer created the charges detailed below in support of the guaranteed creditors (hereinafter, jointly: the" Securities charged for the guaranteed creditors) :("A) A specific second ranking charge on all of the charged securities which are not charged in support of the holders of the secured debentures, including on the rights which are due to those securities (as at December 31 2018 -17,158,242 shares in DIC) ;(B) A specific third ranking charge on shares in DIC which are charged in support of the holders of the Secured Debentures, as stated above, including on the rights which are due to those shares, and (C) A first ranking charge on the bank account which will be opened, and on the rights thereto, as detailed above in this section .

The total value of the liabilities secured in the charges in support of the guaranteed creditors ,as stated above ,will not exceed the Company's total liabilities towards the guaranteed creditors (according to their proportional part), according to the par value on the closing date of the transaction. Upon the repayment of the entire debt in accordance with the debenture, any amount which will be received by the Buyer in connection with or in respect of the securities which are charged to the guaranteed creditors, which is not charged on that date in support of a creditor whose charge is of a higher priority, and up to the maximum amount of the Company's liabilities towards the guaranteed creditors, will be deposited in a separate Israeli bank account, which will be charged in support of the guaranteed creditors. The guaranteed creditors will not be entitled to forfeit the charges which were provided to them, except after the earlier of either: (A) The settlement of the full amounts which are owed in accordance with the debenture; (B) After 60 days have passed since the acceleration of the debt in accordance with the debenture by the Company, as initiated by the guaranteed creditors (as detailed in section H.(2) below), and subject to the terms of the deeds of trust for the secured debentures, and without detracting from the order of priorities in respect of the charges, upon their realization .

In case the guaranteed creditors have forfeited the charges which the Buyer will provide to them in respect of the securities which are charged to the guaranteed creditors, the Company will indemnify the Buyer in the following manner :

(A) By offsetting the exercise price of the securities which are charged to the guaranteed creditors (the charges on which have been realized, as stated above), from the balance of the amounts which the Buyer owes to the Company in accordance with the debenture (insofar as these have not yet been paid in full), or

(B) After the repayment of the entire debt in accordance with the debenture - the value of the charged shares which were realized (calculated according to their realization price) as a loan which was provided by the Buyer to the Company, bearing the interest which is paid according to the terms of the debenture, and plus additional interest at a rate of 2% p.a .

This will be subject and subordinate to all of the Company's undertakings towards its current creditors, excluding the convertible subordinated loans which Dolphin Netherlands provided to the Company .

Note 3 – Investments (Continued)

A. Investment in the debenture from Dolphin IL (Continued)

2. The debenture and the main points of the agreement (Continued)

c. Collateral (Continued)

(3) Collateral for the Guaranteed creditors (Continued)

(C) Insofar as any of the holders of the Company's debenture series, as at the transaction closing date, demand the immediate repayment of the Company's debts towards them (subject to and in accordance with the terms of the deeds of trust between the Company and the holders of the aforementioned debenture series), and intend to realize all or some of the charges which were given to the guaranteed creditors (subject to the terms which were determined regarding the realization of the charge), the funds which will be received in respect of the aforementioned realization will be divided pro-rata between all of the guaranteed creditors, in accordance with the par value of each series of the secured debentures ,on the payment date ,relative to the par value of all of the series of secured debentures on the payment date.

(D) Following the payment of the entire amounts which are owed in accordance with the debenture, and subject to the provisions of any applicable law, the Buyer will have right of first refusal regarding any realization of the charges in support of the guaranteed creditors, as detailed in this subsection (3) above, subject to the provisions of any applicable law .

(E) The transaction documents include mechanisms which address cases in which, upon the release of securities from senior charges within the framework of the transaction, or upon the addition of more senior charges thereto, the seniority level of the remaining charges will increase or decrease accordingly (as applicable) .

d. Release of the securities ,which are charged to secure the debenture - Immediately upon the payment of all or part of the Buyer's liabilities under the debenture, the Company will release a proportional part of the securities which are charged to guarantee the Debenture, from that charge ,subject to the fulfillment, after the aforementioned release, of a VTL ratio (a ratio which is obtained by dividing the value of the charged securities by the existing liability balance on that date (principal and interest) of the Debenture) which will be no less than 128% (the" VTL Ratio .("The VTL ratio will be calculated according to the value of shares in DIC ,and according to DIC's net asset value, whereby it will be calculated in the manner detailed in section 5.3.1.1 of the deed of trust for the Company's debentures (Series N), which was attached to the shelf offering report that was published by the Company on July 23, 2017 .
The Buyer will be entitled to purchase the Company's debentures, and if debentures have been purchased by the Buyer, as stated above, and the Buyer has transferred them to the Company, the aforementioned debentures will be canceled, and the transfer thereof to the Company will be considered as an early redemption of the Debenture, according to the total par value of the purchased debentures (and following the above, the proportional part of the securities which are charged to guarantee the Debenture will be released, subject to the fulfillment of the release ratio which was determined in respect of the aforementioned charge) .

e. In accordance with the transaction documents, the Company will not be entitled to perform an extension of the Debenture series which were outstanding on the closing date of the transaction, unless the following two cumulative conditions have been met: (1) The Buyer's consent for the performance of the aforementioned extension has been received, in its exclusive discretion; and (2) The scope of the liabilities which are secured by a charge in support of the Guaranteed Creditors (as detailed above) will increase according to the scope of the aforementioned extension, provided that the total scope of the liabilities which are secured by a charge in support of the guaranteed creditors, as stated above, does not exceed the scope thereof on the closing date of the transaction, calculated according to the par value of the aforementioned secured liabilities. It is clarified that the foregoing will not apply to the Company's debentures (Series N) which are secured by a first ranking charge on the sold shares in DIC ,which will be subject to the provisions of section I.(1) below .

Note 3 – Investments (Continued)

A. Investment in the debenture from Dolphin IL (Continued)

2. The debenture and the main points of the agreement (Continued)

f. Release of the securities which are charged to the guaranteed creditors - So long as the Company's debts to the guaranteed creditors have not been repaid, the Buyer will be entitled to release some of the securities which are charged to the guaranteed creditors, for the purpose of accelerating payments in accordance with the debenture (as detailed in section H.(1) below), or as part of the payment of the Buyer's liabilities towards the Company, which was performed at the initiative of any of the guaranteed creditors (as detailed in section H.(2) below). Until the date of the full repayment of the debenture, the release of the charge on the charged securities to the guaranteed creditors, as stated above, will be performed in a manner whereby ,in respect of each payment of NIS 1.28, shares will be released from the securities which are charged to the guaranteed creditors at a value of NIS 1 (according to the market value of the securities which are charged to the guaranteed creditors, according to the average closing price of DIC stock during the 20 trading days on the Tel Aviv Stock Exchange which preceded the aforementioned payment date) (the" Ratio of release to the guaranteed creditors .("Following the full repayment of the Debenture, the ratio of the release to the guaranteed creditors will be 1:1.15 .

g. All of the charges detailed in sections C.(1)-(3) above will apply to the securities and accounts as stated above, and the Company and/or its creditors (and any other party on their behalf) will not have any right of recourse towards the Buyer and/or its shareholders, managers or any other party on its behalf.

h .Acceleration of payments in accordance with the debenture -

(1) The Company will be entitled to accelerate the repayment of the debt in accordance with the debenture, in case it reasonably believes that it does not have sufficient liquid resources available to service its liabilities towards the guaranteed creditors. The Company's aforementioned right will be restricted, cumulatively, to 15% only of the balance of the amounts which are owed, at that time, in accordance with the debenture.

(2) Subject to the terms of the deeds of trust which apply to all of the secured debentures, which have a higher priority rank than the charge in support of the guaranteed creditors, in case of the fulfillment of grounds for demanding immediate repayment, within the framework of the deeds of trust between the Company and the guaranteed creditors, and subject to the terms of the deeds of trust, or in case of realization of the charge in support of the holders of the secured debentures (and subject to the terms of the charge of the secured debenture holders), those guaranteed creditors will be entitled to instruct the Company to demand that the Buyer pay to it its liabilities under the debenture, up to the amount of the balance of debt, as at that date, towards those guaranteed creditors.

i. Refinancing -

(1) The Company's right - so long as all of the Buyer's liabilities under the debenture have not been settled, and subject to the terms detailed in the transaction documents, the Company will be entitled to perform an extension of the Company's debentures (Series N) and/or to raise additional debt secured by a charge on shares in DIC ,and to charge ,through a specific first ranking charge ,additional shares being sold ,provided that the total amount of the Company's liabilities which will be secured by a first ranking charge on the aforementioned shares in DIC ,does not exceed the par value of the Debenture which has not been paid by that date ,and provided that such debt includes the right of early repayment.

(2) Restrictions on the Buyer - The agreement included the establishment of several restrictions which will apply in connection with the possibility of the Buyer's raising of new financial debt, and the collateral which is provided for it, in connection with certain actions, so long as the charge on the securities which are charged to the Guaranteed Creditors remains in effect.

Note 3 – Investments (Continued)

A. Investment in the debenture from Dolphin IL (Continued)

3. The completion of the transaction and compliance with the terms of the Concentration Law

On November 22, 2017, the aforementioned transaction was completed. Accordingly, inter alia, the Company's entire holding in DIC (106,780,853 shares) was transferred to the Buyer, the Buyer issued the debenture to the Company, and additionally, the Company received a total of NIS 70 million from the Buyer, in accordance with the terms detailed above .

Additionally, within the framework of the completion of the transaction, as part of the collateral which was provided by the Buyer to IDB Development, in connection with the debenture, the Buyer deposited 9,636,097 shares in DIC with I.B.I. Trust Management, which serves as the trustee for the debenture on behalf of the Company and the Buyer, in accordance with the debenture's terms .

As from the closing date of the transaction, the Company no longer holds control of any" other tier companies ,"and therefore, it now complies with the requirements of the Concentration Law in respect of pyramid structures .

4. Accounting treatment

The gross amount of the consideration which the Company received on the closing date of the transaction (the" Transaction Date ("is estimated as NIS 1,772 million, and included NIS 70 million in cash, and a debenture whose fair value, including its components, is estimated as NIS 1,702 million .

For presentation purposes ,the consideration has been split into two components in the statement of financial position:

a. The Debenture - Is presented in the statement of financial position as a financial asset measured at fair value through profit and loss. The estimated fair value of the debenture was estimated by an independent external appraiser) the" Appraiser ,("as at the transaction date , and as at December 31 2017 ,and 2018 ,at NIS 1,502 million ,NIS 1,529 million and NIS 1,203 million ,respectively; The changes in the value of the debenture have been reflected in the statement of income under financing income or expenses, as detailed in Note 14 above.

b. Cost of obtaining collateral for the Company's liabilities from Dolphin IL") The liquidity asset - ("This asset is primarily due to the fact that Dolphin IL received the shares in DIC which remain charged, at various priority levels, to various entities, primarily to the Company's debenture holders .

The liquidity asset was estimated, on the transaction date, by the appraiser ,as a total of NIS 200 million, and is presented in the statement of financial position under cost of obtaining collateral from the controlling shareholder for the Company's liabilities, and is amortized throughout the lifetime of the Company's financial liabilities, according to the effective interest method. For the period from the transaction date until December 31, 2017 and in the year 2018 ,the Company recorded amortization of the liquid asset in the amounts of NIS 3 million and NIS 32 million, respectively ,which were recorded under financing expenses , as set forth in Note.14 B below .

Pursuant to Regulation 8B of the Securities Regulations ,an economic paper regarding the fair value of the debenture that the Company has received within the framework of the November 2017 transaction for the sale of the Company's holdings in DIC is attached to the financial statements.

Following the performance of the completion of the transaction ,as aforesaid ,the operations of DIC) for the years 2016 and 2017 up to the discontinuation of its consolidation ,(has been presented under discontinued operations (see Section L2 below of this Note). After the date of the transaction, the investment in IDBG is treated as an investee company that is treated as equity under continuing operations.

Accordingly ,the Company's operating segments ,Cellcom ,Properties and Building and Shufersal have ceased to be reportable segments as from the first quarter of.2018

5. Developments in 2018

In May and in November 2018, Dolphin IL informed the Company, pursuant to the terms of the debenture, of the deferral of the timing of the payment of the interest, which was payable on May 21 and on November 22, 2018, respectively .

Note 3 – Investments (Continued)

A. Investment in the debenture from Dolphin IL (Continued)

6. Developments after the date of the statement of financial position

In January ,2019 DIC announced the distribution of a cash dividend and a dividend in kind to its shareholders. The distribution was executed on February 2, 2019 and included an amount of NIS 40 million in cash and amount of NIS 84 million in the par value of debentures (Series I) of the Company with a value of NIS 64 million (at the time of the distribution). Accordingly, Dolphin IL received its share of the dividend in an amount of NIS 32 million in cash and amount of NIS 68 million in the par value of debentures (Series I) of the Company with a value of NIS 52 million (at the time of the distribution). A lien applies to these balances, with various rankings in support of the Company and in support of the holders of its debentures pursuant to the terms of the debenture as detailed in Section 2 above. The amount of the dividend that Dolphin IL received in cash was used for a payment on account of the interest that has accumulated and has not yet been paid in respect of the debenture that it issued to the Company, where the amount of the cash dividend in respect the shares in DIC ,which are charged in support of the holders of the debentures) Series N ,(in an amount of NIS 27 million ,is deposits in an account that is charged in support of the holders of the debentures) Series N (and will be used to settle the Company's liability to the holders of the debentures) Series N ,(in accordance with the repayment schedule for those debentures .See Note.8 B.3 below for details.

B. Investment in Clal Holdings Insurance Enterprises (held for sale)

1. Appointment of a trustee for the Company’s holdings in the shares in Clal Holdings Insurance Enterprises

On August 21, 2013, in accordance with the requirement of the Commissioner of Capital Markets, Insurance and Savings at the Ministry of Finance (the" Commissioner ,("the Company submitted an irrevocable power of attorney to Mr .Moshe Terry") Mr .Terry "or the" Trustee ,("who was appointed by the Commissioner as the Trustee for 51% of the issued share capital and voting rights of Clal Holdings Insurance Enterprises) as detailed in section 5 below, proximate to the publication date of the report, the Trustee holds approximately 20.3% of the and voting rights of Clal Holdings Insurance Enterprises ,(which were held on such date by the Company (the" Means of Control ,(" and transferred the shares to a Trust Account under the name of the Trustee ,for the purpose of exercising the authorities which are conferred by virtue of the means of control ,in accordance with the provisions of the Deed of Trust ,and in order to disconnect Clal Holdings Insurance Enterprises and the institutional entities in Clal Group") Clal Group ("from any possible impact of the struggles for control of IDB Group. In accordance with the deed of trust which was signed, the Trustee will exercise all of the authorities which are conferred upon him by virtue of the means of control ,in support of the Company, and in accordance with the Commissioner’s instructions, insofar as any will be issued to him, from time to time, in order to ensure the proper management of Clal Insurance Company, Clal Credit Insurance Ltd., and Clal Pension and Provident Funds Ltd. (hereinafter, jointly: the" Clal Entities ,("and protecting the interests of policyholders and savers, including with respect a capital raising in support of the Clal entities, in any manner, in his discretion. The transfer of the means of control to the Trustee will not prejudice the Company’s right to receive dividends from Clal Holdings Insurance Enterprises ,insofar as a resolution will be passed to distribute dividends .

If and insofar as dividends are distributed in respect of the means of control, they will be the property of the Company and will be transferred by the Trustee to the Company. In case of any sale, transfer or charge of the means of control, the Trustee will act in accordance with the Company’s instructions, provided that advance written approval for this purpose has been received from the Commissioner. The Trusteeship will conclude on the date of actual transfer, from the Trustee, of all of the means of control, or once the Commissioner’s approval has been given .

<u>Note 3 – Investments</u> (Continued)

B. Investment in Clal Holdings Insurance Enterprises (held for sale (Continued))

1. <u>Appointment of a trustee for the Company's holdings in the shares in Clal Holdings Insurance Enterprises</u> (Continued)

   Within the framework of the Commissioner's letter from December 2014 (see section 2 below), regarding the exercise of the authorities which are conferred by virtue of the means of control of Clal Group, and the outline for the sale of the Company's holding in Clal Holdings Insurance Enterprises , it was clarified, inter alia, that during the Trustee's period of service, the appointment of directors in Clal Holdings Insurance Enterprises and in Clal Insurance will be performed by the committee for the appointment of directors in insurers with no controlling shareholder, as defined in the Control of Financial Services (Insurance) Law, 5741 - 1981, and insofar as it will not be possible for the committee to appoint directors, as stated above, the appointment of directors in those companies will be done by another committee which will be appointed by the Minister of Finance or by the Commissioner, or by any other means as instructed by the Commissioner .

   Further to the aforementioned letter ,and in accordance with the Commissioner's demand ,in January ,2015 the Company and the Trustee signed an amended deed of trust towards the Trustee for its holdings in Clal Holdings Insurance Enterprises .

   In May ,2015 the Commissioner appointed appointed a committee for the appointment of directors in Clal Holdings Insurance Enterprises Group ,in accordance with the above (the committee). In the period from the appointment of the trustee various instructions regarding the appointment of directors in Clal Holdings Insurance Enterprises Group were received from the commissioner .As of this date, the appointment of new directors in Clal Insurance and Clal Holdings Insurance Enterprises will be carried out by from the candidates recommended by the committee .Following the appointment of the committee and its recommendations appointments of directors in Clal Holdings Insurance Enterprises and appointments of external directors in Clal Insurance were carried out from time to time .

2. <u>Determination of an outline for the sale of the Company's holdings in Clal Holdings Insurance Enterprises</u>

   On December 30, 2014, a letter was received from the Commissioner which includes, inter alia, an outline over time for the sale of the Company's control of and holdings in Clal Holdings Insurance Enterprises(the" Sale Outline "or the" Outline.("

   The sale outline which was detailed in the Commissioner's letter includes the involvement of the Company and the Trustee in the sale process, and subject to the following terms, the Commissioner will not view the continued holding of the means of control in the Company and in the Clal companies, as a holding which is in breach of the provisions of the law .

   The following are the main terms of the sale outline :

   (a) During the outline period ,the Company will be entitled to sell part of the means of control in Clal Holdings Insurance Enterprises.

   (b) If the Company does not sell the aforementioned means of control of Clal Holdings Insurance Enterprises by the dates detailed alongside them, or if control has been sold to a potential buyer, and the Company still holds the means of control ("Terminating Event"), then in any of those cases, the Company will work to sell all of the means of control in Clal Holdings Insurance Enterprises, which it holds, except for the rate which is permitted by law for holding of an insurer without a permit from the Commissioner, including by way of sale of the means of control on the stock exchange, or in over the counter transactions in accordance with the outline detailed below, and no later than the dates detailed below :

      (1) During the four month period beginning from the occurrence of the terminating event , the Company will sell at least 5% of the means of control in Clal Holdings Insurance Enterprises.

      (2) During each of the additional subsequent periods ,each of which will be four months long ,the Company will sell ,in each period ,at least an additional 5% of the means of control in Clal Holdings Insurance Enterprises.

      (3) In case more than 5% of the means of control in Clal Holdings Insurance Enterprises have been sold in any four month period, the rate of the means of control which were sold beyond the aforementioned quota will be offset from the rate which is required in the subsequent period .

Note 3 – Investments (Continued)

B. Investment in Clal Holdings Insurance Enterprises (held for sale (Continued))

2. Determination of an outline for the sale of the Company's holdings in Clal Holdings Insurance Enterprises (Continued)

(c) In case the Company has not fulfilled its obligation as detailed in section (2) above, the Trustee will be entitled to act according to the aforementioned outline in its place, in accordance with all of the authorities which are conferred upon him by virtue of the provisions of the deed of trust which will be entrusted to him .The consideration in respect of the aforementioned sale will be transferred to the Company .Expenses in respect of the sale of the means of control will apply exclusively to the Company .

(d) It was further clarified in the letter that so long as the Commissioner has not issued a different instruction, the following provisions will continue to irrevocably apply :

(1) The Trustee will continue serving in his position so long as the Company holds ,without a permit ,means of control of Clal Holdings Insurance Enterprises at a rate of which by law requires a permit, or alternatively, the Commissioner will order, in writing, the discontinuation of the Trustee's period of service .

(2) During the Trustee's period of service, the Company and its controlling shareholders will not exercise the voting rights associated with the means of control in Clal Holdings Insurance Enterprises and of member companies in Clal Holdings Group, as detailed in the Commissioner's letter, including Clal Insurance Company") Member Companies of Clal Group ,("and will refrain from taking any action which involves, directly or indirectly, any guidance whatsoever of the business affairs of Clal Holdings Insurance Enterprises or of member companies of Clal Group, including by way of tenure as a officer in Clal Holdings Insurance Enterprises or in the member companies of Clal Group .

(3) During the Trustee's period of service, the appointment of directors in Clal Holdings Insurance Enterprises and in member companies of Clal Group will be done according to the mechanisms detailed below. For this purpose, it was clarified that the appointment of directors in Clal Holdings Insurance Enterprises and in Clal Insurance Company will be done by the committee for the appointment of directors in insurer without a controlling shareholder, as defined in the Control of Financial Services (Insurance) Law, 5741-1981 . Insofar as it is not possible for the aforementioned committee to appoint directors, the appointment of directors in those companies will be made by another committee which will be appointed by the Minister of Finance, or by the Commissioner, or by any other means as instructed by the Commissioner .

(e) On May 9, 2016, the Company received a copy of the Commissioner's letter which was sent to the Trustee, in which the Commissioner notified the Trustee that, due to the fact that, on May 7, 2016, four months passed since the occurrence of a terminating event, as defined in the outline, and the Company did not fulfill all of its obligations, and did not act in accordance with the outline, he was required to act in accordance with the outline in place of the Company, and in accordance with all of the authorities which were conferred upon him (by virtue of the provisions of the deed of trust and the irrevocable authorization which the Company signed in January 2015) .

Following correspondence between the parties, on July 13, 2016, the Trustee filed an urgent petition in the District Court of Tel Aviv-Jaffa to issue orders") The petition .

On April 5 ,2017 the Court gave its ruling") The Ruling ,("in which the Court ordered the Trustee to sell 5% of the shares in Clal Holdings Insurance Enterprises ,which were held by him, within 30 days. In the ruling, it was determined that the Trustee is subject ,in respect of his actions, to the instructions of the Commissioner in respect of the sale of shares in Clal Holdings Insurance Enterprises , and that the judgment which the Commissioner exercised, when instructing the Trustee to work towards the sale of 5% of the shares in Clal Holdings Insurance Enterprises in accordance with the outline, constituted reasonable and appropriate judgment. It was further determined that the sale of the aforementioned shares should be done by the Trustee at the best price which can be obtained for them on the sale date (on this matter, the Court accepted the position of the Trustee, according to which the best way to sell the shares is by way of a tender).

Note 3 – Investments (Continued)

B. Investment in Clal Holdings Insurance Enterprises (held for sale (Continued))

2. Determination of an outline for the sale of the Company's holdings in Clal Holdings Insurance Enterprises (Continued)

(e) (Continued)

Additionally, in the ruling, it was clarified that it refers to the instruction to sell 5% of the aforementioned shares only, such that, following this sale, the Commissioner will be required to exercise judgment again, 4 months later (and then also, the Commissioner will be required to take into account all of the relevant considerations, as listed by the Court, as well as the changes in circumstances, if any) .

On May 18, 2017, the Company filed an appeal against the ruling (the" Appeal ("which was dismissed without an order regarding expenses.

.3 The execution of the sale of shares in Clal Holdings Insurance Enterprises

In accordance with the outline and the ruling, in the years 2017-2018, the Company executed five sales of shares in Clal Holdings Insurance Enterprises ,with 2,771,309 shares) approximately 5% of the share capital in Clal Holdings Insurance Enterprises in each sale and 13,856,545 shares)approximately 5% of the share capital in Clal Holdings Insurance Enterprises (in total.

The sales were executed by way of "swap transactions", within the framework of which shares were sold by means of banking institutions under a full sale (unqualified, unconditional and without the possibility of retraction) to a third party (or third parties, whose identity is not known to the Company).In tandem, the Company has made a commitment with banking corporations under swap transactions, in accordance with which at the end of a period of up to 24 months from the time of each sale transaction, accounting will be conducted between the Company and the banking corporation in relation to the difference between the selling price of the shares being sold to the third party, as aforesaid, and the value of the shares being sold as they may be at the time of the accounting (which will be determined in accordance with the price at which the shares being sold will be sold at that time by the third party), where the Company and a related company will be prevented from purchasing the shares being sold.

The Company has made charged deposits) at rates of 50%-35% of each transaction at the time that it was set up), in support of the banking corporations opposite which the transactions were executed, which the Company has undertaken to increase in the event that there may be a decline in the value of the shares relative to the price of each transaction (mark to market). The Company paid a commission to each relevant banking institution, in respect of each transaction at a rate of 0.5/5 to 1% in addition to a quarterly commission at a rate of Prime + 0.5% - 0.8%.

The consideration in respect of part of the shares being sold has been charged in a special purpose deposit in support of the holders of the debentures (Series M) in accordance with the trust deed for the said debentures. In accordance with the decisions that have been made by the Company's Board of Directors, the Company has made a number of early redemptions of the debentures (Series M), out of the monies in the said special purpose account. See Note 8.B.2 below .After the said sales , as at December 31 ,2018 ,the Company holds 24.8% of the shares in Clal Holdings Insurance Enterprises ,of which 19.8% are held by the trustee .See also Section 4 blow regarding the swap transaction that the Company has executed in connection with shares in Clal Holdings Insurance Enterprises that were held by Bank Ha'poalim and also Section 5 below regarding developments after the date of the statement of financial position.

In accordance with international accounting principles, the Company did not derecognize the shares being sold from the statement of financial position, due to the fact that, in accordance with the terms of the swap transactions, the Company will still have most of the risks and benefits arising from the shares being sold ,and therefore, they are presented under assets held for sale, under the item for value of shares in Clal Holdings Insurance Enterprises in swap transactions .

On the other hand, the Company recorded, under non-current liabilities, liabilities to banking corporations in connection with the swap transactions, which are measured at amortized cost using the effective interest method .

Note 3 – Investments (Continued)

B. Investment in Clal Holdings Insurance Enterprises (held for sale (Continued))

3. The execution of the sale of shares in Clal Holdings Insurance Enterprises) Continued(

a. The following are the main details of the swap transactions that have been executed up to December 31 2018

Timing of the setting up of the transaction	Base rate	Consideration	Net value[1]	Balance of the charged deposit[2]	Net value	Balance of the charged deposit
			As at December ,31 2018		At a time close to the publication of the report	
	NIS		NIS millions			
04/05/2017	59.86	[4)4]166	(20)	95	[5](27)	[5]89
30/08/2017	55.02	152	(6)	61	(20)	73
[3]01/01/2018	61.54	[4]171	(23)	100	(38)	117
03/05/2018	56.12	[4]155	(7)	75	(22)	77
30/08/2018	62.38	[4]173	(25)	86	(39)	102
		817	(81)	417	(146)	458

(1) On December 31 2018 constitutes the value of the shares in Clal Holdings Insurance Enterprises as at December 31, 2018 in an overall amount of NIS 730 million less the balance of the liabilities to banking corporations in connection with swap transactions in an overall amount of NIS 811 million. The value of such shares is presented in the statement of financial position under the item value of shares in Clal Holdings Insurance Enterprises within the framework of assets classified as held for shares .
The balance of such assets and liabilities is presented with a differentiation between current and non-current assets and liabilities in accordance with the timing of the expected termination of each transaction 24) months from the time that it was set up.(

(2) The balance of the charged deposits is presented in the statement of financial position under charged deposits with a differentiation between current and non-current deposits, in accordance with the timing of the expected termination of each transaction .

(3) The closing date of this transaction is December 31, 2019 the value of the shares, the liability and the deposit in respect of this transaction too have been presented under current assets and liabilities.

(4) Of the abovementioned amounts, amounts of NIS 155 ,30 ,161 and 173 million were charged in favor of the holders of the debentures (Series M) and accordingly they have been deposited in trust in an account that is charged in support of the holders of the debentures) Series M .(The Company used said amounts for principal and interest payments of the debentures) Series M). The balance of funds in the trust account as of December 31, 2018 is NIS 35 million .See Note.8 B.2 below for additional details.

(5) See Section 5 below to this Note for details regarding the partial ending of this transaction ,after the date of the statement of financial position .The above data are in respect of the balance of the transaction.

b. The balance of the charged deposits is presented in the statement of financial position under charged deposits) see Note 5 below ,(some of them as non-current assets and some of the as current assets) see also Comment (2) above

	As at December31	
	2018	2017
	NIS millions	
Non-current assets – see Note5 A below	161	144
Current assets – see Note5 B below.	256	-
	417	144

Note 3 - Investments (Continued)

B. Investment in Clal Holdings Insurance Enterprises (held for sale (Continued))

4. In connection with the shareholders 'agreement between the Company and Bank Hapoalim Ltd. ("The shareholders' agreement" and "Bank Hapoalim", respectively) in relation to approximately 9.47% of the shares in Clal Holdings Insurance Enterprises ("The shares being sold"), which were held by Bank Hapoalim, within the context of which, inter alia, the Company was granted the right of first refusal on the sale of the shares in Clal Holdings Insurance Enterprises (in whole or in part) by Bank Hapoalim, in October 2018, the Company and Bank Hapoalim signed on an agreement ("The agreement"), pursuant to which the Company has been given a period for the purpose of locating a number of purchasers, with which Bank Hapoalim will enter into a commitment subject to any legal constraints, in transactions for the sale of (all) of the shares being sold, at a price of NIS 62 per share, in transactions off the Stock Exchange, which will not be conditional upon conditions, and which would be completed at one time and no later than November 10, 2018 ("The time of the purchase"). It was further determined in the agreement that the shareholders agreement would be cancelled at the earlier of the time of the purchase and November 10, 2018.

   On November 8 2018, the Company announced to Bank Hapoalim that pursuant to the terms of the agreement, the Company had located a number of purchasers, with which Bank Hapoalim will enter into a commitment for the sale of) all (of the shares being sold in transactions off the Stock Exchange ,which will not be conditional upon conditions ,and that the purchase of the shares had been executed by them at that time .In accordance with the terms of the agreement ,the shareholders ' agreement was cancelled.

   The Company has entered into a commitment under a swap transaction with a banking institution in connection with the 2,771,309 shares being sold, which constitute approximately 5% of the shares in for the sale of (all) of the shares in Clal Holdings Insurance Enterprises, in accordance with a base price of NIS 62 per share, which was in accordance with the same principles that were in the previous swap transactions that have been executed by the Company ,as stated in section 3 above (together with the current swap transaction – approximately 30% of the shares in Clal Holdings Insurance Enterprises). As collateral for the transaction, the Company has charged a deposit in an amount of NIS 86 million in support of the banking institution, which the Company has undertaken to increase in the event that there is a decrease in the value of the shared (mark to market). Following the decrease in the shares in Clal Holdings Insurance Enterprises, the Company has deposited an additional NIS 17 million up to December 31, 2018. The total of such charged deposits, amounting to NIS 103 million is presented under non-current assets in the statement of financial position (see Note 5.A. below) .As a result of further declines in the value of the shares, after the date of the statement of financial position ,the Company deposited an additional NIS 16 million .The total amount of pledged deposits in respect of this swap transaction ,close to the publication date of the report ,is NIS 119 million, and the value of the transaction is a negative NIS 44 million.

   The Company has received an amount of NIS 4 million, net in respect of the difference between the Stock exchange price of the shares and the actual selling price in respect of the rest of the shares being sold.

   In accordance with international accounting policies ,the net value of the swap transaction is presented in the Company's statement of financial position as a financial instrument) derivative , within the framework of the non-current liabilities that are held for share ,which is measured at fair value through profit and loss.

   Upon the completion of the transaction ,the Company's holding rate in Clal Holdings Insurance Enterprises stood at) 29.8% of which approximately 24.8% are held through a trustee (and in swap transactions in relation to shares in Clal Holdings Insurance Enterprises at a rate of approximately 25%in which the Company has not de-recognized the shares in respect of those transactions in the Company's statement of financial position ,as stated in Section 3 above (as well as the abovementioned swap transaction on ,5% which is presented as a financial instrument in the statement of financial position ,as aforesaid.

Note 3 - Investments (Continued)

B. Investment in Clal Holdings Insurance Enterprises (held for sale (Continued))

5. Further to what is stated in Section 2 above of this Note ,on December 18 ,2018 , the Company reached agreements with the Supervisor) agreements that have been approved by the Company's Board of Directors ,(as follows:

   In accordance with the provisions of the outline and in accordance with the discretion that is given to the Commissioner in connection with the implementation of the outline, the Company will sell shares in Clal Holdings Insurance Enterprises constituting approximately 4.5% of the share capital of Clal Holdings Insurance Enterprises by January 4, 2019 ("The sale"). In tandem, and in accordance with the agreements with the Commissioner, the Company will act to terminate the swap transaction that the Company executed in May) 2017 see Section 3 above (in relation to at least 1% of the issued and paid up share capital of Clal Holdings Insurance Enterprises .

   In January 2 ,2019 after the date of the statement of financial position, the Company sold approximately 4.5% of the share capital of Clal Holdings Insurance Enterprises for NIS 127 million (NIS 50.8 per share) .The consideration in respect of the shares being sold was been deposited in the trust account, which is charged in support of the holders of the debentures (Series M). On the other hand, the Company paid an amount of NIS 5 million in respect of the partial termination of 1% of the share capital in Clal Holdings Insurance Enterprises in respect of the May 2017 swap transaction. After the execution of the said activity, the Company's holding rate in Clal Holdings Insurance Enterprises stood at 25.3% (of which approximately 20.3% are held through the trustee for the shares in Clal Holdings Insurance Enterprises - Mr. Moshe Teri), and the Company is committed under swap transaction in relation to shares in Clal Holdings Insurance Enterprises at a rate of approximately 28.9%.

   In addition ,within the framework of the agreements with the Commissioner ,as aforesaid ,the Company has taken upon itself to avoid ,from now onwards ,the execution of additional swap transactions to those that already exist in relation to shares in Clal Holdings Insurance Enterprises , as detailed in the said Notes ,and also to avoid the extension of the existing swap transactions in connection with the shares in Clal Holdings Insurance Enterprises.

6. In light of the aforesaid ,the investment in Clal Holdings Insurance Enterprises is presented under assets held for sale in the Company's financial statements as at December 31 2018 ,and it is measured at fair value through profit and loss.

   The investment in Clal Holdings Insurance Enterprises is presented in the statement of financial position, as follows:

Item in the statement of financial position	Holding rate in the capital of Clal Holdings Insurance Enterprise	NIS million
Non-current assets		
Value of the shares in Clal Holdings Insurance Enterprises in the swap transactions	10%	292
Investment in shares in Clal Holdings Insurance Enterprises	10.4%	303
Current assets		
Value of the shares in Clal Holdings Insurance Enterprises in the swap transactions	15%	438
Investment in shares in Clal Holdings Insurance Enterprises	(*) 19.5%	570
Non-current liabilities		
Swap transductions on shares in Clal Holdings Insurance Enterprises	5%	(32)

(*)Including the shares actually exercised in January 2019 as detailed in section 5 above, as well as 2 additional tranches of 5%, each in accordance with the outline with the Commissioner. In addition, it includes the advancement of an additional 5% from January 2020 to 2019, in line with the Company's expected cash needs.

The resultant impacts of the Company's holdings in Clal Holdings Insurance Enterprises, primarily the changes in the fair value of the Company's holdings, is presented under discontinued operations, and this is in light of the fact that the Company is continuing to consider offers for the purchase of its holdings, and it intends to continue to act to realize the said holdings in accordance with its financing needs and with the intention of maximizing the consideration for them, all of which is in accordance with the provisions of International Standard number 5.

Note 3 - Investments (Continued)

B. Investment in Clal Holdings Insurance Enterprises (held for sale) (Continued)

7. The Stock Exchange value of the shares in Clal Holdings Insurance Enterprises that are held by the Company is NIS 1,603 million as at December 31, 2018 (including the shares in respect of which the swap transactions have been executed as stated in Section 3 above but not including the shares in respect of which the swap transaction has been executed as stated in Section 4 above). The gap between the value of the shares in Clal Holdings Insurance Enterprises that the Company holds as at December 31, 201 ,8as aforesaid ,and the value of the shares as at December 31 ,2017 amounts to a negative amount of NIS ,270 which has been reflected under discontinued operations in the statement of income in.2018

   At a time close to the approval of the financial statements, there is a negative gap of NIS 146 million , between the value of the shares in Clal Holdings Insurance Enterprises ,which the Company holds including the shares in respect of which the swap transactions have been executed as stated in Sections 3 and 4 above) and the value of the shares as at December 31, 2018.

8. In December 2018, the Company's Board of Directors appointed an independent committee ,whose members are external directors and the independent director, who hold office in it, with the objective of formulating a proposal for the sale of the control in Clal Holdings Insurance Enterprises to DIC and to discuss the terms of such a transaction ("The Independent Committee"). In January 2019, after the date of the statement of financial position, the Independent Committee, after having held a number of discussions, approached the Chairman of DIC in writing, within the framework of which it proposed to DIC opening a negotiation process for the purchase of the control in Clal Holdings Insurance Enterprises ("The approach"). It should be mentioned that within the framework of the approach the Company has not proposed any conditions whatsoever for the transaction ,and DIC is considering approaching the Company .

   The sale of the control ,as aforesaid, insofar as it may occur, will be subject to the provisions of the law, to the approval of the authorized bodies in the Company (and insofar as may be relevant, also to the approval of the authorized bodies in DIC) and to regulatory approvals, including the approval of the Commissioner. There is no certainty that the sale of the control, whether to a third party and whether to DIC, will be completed, and this, inter alia because of the non-receipt of the approvals that are required .

   In March 2019, the Company's controlling shareholder submitted to the Commissioner an application for a control permit ("request") in Clal Holdings Insurance Enterprises and in Clal Insurance (jointly: "Clal Insurance").The application relates to the shares of Clal Holdings Insurance Enterprises held by the Company (shares representing approximately 25.3% of the issued share capital of Clal Holdings Insurance Enterprises ,of which 20.3% are through the Trustee appointed by the Commissioner in accordance with the outline), as well as vis-à-vis additional shares of Clal Holdings Insurance Enterprises ,for which the Company entered into swap transactions (as stated in Sections 3 and 4 above - shares reflecting approximately 28.9% of the issued share capital of Clal Holdings Insurance Enterprises ,(in whole or in part.

   It should be noted that the application focuses on obtaining a control permit in Clal Insurance through a special purpose subsidiary to be established by corporations controlled by the controlling shareholder ,who will acquire ,from the Company ,its holdings in Clal Insurance. In addition, the application relates to other possible alternatives to the manner of holding Clal Insurance, through the Company or through DIC (which will acquire ,from the Company ,its holdings in Clal Insurance. There is no certainty that the application will be approved by the Commissioner, and therefore there is no certainty as to which of the various alternatives of said holdings structure, some of which are subject to various approvals (including approvals of the authorized forums of the Company, DIC and the relevant corporations controlled by the controlling shareholder, if required ,(and compliance with other financial and regulatory requirements .It should also be noted ,that no understandings or agreements have been reached between the Company and the controlling shareholder and/or companies under his control.

Note 3 - Investments (Continued)

C. Investments in I.D.B .Tourism (held for sale)

1. IDB Tourism is a company that is wholly owned by the Company, whose main activity is concentrated in Israir Airlines and Tourism Ltd., which is wholly held by IDB Tourism Ltd. IDB Tourism's assets and liabilities are presented as held for sale, as detailed below.
   On July ,2017 ,2 the Company ,IDB Tourism and Israir Airlines & Tourism Ltd") .Israir ("engaged with El Al Israel Airlines Ltd") .El Al ("and Sun D'Or International Airlines Ltd") .Sun D'Or ,("a wholly owned subsidiary of El Al ,in an agreement for the sale of the entire issued and paid-up share capital of Israir to Sun D'Or") The Acquisition Agreement .("In accordance with the acquisition agreement, on the closing date of the transaction, IDB Tourism will transfer to Sun D'Or all (100%) of its shares in Israir, including all of its rights under the capital notes ,which have been issued by Israir, in consideration for the allocation of Sun D'Or shares constituting 25% of its issued capital (after their issuance) ,such that Israir will become a wholly owned subsidiary of Sun D'Or, and Sun D'Or will be held jointly by El Al (75%) and IDB Tourism (25%) and in consideration for a cash amount equivalent to the positive equity of Israir as at December 31, 2017 (subject to several adjustments, as detailed in the acquisition agreement), up to a total amount which will not exceed a total of 24 million dollars .On January 10, 2018, the Company received notification from the Anti-Trust Authority regarding its objection to the transaction and the reasoning for the objection. On March 29 ,2018 the parties to the agreement submitted an appeal against the Anti-Trust Authority's decision and on June 20 ,2018 the purchase agreement was cancelled and at the parties 'request the Court dismissed the appeal without making an order regarding expenses. The Company is examining alternatives in connection with the sale of its holdings in IDB Tourism and/or in Israir and therefore the Company is continuing to treat IDB Tourism as held for sale and as a discontinued operation in its financial statements as at December 31, 2018, pursuant to the provisions of International Standard No. 5 (IFRS 5).
   In addition ,In August ,2018 the Company's Board of Directors approved the Company's commitment under an agreement for the provision of investment banking services with Giza Zinger Even Ltd .and with Epsilon Underwriting and Issuing Ltd .hereinafter ,together") :The consultants ,("a company that is under the control of DIC ,in equal parts between then ,for the purpose of accompanying the process of the sale and the disposal of the Company's operations in the tourism and aviation field ,which is coordinated in IDB Tourism and Israir Airlines and Tourism Ltd") .Israir "and" The transaction .("Within the context of the services agreement ,the consultants will accompany the company exclusively for a period of 9 months ,and will provide it with services that are connected to the preparation and accompaniment of a transaction") The services .("The consultants will be entitled to fees that are comprised of a retainer and a success fee in respect of the services ,which will be payable at the time of the completion of a transaction)insofar as there may be one ,(in an amount that is not significant to the Company.
2. In August 2018, the Boards of Directors of Israir and of IDB Tourism approved Israir's commitment with Diesenhaus B.T.C. Ltd. ("The purchaser"), under a memorandum of understanding for the sale of 50% of the issued share capital of a company that managed the incoming tourism operations and which is held by Israir ("The memorandum of understanding" and "The incoming tourism", respectively) in consideration for an amount of NIS 26 million ("The transaction") .
   In November 2018, the parties signed on the transaction and the transaction between Israir and P.A.O.O. Holdings Ltd., the controlling shareholder in the purchaser, which entered the purchaser's shoes. The consideration, in an amount of NIS 26 million was paid in full at that time of the completion of the transaction. As from the time of the completion of the transaction, Israir and the purchaser will manage the incoming tourism operations under a joint control agreement and as a result Israir has discontinued the consolidation of this activity in its financial statements as from the time of the completion of the transaction.
   Following the transaction ,I.D.B .Tourism recorded a capital gain of NIS 29 million, in respect of its share in the difference between the consideration plus the fair value of said investment balance in incoming tourism and the value of the investment as per Israir's books as of December 31, 2018 . The consolidated financial statements of the Company do not reflect said gain as the investment in I.D.B .Tourism is reported in the Company's financial statements as an asset held for sale ,according to the fair value of the investment ,less disposal costs.

Note 3 - Investments (Continued)

D. IDBG (an investee company that is treated at equity)

IDBG is a Company that is owned equally by the Company and Property & Building, which is a company that is controlled by the controlling shareholder in the Company .As at December 31, 2018, IDBG holds all of the rights in the real estate corporation - Great Wash Park LLC ("GW").

The Tivoli project is a commercial and office space project in Las Vegas, which has been built by GW and which is divided into three stages - Stages A and B ,which are operative and generating revenue ,and Stage C – which remains at the planning stage") The Tivoli Project "or" The Project.

1 The valuation of the Tivoli project in Las Vegas was updated as at June 30, 2018 to an amount of 249 million dollars. As a result of this, the Company recorded its share of the net write-down in an amount of NIS 40 million in the second quarter of 2018, which was recorded under the Group's share of the losses of investee companies that are treated at equity, net. The write-down derives primarily from the expected decrease in revenues from rental fees, net .

The valuation of the Tivoli project is attached to the financial statements, pursuant to Regulation 8B of the Reporting Regulations, by way of referral to economic paper on the subject, which was attached to Property & Building's financial statements as at June 30, 2018, which was submitted to the Securities Authority and which was published on August 23, 2018 (Document No. 2018-01-078106).

In ,2017 the Company recorded its direct share in the write down in an amount of NIS 143 million . The write down was recorded following an evaluation that was prepared for the Tivoli project and the updating of the value of additional land in Las Vegas and it has been recorded under discontinued operations. .

2 In December 2018, IDBG received a new loan from a local bank in the United States in an amount of 70 million dollars. The amount was used primarily for the repayment of a previous loan in an amount of 59 million dollars. The new loan is for a period of three years and it bears interest at a fixed annual rate of 5.75%. The new loan was signed in parallel to a commitment by IDBG under an addition to the loan agreement, as detailed in Section 3 below. The project is charged in full in support of the financing bank in the United States, under a first ranking lien.

3 In January 2019, after the date of the statement of financial position ,IDBG signed on an addition to the loan agreement") The loan agreement") of January 3, 2017, from an Israeli financing body ("The lender"). The original loan was a dollar loan ,which stood at an amount of 41.4 million dollars .It was taken up in January 2017 and is repayable in January.2019

<u>The main points of the loan agreement</u>

a. The principal of the loan, which is repayable in one payment at the end of 24 months, is in an amount of approximately NIS 153 million) instead of a dollar loan ;(the interest is fixed at an annual rate of") 5.93% The loan interest ,("which is repayable quarterly the loan will be used to finance the Tivoli project and to finance any ancillary activity and/or purpose to the construction and rental of the project.

b. Collateral will be made available to the lender as follows: A sole first ranking lien on all of ISBG's rights in GW; a first ranking mortgage on IDBG's land with an area of approximately 8 Acres, which is zoned for residential property in Las Vegas in the United States ;a sole general first ranking lien on all of the assets ,the monies the property and the rights of any sort whatsoever that IDBG has at present and which it may have in the future ;a lien on IDBG's rights in IDBG's bank account ;and joint and several guarantees ,which will be made available by the Company and by Property & Building on all of the amounts that are secured") The guarantees ,("accompanied by a commitment by the Company and Property & Building not to transfer their holdings in IDBG to third parties ,other than in accordance with the provisions of the loan agreement .The lender is entitled to exercise any of the collateral in accordance with an order that it may determine.

c. The loan agreement includes standard representation sections ,grounds for immediate repayment ,provisions regarding early repayment and indemnification sections in support of the lender ,as is customary in transactions of this sort.

d. IDBG's liability to the lender will have precedence over its liabilities for the repayment of shareholders 'loans ,which have been made available to it by the Company and Property & Building ,including in accordance with the agreement for the making available of a credit facility by the Company in an amount of 50 million dollars) as detailed in Section 4 below.(

Note 3 - Investments (Continued)

D. IDBG (an investee company that is treated at equity) (Continued)

3 (Continued)

The guarantors

a. Each of the guarantors, jointly and severally, will make a perpetual guarantee available to the lender in support of the repayment of all of the amounts that are due and/or that may be due to the lender from IDBG in connection with the loan agreement ,and which will be in force until after the repayment of the full amount of the loan or until the approval of the lender for the cancellation of the letter of guarantee.

b. The lender will be entitled to refer in a demand for the payment of the guarantee in each of the following cases (1) :if IDBG does not met the full and exact payment of any of the payments under the loan agreement on time ;and/or (2) in a case in which the loan has been made repayable immediately in accordance with the grounds and the conditions that are determined in the loan agreement.

The indemnification agreement

a. The Company and Property & Building have committed under an automatic indemnification agreement which determines that in the event that the guarantee is exercised in an unequal manner) i.e -.the lender collects from one of the parties an amount exceeding its relative share in IDBG), the party which paid more than its share on the exercise of the guarantee, will have right of recourse against the other party, and priority regarding the receipt of the balance of the consideration from the receipts of IDBG, in a manner which will compensate it for any such overpayment, such that, in the relationship between the guarantee, the liability of each party between the Company and Property & Building in accordance with the guarantee will be limited to its share in IDBG") The Indemnification Agreement.("

b. In a case in which either of the parties effectively bears towards the lender an amount which is higher than its share in the guarantee ,as stated above") The Excess Amount ,("the party which paid a part lower than its share will indemnify the first party for the excess amount, within seven days from the date of the first party’s first demand, and in respect of any damage and expense which it may incur due to its payment of the excess amount .As from the time of creation of the excess amount, until its full repayment, the excess amount will bear annual interest at a rate of the loan interest with the addition of .3%

c. In addition ,in the event of a distribution or repayment of shareholder’s loans (or any other debt), which IDBG may execute to its shareholders, the party which paid the excess amount will have precedence ,such that the payments to the party which has not paid its share will be subordinate to the payments of the party which has paid its share, up to the share of the party which has not paid, as stated above .This precedence will be subordinate to the credit facility financing amount which was provided by Property & Building to IDBG (as stated in section C below .(

See Note 17.B.(5)(h) below for details regarding the manner of the approval of the transaction, including the making available of guarantees and the indemnification agreement, as aforesaid.

4 In September 2015, approval was given by a general meeting of Property & Building, in accordance with section 275 of the Companies Law, after approval was given by the Audit Committees and Boards of Directors of the Company and of Property & Building, for the commitment in a transaction in which Property & Building provided a facility for the provision of securities in favor of a financing entity and/or for the provision of credit in the total amount of up to 50 million dollars ")The Facility ,("of which 25 million dollars are in respect of the part of the Company .

The said commitment between Property & Building (the lender) and IDBG (the “Borrower”), the Company and Meniv Investments Ltd. (“Meniv”), a wholly owned subsidiary of the Company, constitutes a controlling shareholder transaction in Property & Building .

The main terms of the agreement are as follows:

The facility - The credit will be managed as a facility involving the provision of securities in favor of a financing entity and/or for the provision of credit in the amount of 50 million dollars ,which may be used by IDBG, from time to time, for a period of 27 months. The amounts which will be withdrawn on account of the framework will be referred to as the “used amounts”, and will be repaid until the end of the usage period. IDB Development is entitled to instruct, by providing written notice which will be submitted to IDBG and to Property & Building 30 days before the end of the usage period, the extension of the period by 12 months .

<u>Note 3 - Investments</u> (Continued)

D. IDBG (an investee company that is treated at equity) (Continued)

4. (Continued)

In November 2017 ,the Company announced the extension of the facility repayment period to Property & Building ,by 12 months, until December 20, 2018 .And in November 2018 the Company announced the extension of the facility repayment period to Property & Building, by a further 9 months, until September 20 .2019 .

The entire facility was used by the end of 2016 through the provision of credit in an amount of 50 million dollars .The balance of the loan as at December 31, 2019 stands at 63 million dollars .

<u>Interest and non-usage fee</u> - amounts which will be provided in cash until the time at which a loan has effectively been taken up from an external entity (see section b above) will bear annual interest of 30 days LIBOR plus 8% for amounts up to 20 million dollars ,and 30 days LIBOR plus 10% for amounts over 20 million dollars .Amounts which were provided in cash from the date when a loan was accepted from an external entity will bear interest according to the interest rate which applies to the loan from the external entity, plus 2% in respect of amounts of up to 20 million dollars) so long as IDBG's rights in Queensridge Towers LLC") QT ,("''a company owned by IDBG, will be pledged in favor of Property & Building), and with the addition of 3% in respect of amounts above 20 million dollars (or in case the rights of IDBG in QT are not pledged in favor of Property & Building). The amounts which will be provided by way of guarantee (which is not backed by a cash deposit) will bear an annual fee of 3%. In addition to the interest which will apply to the loan, as stated above, IDBG will pay to Property & Building a non-usage fee in respect of the credit facility, at an annual rate of 0.5% of the unused facility .

<u>Loan repayment terms</u> - IDBG will repay the share of Property & Building in the debt balance, less IDB Development's part in the debt balance (insofar as it will be provided in accordance with the provisions of the agreement)") The preferential amount ,("from amounts which will be provided to it by Meniv, insofar as it will exercise the joining right in accordance with the terms of the agreement, or from amounts which will be provided to it in case IDB Development transfers its holdings in IDBG or from amounts which will be received by it as a repayment of shareholder's loans, in the event that QT sells land which it owns .

In addition to the aforesaid ,at the end of each calendar quarter during the loan period, in the event that a cash balance is created for IDBG which exceeds its cash requirements, as defined in the agreement, IDBG will be obligated to make use of it during the loan period for the purpose of repaying the priority amount. IDB Development and Meniv have declared that they consent to the stipulation that any debt and/or loan and/or management fees and/or payment, of any type or kind whatsoever, which are owed to them, insofar as any are owed or will be owed to them (directly and indirectly) from IDBG, will be subordinate to, and will have lower priority than, the priority amount. IDBG will be entitled to repay the priority amount (or any part thereof) during the loan period, out of any additional amount, in its judgment and discretion .

<u>Conversion mechanism</u> - At the end of the loan period, or earlier upon the occurrence of a breach event") The time of the termination of the loan ,("insofar as there will still be a preferential amount which has not been repaid to Property & Building, the parties will act in accordance with the conversion mechanism specified in the agreement, in a manner whereby the entire debt balance will be converted to share capital of IDBG, which will be allocated by IDBG to Property & Building and to Meniv, and to their transferees (according to their proportionate share in the debt balance), and in favor of the repayment of shareholder's loans which will be allocated by IDBG to Property & Building and to IDB Development and to their transferees. The value of IDBG and the conversion ratio will be determined by an external appraiser in accordance with the mechanism set in the agreement .

<u>Collateral</u> – IDBG's bank accounts will be charged in support of Property & Building, insofar as is possible. In addition, the Company and Meniv have undertaken that until the repayment in fill of the preferential amount, no liens whatsoever will be created on their rights in IDBG and nor will those rights be made available as any collateral whatsoever.

<u>Upside mechanism</u> - Property & Building will be entitled to receive from IDBG an amount equal to 15% of the profit which will be created due to a transaction involving the realization of the Tivoli project (a positive difference only, if any, between the value of the project in the project realization transaction, less fees and expenses involved in the project realization transaction, and the project's value in the financial statements of GW as at June 30, 2015, which is approximately 277 million dollars with the addition of investments which will be made in the project from July 1, 2015 until the completion date of the project realization transaction, as included in the books of GW .

Note 3 - Investments (Continued)

D. IDBG (an investee company that is treated at equity) (Continued)

4. (Continued)

Upside mechanism) Continued(

These investments, for the period from July 1, 2015 to December 31, 2017, amounted to material sums, and therefore, in consideration of the amortization which was recorded, insofar as a realization transaction takes place which is based on the book value of the Tivoli project, a positive difference, as stated above, is not expected .

Casting vote for Property & Building in the Board of Directors of IDBG - the agreement includes a mechanism which allows ,under certain conditions ,the provision of the casting vote to Property &Building in the Board of Directors of IDBG ,in connection with decisions regarding refinancing of the Tivoli project ,and in connection with the realization of assets of GW ,IDBG and QT.

The Company is examining the possibility of extending the loan or alternatively converting the loan into shares in IDBG in accordance with the conversion mechanism that is set above.

5 In August 2018, Great Wash Park (a company that is wholly owned by IDBG) signed on an agreement for the sale of land for residential purposes, which is adjacent to the Tivoli project, for consideration of 18 million dollars. Pursuant to the agreement, under certain conditions, the consideration may increase by a further 2.5 million dollars. The value of the land in IDBG's accounting records was stated as at September 30, 2018 in accordance with the value of the transaction.

The purchaser was given a period in which to conduct due diligence testing .At this stage there is no certainty that the sale transaction will be completed.

6. In the first quarter of 2018, the Company and Property & Building, which hold IDBG jointly (50% each ,(decided to extend the repayment times of the loans that they had extended by them to IDBG in equal shares by a further 15 years until December 31, 2034. Following the deferral of the timing of the repayment, as aforesaid, the value of the balance of the loans that the Company has extended to IDBG has been estimated at approximately 70 million dollars. As a result of this the Company has recorded a decrease in the value of the loans against an increase in investments in investee companies in an amount of approximately NIS 858 million.

In January ,2019 after the date of the statement of financial position ,the Company and Property & Building decided to forgive the interest that had accumulated on the said loan and part of the principal of the loan ,except for principal of the loan in an amount of approximately 100 million dollars) of which the Company's share is 50 million dollars.(

E. Investment in Modiin) an investee company that is treated at equity (

1 In February 2018, Modiin Energy Limited Partnership ("Modiin") executed a rights issue. Modiin raised NIS 15 million in the issue. The Company exercised all of the rights, at a cost of NIS 1.4 million, and acquired additional rights from the general partner in Modiin and from the public, in the amounts of NIS 76 thousand and NIS 476 thousand, respectively. These rights have been exercised into participation units at an additional cost of NIS 0.3 million and NIS 3.4 million, respectively .

2 In December ,2018 Modiin executed an additional rights issue. Modiin raised NIS 22 million in the issue. The Company exercised all of the rights, at a cost of NIS 4.7 million, and acquired additional rights from the general partner in Modiin in an amount of NIS 77 thousand These rights have been exercised into participation units at an additional cost of NIS 0.5 million .

In total ,the Company has invested an amount of approximately NIS 12.3 million ,and following the investment ,the Company's holding rate in Modiin has increased to.19.27%

F. Investment in Colu Technologies GB Limited ("Colu")

In December ,2017 the Company invested 7.5 million dollars in a convertible equity investment in Colu Technologies) GIB (Limited) a balance which is presented in the statement of financial position under non-current financial assets ,presented at fair value (and 7 million dollars in the acquisition of a token CLN ,(in an initial coin offering) a balance which is presented in the statement of financial position under other non-current financial

During the course of the year 2019, the Company recorded expenses in an amount of NIS 22 million in respect of impairment in the value of the token (CLN).

Note 3 - Investments (Continued)

G. Summary of the main investee companies that are held directly by the Company and additional detailed on them [1]

	Holding rate in share capital and in voting rights	Scope of investment in the investee company	Reserves [2]	Total	Country of incorporation
	%	NIS millions			
Consolidated company					
IDB Tourism [7],(5),(3)	100	213	(4)	209	Israel
Investee companies treated at equity					
IDBG[7] (5),(4)	50	190	(14)	176	United States
Modiin Energy Limited Partnership [6]	19.3	12	(3)	9	Israel
Noia Oil and Gas Explorations [5]	47.5	2	-	2	Israel
Total		417			

(1) The foregoing investments do not include investments in the Company's wholly owned headquarter companies.

(2) In case of realization of the investment in associate companies ,or in case of realization of the investment in consolidated companies ,as a result of which the Company discontinues the consolidation of their financial statements in its financial statements ,these capital reserves will be charged to profit and loss.

(3) The assets and liabilities of IDB Tourism are presented under assets classified as held for sale and under liabilities in respect of assets held for sale ,respectively ,See Note 12 below for details regarding liens and guarantees.

(4) The holding in capital is through a wholly owned subsidiary .

(5) The scope of the investment includes investment in loans and/or capital notes.

(6) The participation units of Modiin are traded on the Tel Aviv Stock Exchange .The market value of the Company's holding in Modiin as at December 2018 ,31 is NIS 19 million.

(7) The balance of the distributable profits – as at December 31, 2018 ,to IDBG have negative distributable balances and they are unable to distribute dividends .The balance of the distributable profits of IDB Tourism as of December 31, 2018 is NIS 70 million .

H. Investments in investee companies treated at equity

	As at December31	
	2018	2017
	NIS millions	
Value of the shares in the consolidated statement of financial position	(116)	(855)
Loans[1]	320	1,100
	204	245

(1) **Loans**

	Interest rates As at December ,31 2017	As at December31 * 2018	2017
	%	NIS millions	
In dollars or linked thereto	-	319	1,099
In Shekels – unlinked	2.61	1	1
		320	1,100

*For details regarding the increase in the value of shares in the statement of financial position of the investment in IDBG against a decrease in investment in loans it has received see section d.6 of this Note

I. Dividends

In April and September 2017, DIC distributed two tranches of a dividend in a total amount of NIS 678 million, and the Company's share in the aforementioned dividend was NIS 480 million. In 201 9and 2016, the Company did not receive dividends from its investee companies .

Note 3 - Investments (Continued)

J. Data regarding associate companies and joint ventures

1 Attachment of reports of a material joint venture under joint control

Pursuant to Section 23(A) to the Financial Statements Regulations, the Company attaches the financial statements of IDBG as at December 31, 2018 to these financial statements. Until November 22, 2017, IDBG was consolidated in the financial statements .

2 Summary information as at December 31, 2017 and for the years 2017 and 2018 regarding a material joint venture - IDBG

	IDBG	
Holding company	**Meniv Issuances**) a(	**Meniv Issuances**) a(
Operating segment	**Real estate and residential**	**Real estate and residential**
Country of incorporation and main place of business activities	**United States**	**United States**
Rate of ownership in capital and in voting rights (%)	**50%**	**50%**
	As at December31	
	2018	**2017**
	NIS millions	
Cash and cash equivalents	17	38
Total current assets	**96**	**50**
Non-current assets	**964**	**996**
Current financial liabilities) except for trade payables ,other payables and provisions(	(392)	(404)
Total current liabilities	**(420)**	**(422)**
Non-current financial liabilities) except for trade payables ,other payables and provisions(	)b(898) (	)b(2,339) (
Total non-current liabilities	**(898)**	**(2,339)**
Total liabilities ,net	(258)	(1,715)
The Group's share in assets (liabilities), net	(129)	(857)
Shareholder's loans given by the Company to the joint venture	319	1,099
Value of the joint venture in the books	190	242

	For the year ended December 31	
	2018	**2017**
	NIS millions	
Revenues	42	40
Financing expenses	)c163 (	)c873 (
Loss from continuing operations	(251)	(1,152)
Total loss of the joint venture - attributable to owners	(251)	(1,152)
The Group's share in the loss of the joint venture	(126)	(576)
The Company's financing income with respect to its part in the shareholder's loan	)c57 (	)c415 (
Foreign currency translation differences with respect to the joint venture	18	(42)
The Group's share in the comprehensive loss of the joint venture	)e(51) (	) d(203) (

(a) A company wholly owned by the Company.

(b) Including shareholder's loans which were given to the joint venture.

(c) Primarily includes financing expenses with respect to shareholder's loans in the amounts of NIS 134 million and NIS 847million in the years 2018 and ,2017 respectively.

(d) Loss in the amount of NIS 201 million is presented under discontinued operations and loss in the amount of NIS 2 million ,which was created after November ,2017 ,22 is presented under continuing operations in the Company's share in the losses of investee companies treated at equity ,net.

(e) Presented under the Group's share of the losses of investee companies that are treated at equity, net

Note 3 - Investments (Continued)

K. Data regarding assets held for sale and liabilities in respect of assets held for sale

1 See Section B 6.above of this Note for details regarding the manner of the presentation of the investment in Clal Holdings Insurance Enterprises under assets held for sale.

2 See Section C.1 above of this Note for details regarding the manner of the presentation of the assets and liabilities of IDB Tourism as held for sale.

A. Assets of IDB Tourism that are classified as held for sale -under current assets

	As at December 31	
	2018	**2017**
	NIS millions	
Fixed assets	379	336
Investments in companies treated at equity	13	9
Trade and other receivables	141	167
Cash and cash equivalents	86	50
Other assets	45	37
	664	599

B. Liabilities of IDB Tourism that are classified as liabilities in respect of held for sale - assets - under current liabilities

	As at December31	
	2018	**2017**
	NIS millions	
Trade and other payables	265	250
Loans from banks	139	109
Overdraft	27	24
Other liabilities	21	23
	452	406

L. Data regarding discontinued operations

1 Discontinued operations

A. For details regarding the completion of the transaction for the sale of the Company’s holding in DIC, in November 2017, see section A above in this note. Following the said sale, DIC operating results have been retrospectively stated in the period from January 1 2017 and until the time of the sale of DIC and in 2016 as discontinued operations .

B. For details regarding the transaction for the sale of Israir, which has been cancelled and regarding the Company’s activity to sell the operations of IDB Tourism, see section C above in this note. Following the aforesaid ,the IDB Tourism's operations are presented as discontinued operations.

C. As stated in section B1 above in this Note ,in August 2013, the means of control of shares in Clal Holdings Insurance Enterprises were transferred to the Trustee - an action which involved the loss of accounting control. Following the loss of control, as stated above, and in light of the provisions of the Commissioner’s outline for the sale of the Company’s holdings in Clal Insurance, and upon the occurrence of a terminating event, as detailed in section B.2 . above in this note, the operations of Clal Holdings Insurance Enterprises are presented as discontinued operations.

D. In November 2016, Koor sold its entire holding (40%) in Adama. Following the aforementioned sale transaction, the operation of Adama is presented as a discontinued operation.

For details of discontinued operations, see section 2 below .

Note 3 - Investments (Continued)

L. Data regarding discontinued operations) Continued(

2 Details regarding discontinued operations :

A . Details regarding results of discontinued operations

	For the year ended December 31 2018		
	IDB Tourism	Clal Holdings Insurance Enterprises	Total
		NIS millions	
Income			
Sales and services	1,281	-	1,281
The Group’s share in the net profit of investee companies treated at equity ,net	4	-	4
Other income	7	-	7
Financing income	12	-	12
	1,304	-	1,304
Costs and expenses			
Cost of sales ,works and services	1,143	-	1,143
Selling expenses	60	-	60
General and administrative expenses	56	-	56
Loss from impairment, and write-down of investments and assets	6	319	325
Other expenses	24	-	24
Financing expenses	10	-	10
	1,299	319	1,618
Income) loss (before taxes on income	5	(319)	(314)
Taxes on income	7	-	7
Income (loss) for the year from discontinued operations	12	(319)	(307)
Net income (loss) from discontinued operations for the year attributable to:			
Shareholders in the Company	11	(319)	(308)
Non-controlling shareholders	1	-	1
	12	(319)	(307)
Other comprehensive income for the year from discontinued operations attributable to:			
Shareholders in the Company	10	-	10
Non-controlling shareholders	-	-	-
	10	-	10
Comprehensive income (loss) for the year from discontinued operations attributable to:			
Shareholders in the Company	21	(319)	(298)
Non-controlling shareholders	1	-	1
	22	(319)	(297)

Note 3 - Investments (Continued)

L. Data regarding discontinued operations (Continued)

2 Details regarding discontinued operations (Continued)

A . Details regarding results of discontinued operations (Continued)

	For the year ended December 31 2017			
	DIC*	IDB Tourism	Clal Holdings Insurance Enterprises	Total
	NIS millions			
Income				
Sales and services	15,374	1,244	-	16,618
The Group's share in the net profit of investee companies treated at equity ,net	6	7	-	13
Profit from disposals and increase in the value of investments and assets	94	-	363	457
Increase in fair value of investment property ,net	162	-	-	162
Other income	91	1	-	92
Financing income	125	-	-	125
	15,852	1,252	363	17,467
Costs and expenses				
Cost of sales ,works and services	10,873	1,088	-	11,961
Research and development expenses	35	-	-	35
Selling expenses	2,651	57	-	2,708
General and administrative expenses	701	56	-	757
Loss from impairment, and write-down of investments and assets	88	9	-	97
Other expenses	8	2	-	10
Financing expenses	1,228	19	-	1,247
	15,584	1,231	-	16,815
Income before taxes on income	268	21	363	652
Taxes on income	(332)	8	-	(324)
Income (loss) for the year from discontinued operations	(64)	29	363	328
Net income (loss) from discontinued operations for the year attributable to:				
Shareholders in the Company	(373)	28	363	18
Non-controlling shareholders	309	1	-	310
	(64)	29	363	328
Other comprehensive loss for the year from discontinued operations attributable to:				
Shareholders in the Company	(144)	(29)	-	(173)
Non-controlling shareholders	(154)	-	-	(154)
	(298)	(29)	-	(327)
Comprehensive income (loss) for the year from discontinued operations attributable to:				
Shareholders in the Company	(517)	(1)	363	(155)
Non-controlling shareholders	155	1	-	156
	(362)	-	363	1

*The data relate to the period from January 1, 2017 to November 22, 2017

Note 3 - Investments (Continued)

L. Data regarding discontinued operations (Continued)

2 Details regarding discontinued operations (Continued)

A . Details regarding results of discontinued operations (Continued)

	For the year ended December 31 2016				
	[(1)]DIC	IDB Tourism	Clal Holdings Insurance Enterprises	Adama	Total
			NIS millions		
Income					
Sales and services	17,227	1,080	-	-	18,307
The Group's share in the net profit of investee companies treated at equity ,net	19	12	-	224	255
Profit from realization and increase in the value of investments and assets	48	-	53	766[(3)]	867
Increase in fair value of investment property ,net	300	-	-	-	300
Other income	4	7	-	-	11
Financing income	146	1	-	23	170
	17,744	1,100	53	1,013	19,910
Costs and expenses					
Cost of sales ,works and services	12,281	922	-	-	13,203
Research and development expenses	29	-	-	-	29
Selling expenses	3,004	58	-	-	3,062
General and administrative expenses	797	58	-	-	855
Loss from realization, impairment, and write-down of investments and assets	64	115[(2)]	-	-	179
Other expenses	8	6	-	-	14
Financing expenses	1,015	15	-	359	1,389
	17,198	1,174	-	359	18,731
Income (loss) before taxes on income	546	(74)	53	654	1,179
Taxes on income	(97)	4	-	-	(93)
Income (loss) for the year from discontinued operations	449	(70)	53	654	1,086
Net Income (loss) from discontinued operations for the year attributable to:					
Shareholders in the Company	12	(74)	53	449	440
Non-controlling shareholders	437	4	-	205	646
	449	(70)	53	654	1,086

(1)Not including data regarding Adama.

(2)Including loss in an amount of NIS 110 million in respect of impairment which was recorded in light a transaction for the sale of Israir to Sun D'or ,which was expected ,as detailed in section C.1 above in this note .

(3)Profit from the sale of Adama.

Note 3 - Investments (Continued)

L. Data regarding discontinued operations (Continued)

2 Details regarding discontinued operations (Continued)

B. The following are data regarding the net cash flows attributed to discontinued operations:

	For the year ended December 31		
	2017	**2016**	**2015**
	NIS Millions		
Net cash generated by operating activities	58	1,874	2,252
Receipts in respect of the realization of DIC, net of cash spent within the context of the discontinuation of consolidation[(1)]	-	(3,059)	-
Net cash generated) absorbed (by investment activities[(2)]	469	(1,611)	106
Net cash absorbed by financing activities[(3)]	(8)	(732)	(1,325)
Change in cash and cash equivalents from discontinued operations	519	(3,528)	1,033

(1) Includes an amount of NIS 668 million of net consideration in cash less the cash expended within the context of the discontinuation of the consolidations.

(2) Includes amounts that have been received from sales of shares in Clal Holdings Insurance Enterprises ,as stated in Section B.3 above of this note.

(3) Includes payments of NIS 19 million and NIS 6 million in the years 2018 and ,2017 respectively , in respect of swap transactions on shares in Clal Holdings Insurance Enterprises ,as stated in Section B.3 above of this note.

Note 3 - Investments (Continued)

M. The following are details regarding the liquid resources, the net financial debt of the Group's member companies and significant restrictions on the transfer of resources between entities within the Group, which primarily pertain to the restriction on the transfer of cash, as at December 31, 2018 (NIS millions):

Name of company	Liquid resources	Gross financial debt(1)	Financial debt, net	Amount of the restricted /charged assets	Total liabilities in the statement of financial position which are subject to restrictions (principal and linkage only)	Restriction	Note
The Company and wholly owned companies)excluding I.D.B .Tourism(	(2)52	(2,969)	(2)(2,917)			Financial covenants : -Restrictions on dividend distributions . -Restrictions on the creation of a general floating charge . -Fulfillment of financial covenants which may affect the interest rate . -Grounds for demanding early repayment, including in cases involving non-fulfillment of minimum equity of Clal Holdings Insurance Enterprises , or a change in control .	.8B .12A
Financial debt , net Restrictions on the transfer of resources				1,494(3)	742 (4)	-Charges on some of the shares in Clal Holdings Insurance Enterprises which are owned by the Company, or on the expected consideration for them .	

(1) Including interest payable.
(2) Excluding NIS 621 million which are held in charged deposits see Note 5 below .
(3) Includes deposits of NIS 621 million ,which are charged in support of banks in respect of swap transactions on shares in Clal Holdings Insurance Enterprises ,which in respect of swap transactions on shares in DIC and a deposit in trust in a bank in support of the holders of the debentures) Series M .(Dee Note 5 below for details .In addition ,the amount includes NIS 146 million in respect of a line on 2.8 million shares in Clal Holdings Insurance Enterprises which are owned by the Company ,in support of the debenture holders) Series K ,(as detailed in Note.8 B.1 below and an amount of NIS 727million in respect of consideration in respect of an additional 13.81 million shares in Clal Holdings Insurance Enterprises ,which are charged in support of the debenture holders) Series M (as detailed in Note.8 B,2 below .In light of an additional sale of 4.5% of the shares in Clal Holdings Insurance Enterprises ,subsequent to the date of the statement of financial position ,as detailed in section B.5 above in this Note above ,at a time close to the publication of the report ,approximately 11.31 million shares remain ,the future consideration in respect of which is charged in support of the debenture holders) Series M.
(4) Includes liabilities in respect of debentures which were issued by the Company (Series K and M) .

Note 4 - Financial assets presented on a fair value basis

A. Non-current assets

	As at December31	
	2018	**2017**
	NIS millions	
Financial assets measured at fair value through profit or loss		
Other investments - Colu [(1)]	27	27

(1) For details, see Note 3.F. above .

B. Current assets

	As at December 31	
	2017	**2016**
	NIS millions	
Financial assets measured at fair value through profit or loss		
Non-convertible corporate debentures	-	120
Investment funds	2	100
Government debentures and short term bills	-	47
Mutual fund participation certificates	-	62
Options	1	2
Derivatives which are not used for hedging purposes and other	-	1
	3	332

Note 5 - Restricted deposits and liens

A. Non-current assets

	As at December31	
	2018	**2017**
	NIS millions	
Charged deposits in banks in connection with swap transactions on shares in Clal Holdings Insurance Enterprises (See Note 3.B 3 .above(	161	144
Charged deposits in a banking institution in connection with a swap transaction on shares in Clal Holdings Insurance Enterprises ,which were acquired by Bank Ha'poalim) See Note.3 B .4 .above(	103	-
	264	144

B. Current assets

	As at December 31	
	2018	**2017**
	NIS millions	
Charged deposits in banks in connection with swap transactions on shares in Clal Holdings Insurance Enterprises[(1)]	256	-
Charged deposits in a bank in connection with swap transactions on shares in DIC[(2)]	66	-
Deposit in trust in a bank in support of holders of debentures (Series M)[(3)]	33	-
	357	-

(1) For details, see Note 3.B.3 above .
(2) For details see Note 9 below.
(3) For details see Note.8 B.2 below

Note 6 - Cash and Cash Equivalents

	As at December31	
	2018	**2017**
	NIS millions	
Balances in banks	7	79
Demand deposits	42	545
	49	624

For details regarding linkage bases of cash and cash equivalents, see Note.11 D. below .

Note 7 - Capital and convertible subordinated loans

A . The Company's registered and issued capital

The Company's capital is comprised of regular shares without par value ,registered nominally .As at December 31 2018 ,and as at December 31 ,2017 the Company's registered share capital is comprised of 2.7 billion shares .The Company's issued and paid up share capital is comprised of 662,158,732 shares. As from March 2016, the Company's shares are not traded on the Stock Exchange and the Company has become a reporting private company.

B. Options for shares in the Company

Dolphin Fund Limited and Dolphin Netherlands. Corporations under the control of the controlling shareholder in the Company, held 31,960 and 97,801,220 options (Series (6 (non-marketable), respectively until February 2018. At that time the unexercised option warrants expired.

C. Convertible subordinated loans from the controlling shareholder

In December 2015, the controlling shareholder in the Company injected an amount of NIS 210 million by way of convertible subordinated loans. See Section C.1 below for details.

In 2016, additional convertible subordinated loans were received from the controlling shareholder ,as follows:

Investment method	Amount of the loan NIS millions	Date	Additional details
Convertible subordinated loan from the controlling shareholder	15	February2016	.7C(2).
Convertible subordinated loan from the controlling shareholder	85	March 2016	.7C(3).
Convertible subordinated loan from the controlling shareholder	248	March 2016	.7C(3).
Total investments in 2016	348		

(1) Convertible subordinated loans from the controlling shareholder from December 2015

On December 2, 2015, the Company signed an agreement with Dolphin Netherlands in respect of the injection outline, in which the Company was given subordinated loans in the total amount of NIS 210 million (the" Subordinated Debt .("The subordinated debt was given in accordance with the provisions of the Agreement of the agreement between the parties, and was injected into the Company in December 2015 .

The following are the main terms of the subordinated loan :(A) The subordinated debt is subordinate, including in case of insolvency, to all of the Company's current or future debts ;(B) The debt will be repaid after the repayment of all of the Company's debts to all of its creditors ;(C) The debt bears interest at a rate of 0.5% p.a .The interest will accrue to the amount of subordinated debt ,and will be paid only on the repayment date of the subordinated debt) ;D (Dolphin Netherlands will not be entitled to participate or vote in meetings of the Company's creditors by virtue of the subordinated debt.

:Beginning on January 1, 2016, Dolphin Netherlands will be entitled, in its exclusive discretion, to decide to convert all or part of the balance of subordinated debt which will exist at that time, including the interest which has accrued on the subordinated debt until that date, into share capital (the" Capital Conversion Option ;("In case the capital conversion option is exercised, the balance of subordinated debt, including the interest which has accrued on the subordinated debt until that date (the" Balance of Subordinated Debt ,("will be converted in a manner whereby Dolphin Netherlands will receive fully paid-up Company shares against the balance of subordinated debt, according to a price per share which is 10% lower than the average price on the stock exchange of the Company's stock during the 30 trading days which preceded the date when the conversion option was exercised. If the share has no market price, the share price will be determined as an average of three valuations which will be given by external independent experts, which will be determined by agreement, and in the absence of agreement, by the President of the Institute of Certified Public Accountants in Israel. The value of the aforementioned subordinated loans which were received from the controlling shareholder was estimated by an independent external appraiser .

Note 7 - Capital and convertible subordinated loans (Continued)

C. Convertible subordinated loans from the controlling shareholder (Continued)

The following are the main terms of the subordinated loan (Continued)

(1) Convertible subordinated loans from the controlling shareholder from December 2015 (Continued)

At the time of the initial recognition ,the value of the loans was estimated at NIS 53 million, where the difference between the cash which was received and their fair value ,in an amount of NIS 157 million, was applied to the capital reserve from transactions with controlling shareholders .

The Company designated the subordinated loans, in their entirety, including the derivative embedded therein, to fair value through profit and loss .It should be noted that as part of the amendment to the Debt Settlement of IDB Holding (the" Debt Settlement ("from 2016, Dolphin Netherlands charged ,in support of the Trustees for the Debt Settlement, 28% of the Company's shares and the convertible subordinated loan in an amount of NIS 210 million. The charge was intended to guarantee the performance of an additional payment (the" Clal Payment ("which Dolphin Netherlands may pay to the minority shareholders from whom it acquired the Company's minority shares, as part of the amendment to the Debt Settlement. The Clal Payment is subject to the terms detailed in the amendment to the settlement, which refer, inter alia, to the possibility of a sale of the control of Clal Holdings Insurance Enterprises and/or the receipt of a control permit by Mr. Elsztain or by corporations under his control. Dolphin Netherlands undertook not to act in accordance with its right according to the terms of the aforementioned convertible subordinated loans, by converting them into the Company's share capital, until the aforementioned charge has been lifted .It was further agreed that the rate of shares which will be charged in support of the Trustees for the settlement, by Dolphin Netherlands, will not exceed, in any case, 35% of the Company's issued and paid-up share capital, and if, as a result of the conversion of the subordinated loans, insofar as they are converted, the rate of charged shares exceeds 35%, as stated above, shares will be automatically released from the charge in an amount which will lead to a situation in which the rate of shares which will be charged in support of the Trustees for the settlement will not exceed 35% .

(2) Convertible subordinated loan from the controlling shareholder from February2016

On February 15, 2016, the Company's Audit Committee and Board of Directors approved that the Company will receive from Dolphin Netherlands, by no later than February 18, 2016, a loan in an amount of NIS 15 million (the" Subordinated Loan ,("by way of subordinated debt, under identical conditions as the subordinated debt which was given to the Company by Dolphin Netherlands in December 2015 (as detailed in section (1) above in this note), excluding conversion right in respect of the Company's shares. This amount (or a part thereof) was convertible to share capital only under certain conditions .It should be noted that, in accordance with the provisions of the amendment to the Debt Settlement of IDB Holding, beginning from the completion date of the aforementioned amendment to the Debt Settlement, in March 2016, this subordinated loan was also convertible to the Company's capital, in the discretion of Dolphin Netherlands. On February 18, 2016, a total of NIS 15 million was received in the Company's account from Dolphin Netherlands. due to the fact that the aforementioned subordinated loan was not convertible on the date of its receipt, the Company estimated that its value on the date of its receipt was negligible, and accordingly, it was carried, in its entirety, to the capital reserve from transactions with controlling shareholders.

(3) Convertible subordinated loans from the controlling shareholder and additional injections as part of the completion of the Debt Settlement of IDB Holding

In accordance with the amendment to the Debt Settlement of IDB Holding which was signed between the Trustees for the Debt Settlement of IDB Holding, Dolphin Netherlands and the Company, and which was approved by the Court in March 2016, a total of NIS 85 million and NIS 248 million were injected into the Company on March 15, 2016 and March 31, 2016, respectively, as convertible subordinated loans from the controlling shareholder. The terms of the aforementioned loans are identical to those detailed in section (1) above in this note. The value of the subordinated loans ,in an amount of NIS 85 million and NIS 248 million, were estimated by an independent external appraiser ,after the Company designated the subordinated loans ,in their entirety ,to fair value through profit and loss .

<u>Note 7 - Capital and convertible subordinated loans</u> (Continued)

C. <u>Convertible subordinated loans from the controlling shareholder</u> (Continued)

(3) <u>Convertible subordinated loans from the controlling shareholder and additional injections as part of the completion of the Debt Settlement of IDB Holding</u>) Continued(

At the time of the initial recognition ,the value of the aforementioned loans was estimated at NIS 4 million and NIS 29 million ,respectively ,where the difference between the cash which was received and their fair value ,in an amount of NIS 300 million ,was applied to the capital reserve from transactions with controlling shareholders.

As at December ,2018 ,31 the fair value of the subordinated loan described in sections (1)-(3) above in this note was estimated by an independent external appraiser as a total amount of NIS 529 million, It should be clarified that the aforementioned convertible subordinated loans are subordinate to any current and future debt of the Company ,and therefore ,the Company does not predict that they will be repaid in the foreseeable future ,and accordingly ,the Company considers them as a part of the Company's capital.

The following are the changes in the fair value:

	Financing income)expenses*(	Other comprehensive loss**	Explanation
Year	NIS millions		
2018	530	(538)	The financing income derives from a decrease in the value of the subordinated loan ,which is sourced from changes in the market ,primarily as a result of a decrease in the value of the holdings in Clal Holdings Insurance Enterprises ,as stated in Note.3 B 7.above and from a decrease in the value of the debenture from Dolphin IL as stated in Note 3.A.4 above .The other comprehensive loss derived primarily from an increase in the value of the subordinated loan ,which was attributed to an increase in the Company's credit risk ,as reflected in a decrease in the fair value of the Company's liabilities to the holders of its debentures.
2017	(444)	-	The financing expenses derive from an increase in the value of the subordinated loans, which derived primarily from an increase in the market value of the Company's holdings in DIC (which were sold in consideration for a value that was higher than the market prices, as stated in Note 3.A above) and from an increase in the value of the holdings in Clal Holdings Insurance Enterprises. These increases were offset by an increase in the fair value of the Company's debentures, which derived from an increase in its position .
2016	5	-	

* In the statement of income.

** In the statement of other comprehensive income under change in the fair value of subordinated loans.

Pursuant to Regulation 8B of the Securities Regulations, attached to these financial statements is an economic paper regarding the fair value of the convertible subordinated loan as at December 31, 2018 .

See Note 11.F.(2) below for details regarding sensitivity analyses from the fair value .

Note 7 - Capital and convertible subordinated loans (Continued)

C. Convertible subordinated loans from the controlling shareholder (Continued)

(4) Movements in subordinated loans:

	Total subordinated loans received	Reserve on transactions with a controlling shareholder	Balance of comprehensive income) loss(	Fair value of the subordinated loans[1]
At the time of the initial recognition[2]	558	472	-	86
Income recorded in profit and loss in 2015[3]	-	-	(4)	(4)
Income recorded in profit and loss in 2016[3]	-	-	(5)	(5)
Income recorded in profit and loss in 2016[4]	-	-	444	444
Balance as at December2017 ,31	558	472	435	521
Income recorded in profit and loss in 2018[4]	-	-	(530)	(530)
Other comprehensive income recorded in 2018[6]	-	-	538	538
Balance as at December2018 ,31	558	472	443	529

Balances in banks
Demand deposits

(1) Presented under non-current liabilities.

(2) In December 2015 and in February and March ,2016 as detailed above.

(3) As a result of a decrease in the fair value of the subordinated loans.

(4) As a result of an increase in the fair value of the subordinated loans ,which derived primarily from an increase in the value of the Company's holdings in Clal Holdings Insurance Enterprises and in the value of the shares in DIC.

(5) As a result of an increase in the fair value of the subordinated loans, which is attributed to changes in the market, primarily to a change in the value of the Company's holdings in Clal Holdings Insurance Enterprises and in the value of the debenture from Dolphin IL.

(6) As a result of an increase in the fair value of the subordinated loans, which is attributed to an increase in the Company's credit risk, as reflected from a decrease in the fair value of the Company's liabilities to the holders of its debentures.

Note 7 - Capital and convertible subordinated loans (Continued)

D. Movement in comprehensive income (loss)

	For the year ended December 31								
	2018			2017			2016		
	Total capital attributed to the Company's owners	Non-controlling shareholders	Total capital	Total capital attributed to owners of the Company	Non-controlling shareholders	Total capital	Total capital attributed to owners of the Company	Non-controlling shareholders	Total capital
	NIS millions								
Income) loss (for the year	**(465)**	**1**	**(464)**	**(610)**	**310**	**(300)**	**262**	**646**	**908**
Other components of comprehensive income (loss), net of tax									
Foreign currency translation differences for foreign operations	14	-	14	(132)	(148)	(280)	(32)	(12)	(44)
The Group's share in other comprehensive income) loss (in respect of investee companies treated at equity	19	-	19	(31)	5	(26)	161	105	266
Change in the fair value of subordinated loans attributed to changes in the credit risk	(538)	-	(538)	-	-	-	-	-	-
Other components of other comprehensive income (loss)	(4)	-	(4)	(14)	(11)	(25)	5	(1)	4
Other comprehensive income (loss) for the year, net of tax	(509)	-	(509)	(177)	(154)	(331)	134	92	226
Total comprehensive income) loss (for the year	(974)	1	(973)	(787)	156	(631)	396	738	1,134

E. In connection with a settlement agreement signed between the Company and bond trustees of IDB Holding Ltd ,.under which the Company was entitled to receive a sum of NIS 16 million, net of legal fees from the proceeds received by IDB Holdings, if and to the extent that they are received in the framework of motions for approval of derivative claims and/or derivative claims on behalf of IDB Holdings against the controlling shareholders and its officers ,in May 2018 the Company received a net amount of NIS 14 million in respect of proceeds received by IDB Holdings as part of a settlement agreement relating to the above claims which was signed in January 2018 and approved by the court in March.2018

Note 8 - Debentures and liabilities to banking corporations in connection with the swap transactions

A. Non-current liabilities

1. Debentures

	As at December31 2018	2017
	NIS millions	
Debentures	2,914	3,581
Less current maturities	(737)	(734)
	2,177	2,847

The following are details regarding the balances of the Company's debentures as at December:2018 ,31

	Series	Linkage basis	Stated interest %	Date of principal payment	As at December ,31 2018 Par value	Book value
					NIS millions	
The Company)See also sections B.1– (3).Cin this note.(	Series I	CPI	4.95	2020-2025	1,013	1,186
	Series K	CPI	4.25	2019	86	86
	Series M	Unlinked	5.40	2019	656	651
	Series N	Unlinked	5.00	2022	993	991
	Total debentures				2,748	**2,914**
	Current maturities					(737)
Total debentures excluding current maturities						**2,177**

The following are details regarding the balances of the Company's debentures as at December 31, 2017:

	Series	Linkage basis	Stated interest %	Date of principal payment	As at December ,31 2017 Par value	Book value
					NIS millions	
The Company)See also sections B.1– (3).C in this note.(	Series G	CPI	4.50	) 2018Repaid(	267	327
	Series I	CPI	4.95	2020-2025	1,013	1,165
	Series J	Unlinked	6.60	) 2018Repaid(	103	103
	Series K	CPI	4.25	2019	86	85
	Series M	Unlinked	5.40	*2018-2019	924	910
	Series N	Unlinked	5.00	2022	993	991
	Total debentures				3,386	**3,581**
	Current maturities					(734)
Total debentures excluding current maturities						**2,847**

*See section B (2).below in this note.

Note 8 - Debentures and liabilities to banking corporations in connection with the swap transactions (Continued)

A. Non-current liabilities (Continued)

2. Bank loans and other financial liabilities

	As at December31	
	2018	2017
	NIS millions	
Liabilities to banking corporations in connection with swap transactions [(1)]	811	315
Less current maturities	(486)	-
	325	315

(1) See Note.3 B.3 above for details.

B. Developments in the Company's liabilities in 2018 and after the date of the statement of financial Position

(1) Issuance of debentures (Series K)

In August 2016, the Company issued to the public NIS 325 million par value of debentures (Series K), for a total gross consideration of NIS 325 million. To secure the complete fulfillment of all of the Company's undertakings to repay all of the principal, linkage differential and interest payments in respect of the debentures, the Company charged, by means of a first priority fixed charge ,with no restriction as to amount ,in support of the Trustee for the debenture holders, a certain amount of shares in Clal Holdings Insurance Enterprises which are owned by the Company which are owned by the Company, and which are held in the account of the Trustee for Clal Holdings Insurance Enterprises ,as well as all of the accompanying rights which are associated with those shares, and the consideration which will be received from their sale and/or in respect of them, subject to the rights which were conferred upon the Trustee for Clal Holdings Insurance Enterprises .The number of shares in Clal Holdings Insurance Enterprises which will be charged must fulfill a VTL ratio of 133%, in accordance with the provisions of the deed of trust for the debenture holders (Series K) .

It is clarified that the charge on shares in Clal Holdings was given as is, for the fulfillment of VTL ratios on the date of the initial offering of the debentures, as stated above, and that the Company does not and will not have any obligation to continue fulfilling any VTL ratio whatsoever, except in case of a series extension of the debentures (Series K), a dividend distribution by Clal Holdings Insurance Enterprises ,or a partial sale of the charged shares in Clal Holdings Insurance Enterprises .

A change in the value of shares in Clal Holdings Insurance Enterprises which will be charged, from time to time, on the stock exchange, will not reduce the value of the securities and will not confer any remedy whatsoever on the debenture holder, and the Company will have no obligation whatsoever to provide additional securities or any other assets in support of the debenture holders. The issuance consideration was deposited in a trust account, and is charged in support of the debenture holders.

In October 2016, the Company performed a partial early redemption of the debentures (Series K) in an amount of approximately NIS 239.5 million par value, and in the total amount of NIS 244 million in respect of principal, interest and compensation for the redeemed part. The unpaid balance of the principal of the debentures after the implementation of the early redemption amounts to a total of NIS 85.5 million par value .

In March 2017, after approximately 2.8 million shares in Clal Holdings Insurance Enterprises were charged in support of the debenture holders (Series K), the cash balance ,in an amount of NIS 85 million, which had been deposited with the Trustee, was released to the Company.

The Trustee and the debenture holders will be entitled to demand the immediate repayment of the unpaid balance of the debentures and/or to realize securities ,and will be required to do so in the event that a resolution has been duly passed on the matter in the general meeting of debenture holders ,in case of the occurrence of one or more of the cases listed in the deed of trust.

Note 8 - Debentures and liabilities to banking corporations in connection with the swap transactions (Continued)

B. Developments in the Company's liabilities in 2018 and after the date of the statement of financial Position (Continued)

(2) Issuance of debentures (Series M)

On February 16, 2017, the Company issued to the public NIS 1,060 million par value of debentures (Series M), for a total gross consideration of NIS 1,060 million .

The debentures are unlinked and bear interest at a rate of 5.4% p.a. In consideration of the issuance costs and the estimate in respect of early repayments, the net consideration reflects an effective interest rate of 8.1% p.a .

In accordance with the amortization schedule of the debentures, the principal balance will be paid in a single payment on November 28, 2019; the first interest payment was paid on May 28, 2017 in respect of the period from the issuance date until the payment date, and the remaining interest payments will be paid in 4 quarterly payments each year, on the 28th of each of the following months: February, May, August and November, of each of the years 2017-2019 ,in respect of the three month periods concluded on the payment date. The debentures were listed for trading on the stock exchange, and trading of the debentures commenced on February 20, 2017.

As collateral for the complete fulfillment of all of the Company's undertakings to repay all of the principal and interest payments in respect of the debentures, the Company charged, through a single, first priority fixed charge ,and an assignment of rights by way of the charge ,with no restriction as to amount ,in support of the Trustee for the debenture holders

The right to receive the entire consideration in cash which will arise for the Company from the sale of approximately 27.6 million shares in Clal Holdings Insurance Enterprises") Base shares ,(" consideration from a cash dividend and consideration from the sale of any other asset / right in respect of those shares, and the consideration in kind which will result from those shares, provided that the aforementioned consideration does not constitute shares in Clal Holdings Insurance Enterprises ,nor any other right which is associated with the shares in Clal Holdings Insurance Enterprises ,and subject to the provisions of the outline, as defined in the deed of trust, and that no other restriction applies to their charge in accordance with any applicable law.

It should be noted that the Company is pledging the consideration for the base shares, and is not pledging the base shares, and accordingly, the debenture holders do not have, and will not have, any right to the base shares, and are not entitled to work to sell them and/or to work to prevent their sale and/or to work to perform or prevent the performance of any action whatsoever in respect of them, including upon demand for immediate repayment of the debentures and/or upon insolvency proceedings against the Company, except for the right to receive the consideration for them .

The charged consideration had a VTL ratio of 133% in accordance with the provisions of the deed of trust for the debenture holders (Series M). The charge on the consideration for the shares in Clal Holdings Insurance Enterprises was given as is, for the fulfillment of VTL ratios on the date of the initial offering of the debentures, as stated above, and that the Company does not and will not have any obligation to continue fulfilling any VTL ratio whatsoever, except in case of a series extension of the debentures (Series M), a dividend distribution by Clal Holdings Insurance Enterprises ,or a partial sale of the charged shares in Clal Holdings Insurance Enterprises.

A change in the value of shares in DIC whose consideration was charged from time to time on the stock exchange will not reduce the value of the securities and will not confer any remedy whatsoever on the debenture holder, and the Company will have no obligation whatsoever to provide additional securities or any other assets in support of the debenture holders. The Trustee and the debenture holders will be entitled to demand the immediate repayment of the unpaid balance of the debentures and/or to realize securities, and will be required to do so in the event that a resolution has been duly passed on the matter in the general meeting of debenture holders, in case of the occurrence of one or more of the cases listed in the deed of trust.

The issuance consideration ,in an amount of NIS 1,044 million, net of issuance costs, was received by the Company in March 2017, after all of the crucial conditions for its receipt had been fulfilled, including the receipt of approval from financing entities, and the recording of the charges, as stated above. In accordance with the deed of trust, the Company will fulfill, throughout the entire period of the debentures, the financial covenant which stipulates that the capital of Clal Holdings Insurance Enterprises will not fall below NIS 1.8 billion. Restrictions were also determined on the distribution of profits and on the creation of a general floating charge ,as detailed in the deed of trust.

Note 8 - Debentures and liabilities to banking corporations in connection with the swap transactions (Continued)

B. Developments in the Company's liabilities in 2018 and after the date of the statement of financial Position (Continued)

(2) Issuance of debentures (Series M) (Continued)

Following the execution of the sales of shares in Clal Holdings Insurance Enterprises ,as stated in Note.3 B.3 above ,and in accordance with decisions that have been made by the Company's Board of Directors ,the trustee for the holders of the debentures (Series M).

In accordance with the Company's instruction ,a number of partial early redemptions have been executed ,as follows:

Date	Par value NIS millions	Early repayments[1] NIS millions	Additional details	Clal Holdings Insurance Enterprises shares that are charged NIS millions
16/2/2017	1,060	-	Issuance	27.6
[3] 4/5/2017	-	-	Shares in Clal Holdings Insurance Enterprises [2]sold	(2.7)
28/5/2017	(136)	161	Early redemptions executed, following which shares in Clal Holdings Insurance Enterprises [2] have been released in accordance with the trust deed ,such that the VTL ratio at the time of the release stood at.133%	(5.0)
[3] 1/1/2018	-	-	Shares in Clal Holdings Insurance Enterprises [2]sold	(0.5)
3/5/2018	-	-	Shares in Clal Holdings Insurance Enterprises [2]sold	(2.8)
28/8/2018	(129.6)	146	Early redemption executed	-
30/8/2018 [3]	-	-	Shares in Clal Holdings Insurance Enterprises [2]sold	(2.8)
28/11/2018	(138.6)	153	Early redemption executed	-
31/12/2018	655.8			13.8
2/1/2019	-	-	Shares in Clal Holdings Insurance Enterprises [2]sold	(2.5)
28/2/2019	(129.5)	141	Early redemption executed	
26/3/2019	526.3			11.3

The considerations in respect of the shares that have been sold have been deposited in trust in a deposit that is charged in support of the holders of the debentures) Series M (and it was used for early repayments as stated above and for current interest payments. The balance of the monies in the trust account as at December 31, 2019 and as at a time shortly before the publication of the report was NIS 35 million and NIS 22 million, respectively.

(1) Including interest that has accumulated and including the additional interest payment on the part that has been repaid in an early repayment.
(2) The quantity of shares in Clal Holdings Insurance Enterprises ,the consideration for which is charged in support of the holders of the debentures) Series M ,(as stated above.
(3) Dee Note.3 B.3 above for details.

Note 8 - Debentures and liabilities to banking corporations in connection with the swap transactions (Continued)

B. Developments in the Company's liabilities in 2018 and after the date of the statement of financial Position (Continued)

(3) Issuance of debentures (Series N)

- In July 2017, the Company issued to the public approximately NIS 642.1 million par value of debentures (Series N), for a total gross consideration of NIS 642 million. The debentures are unlinked and bear annual interest at a rate of 5%. In consideration of the issuance costs, the net consideration reflects an effective interest rate of 5.3% p.a. The debentures were listed for trading on the stock exchange, and trading of the debentures commenced on July 26, 2017. The principal balance of the debentures will be repaid in a single payment on December 30, 2022, and the interest payments will be paid in 4 quarterly payments each year, on the 30th of each of the following months: March, June, September and December of each of the years 2017-2022 ,in respect of the three month period ended on the payment date. The Company will be entitled to redeem all or some of the debentures (Series N) through an early redemption, in accordance with the provisions of the deed of trust .

  To secure the complete fulfillment of all of the Company's undertakings to repay all of the principal and interest payments in respect of the debentures, the Company charged, through a single, first priority fixed charge ,and an assignment of rights by way of the charge ,with no restriction as to amount ,in support of the Trustee for the debenture holders, approximately 60.4 million shares in DIC .

  The issuance consideration ,in an amount of NIS 635 million, net of issuance costs, was received by the Company in July 2017, after all of the crucial conditions for its receipt had been fulfilled, including approval from financing entities, and recording of the charges, as stated above .
- In November 2017, the Company issued to the public, by way of a series extension, approximately NIS 351.2 million par value of debentures (Series N), for a total gross consideration of NIS 360 million .In consideration of the issuance costs, the net consideration reflects an effective interest rate of 4.8% per year .

  To secure the complete fulfillment of all of the Company's undertakings to repay all of the principal and interest payments in respect of the debentures, the Company charged, through a single, first priority fixed charge ,and an assignment of rights by way of the charge ,with no restriction as to amount ,in support of the Trustee for the debenture holders, approximately 33.8 million shares in DIC .The issuance consideration ,in an amount of NIS 357 million, net of issuance costs, was received by the Company in November 2017, after the fulfillment of all of the crucial conditions for its receipt, including approval from financing entities and the recording of the charges, as stated above .

The charge on shares in DIC was given as is for the fulfillment of VTL ratios on the date of the initial offering of the debentures, as stated above, and the Company does not have will not have any obligation to continue fulfilling any VTL ratio whatsoever, except in cases of a extension of the debentures series (Series N), a dividend distribution by DIC, or a partial sale of charged shares .

A change in the value of shares in DIC which were charged from time to time on the stock exchange will not reduce the value of the securities and will not confer any remedy whatsoever on the debenture holders and the Company will have no obligation whatsoever to provide additional securities or any other assets in support of the debenture holders .

The Trustee and the debenture holders will be entitled to demand the immediate repayment of the unpaid balance of the debentures and/or to realize securities, and will be required to do so in the event that a resolution has been duly passed on the matter in the general meeting of debenture holders, in case of the occurrence of one or more of the cases listed in the deed of trust .

In accordance with the provisions of the deed of trust, the interest rate which will be paid to the debenture holders (Series N) will be adjusted in the following cases: In case of a reduction of DIC's long term issuer rating below a rating of ilBBB, a maximum cumulative addition of up to 0.75% will be added to the annual interest rate applicable to the debentures (Series N); in case the net asset value of DIC (according to value of DIC's assets, which will be measured according to the value, in the financial statements, of DIC's non-marketable holdings, and according to their average market value of its marketable holdings during the five trading days before the cutoff date ,(falls below NIS 1.1billion ,an additional 0.25% will be added to the interest applicable to the debentures) Series N;(

Note 8 - Debentures and liabilities to banking corporations in connection with the swap transactions (Continued)

B. Developments in the Company's liabilities in 2018 and after the date of the statement of financial Position (Continued)

(3) Issuance of debentures (Series N) (Continued)

In a case in which the ratio between DIC's net financial debt and DIC's asset value exceeds 85%, an addition of 0.5% will be added to the interest rate applicable to the debentures (Series N); In accordance with the provisions of the deed of trust, until the full repayment of all of the principal and interest payments in respect of the debentures (Series N), the Company will not perform a distribution except subject to the fulfillment of all of the following conditions: (after the distribution, the Company's capital, plus subordinated loans, will be no less than NIS 800 million; At the time of the announcement regarding a distribution, grounds for demanding immediate repayment of the debentures and/or the forfeiture of collateral have not materialized .

In November 2017, the Company charged an additional 5.1 million shares in DIC in support of the debenture holders (Series N), instead of NIS 66 million which were received by the Trustee for the debentures in respect of the dividend which DIC distributed in September 2017. In light of the sale of shares in DIC which were held by the Company, as stated in Note 3.A .above ,on December ,31 99.3 ,2018million par value of shares in DIC ,which are held by Dolphin IL, were charged ,under a specific first ranking charge ,in support of the debenture holders (Series N).

See Note.3 A.6 above for details regarding amounts that Dolphin IL received in February ,2019 after the date of the statement of financial position and which have been deposited in a deposit that is charged in support of the holders of the debentures) Series N.(

C. Current rating of the Company's debentures

The following are the ratings of the Company's debenture series as at December 31, 201 and December 31, 201 and as at the approval date of these financial statements :

	Last rating date	**As at the approval date of these financial statements**	**As at December ,31 2018**	**As at December ,31 2017**
Standard & Poor's Maalot Ltd") .Maalot("	July2017	BBB-, stable rating outlook	BBB-, stable rating outlook	BBB-, stable rating outlook

On August 9 ,2018 Maalot announced that was ratifying the Company's rating at BBB -with a stable rating outlook.

D. Financial restrictions and covenants

For details regarding financial restrictions and covenants in respect of debentures which were issued by the Company ,see section B above .

E. For details regarding the the Company's debentures) Series I and N (held by related parties and interested parties ,see Note.17 D (1) .below .

Note 9 - Swap transaction on shares in DIC

In May 2018, the Company executed swap transactions with a banking corporation ("The banking corporation"), in connection with approximately 6.5 million shares in DIC, a company which is controlled by the Company's controlling shareholder, and which was controlled, until November 2017, by the Company .

The swap transactions apply to the abovementioned shares in DIC, which are held by a third party (one or more, whose identity / identities are not known to the Company), which entered into commitment(s) with the banking corporation. The swap transactions constitute NDF transactions alone, and the Company does not have any rights whatsoever to the shares in DIC. Under the swap transactions, it has been determined that at the end of a period of up to 12 months after the acquisition date of the shares in DIC, as stated above (whereby the Company has an option to extend the period by an additional 12 months), accounting will be performed between the Company and the banking corporation, regarding the difference between the base price of shares in DIC ,which is a price of NIS 10.14 per share in DIC (average in all of the transactions) ("The Base Price"), and the value of shares in DIC ,as of the date of the accounting) which will be determined according to the price at which the shares in DIC will be sold ,at that time ,by the third party.(

The Company has charged an NIS deposit ,which constitutes 100% of the value of the shares in DIC ,in accordance with the base price) an amount of approximately NIS 66 million, (in support of the banking corporation with which it engaged in the swap transactions ,by means of a fixed pledge ,and that it is entitled to terminate the swap transactions ,at its discretion ,at any time .The value of the transactions as at December 2018 ,31has been estimated at an amount of NIS 6 million and it has been measured at fair value through profit and loss and presented under derivatives under current financial assets that are measured at fair value through the statement of income.

On December 27, 2018, the Company announced to the Bank that it wished to terminate the swap transactions in connection with the said shares in DIC ("The shares being sold"). In addition, in accordance with the agreements between the Company and the Bank, it was determined that the termination of the swap transactions, as aforesaid, would be executed over a period of 21 days from the time of such agreements (i.e. by January 19, 2019 "The period of the sale", subject to a minimal price restriction that had been set in connection with the shares being sold, as aforesaid.

In January2019 , after the date of the statement of financial position, the Company paid an amount of NIS 6 million in respect of the termination of all of the swap transactions and the balance of the deposit, in an amount of NIS 66 million was released to the Company.

Note 10 - Other Payables and Credit Balances

	As at December31	
	2018	2017
	NIS millions	
Expenses payable - interest	7	16
Expenses payable - other	3	4
Provisions for expenses and in respect of unclaimed amounts	14	13
Interested parties*	5	7
Various payables and credit balances	1	1
	30	41

*See Note.17 B (1) .and (2) below .

Note 11 - Financial Instruments

A. Management of financial risks

The Group is exposed to the following risks which are due to the use of financial instruments:

- Credit risks.
- Market risk (including index risk ,currency risk ,interest rate risk and other price risk) .
- Liquidity risks.

The Company does not determine the risk management policy of its investee companies .

The individual responsible financial risk management in the Company is Mr .Gil Kotler ,the Company's CFO.

The treatment of the issue of the Company's direct financial exposures, formulation of hedge strategies, supervision over their implementation and provision of an immediate response to extraordinary developments in the various markets which directly affect the Company's risks, insofar as they are relevant to the Company, is handled by the supervisor of risk management in the Company, who acts in consultation with the Company's General Manager, as discussed and evaluated in Committee for the Examination of the Financial Statements and Board of Directors.

In accordance with the resolution of the Board of Directors, the Company's management, at its discretion, may use derivative financial instruments for the purpose of reducing, as necessary, exposures which arise from time to time as a result of the Company's financial structure .

Exposure to fluctuations in the market value of DIC and of investee companies

Most of the Company's assets including investments in the Debenture from Dolphin IL (for details regarding the terms of the Debenture and regarding charges on shares in DIC ,inter alia ,in support of the Company, see Note 3.A.2 above) and in Clal Holdings Insurance Enterprises) see Note.3 B above .(These investments are measured at fair value through profit or loss.

Changes in the prices of securities of Clal Holdings Insurance Enterprises ,of DIC, and of their investee companies, may affect, directly or indirectly, the Company's business results, capital, cash flows and value; the possibilities and terms of realization of those assets, which serve, and may serve, as collateral to guarantee credit; as well as the rating of the Company's debentures, the ability to distribute dividends, and the availability and terms of credit and financing; in this regard, downward changes in price may result, inter alia, in a decrease in the consideration from a possible sale and/or in the Company's capital .

The Company does not customarily hedge against these exposures .

Note 11 - Financial Instruments (Continued)

A. Management of financial risks) Continued(

.1 Risk management policy of the Company and its wholly-owned companies) excluding IDB Tourism) (Continued(

Market risks - The Company is directly exposed to market risks due to changes in the marketable value of its holdings, primarily in respect of the Company's holdings in shares in Clal Holdings Insurance Enterprises ,and in respect of the implications of changes in the value of DIC and in the value of its investee companies and in the value of the Debenture from Dolphin IL. It should be noted that certain risk factors and areas at uncertainty, including legal risks, regulatory risks, changes in prices and in characteristics of competition, risks pertaining to DIC's market value and assets, and other business risks, may harm the debt service capability of Dolphin IL, and therefore also the repayment ability of Dolphin IL against the Debenture and collateral which were given by Dolphin IL as collateral for the debenture .The Company is also exposed to changes in the index and to changes in interest rates, which may affect its assets and liabilities, and may adversely affect the Company's business results, capital, balances, cash flows and value. The Company is exposed to the various market risks also indirectly, due to the effect of DIC's investee companies and the Company's investee companies .

Direct exposure of the Company's liabilities to increases of the index and to interest rate changes - as at the date of the statement of financial position, the Company has CPI-linked liabilities at a scope of NIS 1 3.billion, with an average lifetime of 3 2.years, as compared with CPI-linked liabilities at a scope of NIS 2.1 billion, with an average lifetime of 3 82.years ,as at December .2017 ,31 These CPI-linked liabilities constitute 44% of the Company's debt as at December 2018 31 and 201 .7

The Company's debentures bear fixed interest, and their fair value is also affected by changes in the market interest rate .

Exposure to fluctuations in the market values of the Company's properties and to the affect of market variables on such values - In general, the Company does not perform hedging activities against these exposures and sometimes it even executed transactions, which increase its exposure to DIC (see Note 9above) and to Clal Holdings Insurance Enterprises (see Notes.3 B.3 and.3 B.4 above(

Liquidity risks

The Company's activities (debt repayments, general and administrative expenses, investments, and in the past, also dividends) are primarily financed by consideration from the realization of assets, issuances of debentures, and, in the past, usually also by dividends which were received from investee companies and loans from financial corporations, including from banks. Since the completion of the Debt Settlement of IDB Holding in May 2014, the Company's payments primarily include debt repayments, investments in investee companies, and general and administrative expenses, and until the first half of 2017, they were financed by capital raisings, in which the Company's controlling shareholder took a significant part, and by the raising of convertible subordinated loans from the controlling shareholder. In the last year and a half, the Company's payments have primarily been financed by debenture raisings, realization of shares in Clal Holdings Insurance Enterprises ,and dividend received from DIC.

As at December ,2018 ,31 the Company's liquid resources amounted to an amount of NIS 673 million)which included NIS 621 million in charged deposits ,(as compared with an amount of NIS 1,099 million as at December 31, 201) 7which included NIS 144 million in charged deposits .(Total principal and interest payments in the years 2019 and 20 20amount to NIS 886 million and NIS 315 million, respectively. The Company manages the liquidity risk in order to ensure that it has sufficient liquidity to service its liabilities and scheduled payments on time, as much as possible without reducing asset value, as stated above .

The average lifetime of the Company's gross debt balance ,which ,as at December ,2018 ,31 amounts to NIS 2.9 billion, is 2.6 years (as compared with 3.4 years as at December .(2017 ,31

The sources at the Company's disposal include ,inter alia ,debt refinancing and realization of marketable and private holdings .For details regarding the payment dates in accordance with the terms of the Debenture from Dolphin IL ,see Note.3 A.2 above .

For details regarding guarantees and a convenience letter which were provided by the Company to investees, see Note 12 below .

As at the date of the statement of financial position ,the rating of the Company's debentures was BBB - stable rating outlook. For details, see Note.8 C above .

Note 11 - Financial Instruments (Continued)

A. Management of financial risks) Continued(

.1 Risk management policy of the Company and its wholly-owned companies) excluding IDB Tourism) (Continued(

Exposure to changes in interest rates - The Company has no NIS liabilities at variable interest, and therefore, an increase in the interest rate would have no effect on the Company's future interest payments .

Credit risks - In accordance with the policy of the Company's Board of Directors, Company management invests its liquid surpluses in an effort to achieve adequate returns thereupon, through an appropriate application of the return to risk ratios. The Company holds cash balances in short term NIS deposits in several of the most reputable financial institutions in Israel, at a scope which is no less than its liquidity needs for a range of half a year. The Company also invests its liquid surpluses in mutual funds, ETF's ,shares government debentures and corporate debentures in Israel and abroad ,which have an Israeli rating of Investment Grade or higher ,and in other financial instruments with high rates of return .The maximum exposure to shares ,ETFs, and other financial instruments with high return rate will not exceed 30% of the liquid surplus, beyond its liquidity needs in a range of half a year, as stated above. The maximum rate of securities of one corporate issuer which the Company holds in the portfolio does not exceed 10% of the investment portfolio value. The Company's investment in debentures of companies from groups which are affiliated with the Company or with DIC is restricted a total of up to NIS 100 million, in debentures with high yield to maturity. The Company performs transactions with derivative financial instruments only through banking corporations and entities which are committed to maintaining a certain level of securities, according to scenarios .see Sections 3 and 5 in Note.3 B below for details regarding swap transactions which were performed by the Company in the years 2018 and ,2017 on 28.9% of the shares in Clal Holdings Insurance Enterprises .Further than this ,the Company has no other material financial assets which are exposed to credit risks.

The Company's policy regarding risk management ,as detailed above ,is implemented only for the Company itself and its wholly owned subsidiaries ,excluding IDB Tourism.

The Company does not determine policy ,and does not manage the risks of its investee companies .The policies of the investee companies are determined directly by the companies themselves .Additionally , the Company does not take any actions to hedge market risks arising from the activity of its investee companies ,and from the activities of investee companies which are held by them .Furthermore ,the Company does not manage the aggregate risks of its investee companies and/or of investee companies which are held by them.

.2 As at December 2018 ,31 and as at December 31, 201 ,7the investment in Clal Holdings Insurance Enterprises ,and the assets and liabilities of IDB Tourism ,were classified as held for sale assets and liabilities .Therefore ,these assets and liabilities were not included in this note ,except in section D below - linkage balance sheet.

B. Credit risks

As at December 31, 2018, cash and cash equivalents amounted to a total of NIS 49 million .

The Company and the consolidated companies have no significant concentration of credit risks .

(1) The maximum exposure to credit risk was as follows:

	As at December31	
	2018	2017
	NIS millions	
Non-current assets		
Debenture from Dolphin IL	1,203	1,529
Restricted deposits	264	144
Current assets		
Financial assets presented on a fair value basis(1)	-	167
Cash and cash equivalents	49	624
Financial receivables	2	1
Short-term loans, deposits and charged and restricted deposits	357	-
Derivatives		
Forward contract on the index	-	1
	1,875	2,466

(1) Not including stocks ,participation certificates in mutual funds and ETF's.

<u>Note 11 - Financial Instruments</u> (Continued)

B. Credit risks) Continued(

(2) <u>Maximum exposure to credit risk in respect of trade receivables, other receivables, loans and other investments, by geographical region:</u>

	As at December31	
	2018	2017
	NIS millions	
Israel	1,875	2,436
United States	-	30
	1,875	2,466

-

(3) Maximum exposure to credit risk in respect of trade receivables, other receivables, loans and other investments, by counterparty, at book value:

	As at December31	
	2018	2017
	NIS millions	
Dolphin IL(1)	1,203	1,529
Financial corporations	670	769
Debentures issued by the Government of Israel	-	47
Debentures issued by corporations(2)	-	120
Other receivables	2	1
	1,875	2,466

(1) The balances are not in arrears and there are no provisions for impairment in value in respect of them. See Note 3.A. above for details regarding the terms of the debenture from Dolphin IL regarding the deferral of the interest payments in accordance with its terms .

(2) As at December 31, 2017, debentures in an amount of NIS 117 million are rated A- and higher .

Note 11 - Financial Instruments (Continued)

C. Liquidity risks

The following are the contractual repayment dates of financial liabilities, including estimated interest payments. The amounts are not discounted.

	As at December2018 ,31							
	Carrying value[(1)]	**Total cash flow forecast** [(2)]	**First year**	**Second year**	**Third year**	**Fourth year**	**Fifth year**	**Over 5 years**
	NIS millions							
Non-derivative financial liabilities								
Debentures	(2,920)	(3,468)	(886)	(315)	(305)	(1,288)	(235)	(439)
Subordinated loans [(3)]	(529)	(587)	-	-	-	-	-	(587)
Other financial payables and credit balances	(20)	(20)	(20)	-	-	-	-	-
	(3,469)	(4,075)	(906)	(315)	(305)	(1,288)	(235)	(1,026)
Financial liabilities - derivative instruments								
Equity swap in respect of 10% of the shares in Clal Holdings Insurance Enterprises [(4)]	(113)	(142)	(72)	(70)				
Swap transactions on shares in DIC[(5)]	(6)	(6)	(6)	-				
	(119)	(148)	(78)	(70)				

(1) The carrying value includes current maturities and accrued interest as at December 31, 2017. The cash flow forecast includes all future interest payments.

(2) The cash flow forecast has been calculated based on the index and the known interest rates as at December 31, 201 .8With reference to Series M, the flow reflects discounts in connection with additional realizations of shares in Clal Holdings Insurance Enterprises and the performance of early repayments, including the payment of early repayment fines in respect of them .For details ,see Notes.3 B).2.e (and.8 B.(2 (above .

(3) For details, see note.7 C .above.

(4) For details regarding sales of shares in Clal Holdings Insurance Enterprises constituting 25% of the shares in Clal Holdings Insurance Enterprises see Note 3.B 3.above .For details regarding a swap transaction on 5% of the shares in Clal Holdings Insurance Enterprises ,which were sold by Bank Hapoalim ,see Note.3 B.4 above.

(5) See Note 9 above for details.

Note 11 - Financial Instruments (Continued)

C. Liquidity risks) Continued(

The following are the contractual repayment dates of financial liabilities, including estimated interest payments. The amounts are undiscounted) Continued(

	As at December2017 ,31							
	Carrying value[1]	**Total cash flow forecast [2]**	**First year**	**Second year**	**Third year**	**Fourth year**	**Fifth year**	**Over 5 years**
	NIS millions							
Non-derivative financial liabilities								
Debentures	(3,596)	(4,337)	(930)	(842)	(312)	(302)	(1,285)	(666)
Subordinated loans [3]	(521)	(587)	-	-	-	-	-	(587)
Other financial payables and credit balances	(22)	(22)	(22)	-	-	-	-	-
	(4,139)	(4,946)	(952)	(842)	(312)	(302)	(1,285)	(1,253)
Financial liabilities - derivative instruments								
Equity swap in respect of 10% of the shares in Clal Holdings Insurance Enterprises [4]	25	11	(8)	19				

(1) The carrying value includes current maturities and accrued interest as at December 31, 2017. The cash flow forecast includes all future interest payments.

(2) The cash flow forecast has been calculated based on the index and the known interest rates as at December 31, 2017. With reference to Series M, the flow reflects discounts in connection with additional realizations of shares in Clal Holdings Insurance Enterprises and the performance of early repayments, including the payment of early repayment fines in respect of them. For details, see Notes 3.B.2.(e) and.8 B.(2) above .

(3) For details ,see note.7 C .above.

(4) For details regarding the sale of shares in Clal Holdings Insurance Enterprises in two transactions (5% in each transaction) and the performance of swap transactions in respect of the shares being sold, see Note 3.B.3 above .

Note 11 - Financial Instruments (Continued)

D. Linkage bases of assets and liabilities in the statement of financial position

	As at December2018 ,31					
	Linked to the CPI	Linked to the dollar	Linked to other currency, mostly the euro	Unlinked	Non-monetary items(1)	Total
	NIS millions					
Assets(2)						
Debenture from Dolphin IL	-	-	-	1,203	-	1,203
Cost of obtaining collateral for the Company's liabilities from Dolphin IL	-	-	-	-	165	165
Investments in investee companies treated at equity	-	-	-	-	204	204
Restricted and charged deposits	-	-	-	621	-	621
Non-current financial assets presented on a fair value basis	-	-	-	-	27	27
Other assets	-	-	-	-	2	2
Fixed assets	-	-	-	-	1	1
Current financial assets measured on a fair value basis	-	-	-	-	3	3
Other receivables	-	-	-	2	1	3
Assets classified as held for sale	-	89	17	48	2,113	2,267
Cash and cash equivalents	-	1	-	48	-	49
Total assets	-	90	17	1,922	2,516	4,545
Liabilities(2)						
Debentures	1,272	-	-	1,642	-	2,914
Liabilities to banking corporations in connection with swap transactions	-	-	-	811	-	811
Subordinated loans	-	-	-	529	-	529
Swap transaction on the shares of Clal Holdings Insurance Enterprises	-	-	-	-	32	32
Derivatives	-	-	-	-	6	6
Other payables	14	-	-	13	3	30
Provisions	-	-	-	-	2	2
Liabilities classified as held for sale	-	233	30	65	124	452
Total liabilities	1,286	233	30	3,060	167	4,776
Difference as at December2018 ,31	(1,286)	(143)	(13)	(1,138)	2,349	(231)

(1) Including stocks, participation certificates in mutual funds and tracker funds.
(2) Non-current assets and liabilities in this table include current maturities in respect of them.

Note 11 - Financial Instruments (Continued)

D. Linkage bases of assets and liabilities in the statement of financial position) Continued(

	As at December2017 ,31					
	Linked to the CPI	Linked to the dollar	Linked to other currency , mostly the euro	Unlinked	Non-monetary items(1)	Total
	NIS millions					
Assets(2)						
Investments in investee companies treated at equity	-	-	-	-	245	245
Debenture from Dolphin IL	-	-	-	1,529	-	1,529
Cost of obtaining collateral for the Company's liabilities from Dolphin IL	-	-	-	-	197	197
Non-current financial assets presented on a fair value basis	-	-	-	-	27	27
Other assets	-	-	-	-	24	24
Charged deposits	-	-	-	144	-	144
Fixed assets	-	-	-	-	1	1
Current financial assets measured on a fair value basis	18	82	-	68	164	332
Other receivables and debit balances	-	-	-	1	1	2
Assets classified as held for sale	-	75	26	56	2,315	2,472
Cash and cash equivalents	-	37	-	587	-	624
Total assets	18	194	26	2,385	2,974	5,597
Liabilities(2)						
Debentures	1,577	-	-	2,004	-	3,581
Liabilities to banking corporations in connection with swap transactions	-	-	-	315	-	315
Subordinated loans	-	-	-	521	-	521
Provisions	-	-	-	-	2	2
Other payables and credit balances	22	-	-	17	2	41
Liabilities classified as held for sale	-	224	21	29	132	406
Total liabilities	1,599	224	21	2,886	136	4,866
Difference as at December2017 ,31	(1,581)	(30)	5	(501)	2,838	731

(1) Including stocks ,participation certificates in mutual funds and tracker funds.

(2) Non-current assets and liabilities in this table include current maturities in respect of them.

Note 11 - Financial Instruments (Continued)

E. Market risks

.1 Interest rate risks

The Group's interest rate risk is primarily due to the implications of interest rate changes on the Company's debentures, which are at fixed interest. Some of the Company's liabilities in connection with the swap transactions bear variable interest. In this case, the Group is exposed to cash flow risk in respect of changes in the interest rate.

The following are details regarding the interest type of the Group's interest-bearing financial instruments according to their book value:

	As at December31	
	2018	2017
	NIS millions	
Instruments bearing fixed interest		
Financial assets *	1,866	2,381
Financial liabilities	(2,914)	(3,581)
	(1,048)	(1,200)
Instruments bearing variable interest		
Financial assets	-	4
Financial liabilities**	(811)	(315)
	(811)	(311)

* As at December 31 ,2018 ,includes NIS 1,203 million (as at December 31 - 2017 ,Includes NIS 1,529 million in respect of the Debenture from Dolphin IL.

** As at December ,2018 ,31 relates to liabilities to banking corporations in connection with swap transactions on) 25%as at December 31, 2017 – 10% (of the shares in Clal Holdings Insurance Enterprises ,which have been sold .See Note.3 B.3 above for details .

The following are the effects, on equity and on total profit or loss, of changes in interest rates in respect of instruments at fixed interest, which are measured at fair value

	As at December31	
	2018	2017
	Impact on total equity and on total profit or loss *	Impact on total equity and on total profit or loss *
	NIS millions	
An absolute interest rate increase of 1%	-	(7)

* Related both to the total equity and profit or loss and also to the part attributed to the shareholders.

.2 Price risk - sensitivity analysis

Changes in the fair value of securities measured at fair value through profit and loss would have affected profit or loss in the following amounts ,after tax:

	For the year ended December31					
	*20187		*2017		*2016	
	Impact on Profit or loss	Impact on the share of shareholders	Impact on Profit or loss	Impact on the share of shareholders	Impact on Profit or loss	Impact on the share of shareholders
	NIS millions					
Increase of5%	62	62	93	93	75	33
Increase of10%	123	123	186	186	151	67
Decrease of5%	(62)	(62)	(93)	(93)	(75)	(33)
Decrease of10%	(123)	(123)	(186)	(186)	(151)	(67)

* As detailed in section A.2. of this note above, the effect does not include the impact of the investment in Clal Holdings Insurance Enterprises ,which is presented under assets held for sale.

Note 11 - Financial Instruments (Continued)

E. Market risks) Continued (

.3 Index and foreign currency risk - sensitivity analysis

Changes in the exchange rate of the dollar ,and changes in the index as at December 31, would have increased (decreased) capital and profit or loss in the amounts that are presented below. This analysis was performed assuming that all other variables, and particularly the interest rates, remained fixed .

		As at December31	
		2018	2017
	Rate of change	Impact on Total profit) loss (and on equity*	Impact on Total profit) loss (and on equity*
	%	NIS millions	
CPI	1	(13)	(16)
Dollar	5	-	6
CPI	2	(26)	(31)
Dollar	10	-	12
CPI	(1)	13	16
Dollar	(5)	-	(6)
CPI	(2)	26	31
Dollar	(10)	-	(12)

*Relates both to total equity and profit and loss and also to the share attributed to the shareholders.

Comments regarding the sensitivity analysis presented above:

(1) The analysis was performed in respect of monetary financial instruments only .Shares ,participation certificates in mutual funds and ETF's were not taken into account in this sensitivity analysis.

(2) The analysis includes effects due to financial derivatives.

Positions in derivatives as at December) 20187 ,31 NIS millions(

	CPI / NIS	
	Par value	Fair value
	Up to one year	
	Long	
Futures contract – swap on shares in DIC *	6.5	(6)

* See Note 9 above for details.

Positions in derivatives as at December) 2017 ,31 NIS millions(

	CPI / NIS	
	Par value	Fair value
	Up to one year	
	Long	
Futures contract - swap* - non-hedge accounting	7	1

* This futures contract converts the flows of a CPI-linked liability to nominal NIS flows at fixed interest.

Note 11 - Financial Instruments (Continued)

F. (1)Fair value of financial instruments

The book value of certain financial assets and liabilities, including cash and cash equivalents, trade receivables, other receivables deposits, other investments, derivatives, the debenture from Dolphin IL ,liabilities to banking corporations in connection with swap transactions and other payables accord with or approximate to their fair value.

The fair value and book value of the other financial assets and liabilities ,as presented in the statement of financial position ,are as follows:

	As at December 312018 ,					
		Fair value (5)				Discount interest rate used in the calculation of fair value
	Book value	Level1	Level2	Level3	Total	
		NIS millions				%
Financial assets						
Debenture of Dolphin IL(1)	1,203	-	-	1,203	1,203	
Investment in Colu(2)	27	-	-	27	27	
	1,230	-	-	1,230	1,230	
Financial liabilities						
Debentures (4),(3)	(2,920)	(2,202)	-	-	(2,202)	3.2-21.4
Subordinated loans(6)	(529)	-	-	(529)	(529)	
Fair value of a swap transaction on shares in Clal Holdings Insurance Enterprises(7)	(32)	-	(32)	-	(32)	
Swap transaction on shares in DIC	(6)	-	(6)	-	(6)	
	(3,487)	(2,202)	(38)	(529)	(2,769)	

	As at December2017 ,31					
		Fair value (6)				Discount interest rate used in the calculation of fair value
	Book value	Level1	Level2	Level3	Total	
		NIS millions				%
Financial assets						
Debenture of Dolphin IL(1)	1,529	-	-	1,529	1,529	
Investment in Colu(2)	27	-	-	27	27	
	1	-	1	-	1	
	1,557	-	1	1,556	1,557	
Financial liabilities						
Debentures (4),(3)	(3,596)	(3,786)	-	-	(3,786)	1.4-4.4
Subordinated loans(5)	(521)	-	-	(521)	(521)	
	(4,117)	(3,786)	-	(521)	(4,307)	

(1) The fair value of the Debenture from Dolphin IL was determined by an external appraiser using a correlative Monte Carlo model .The Monte Carlo model is an algorithmic model which is used to solve calculation problems by running stochastic parameters through a large number of global situations and performing calculations on the various scenarios which were obtained .For the purpose of calculating the various scenarios ,simulations were prepared regarding the future value of DIC's holdings ,and the fair value of the Company's holdings ,in order to evaluate the ability to actually repay the Debenture and the impact of these values on insolvency situations ,both of the Company and of the Buyer .Use was also made of the Merton model ,in order to estimate the future value of the Debenture at different dates and in different scenarios ,in order to evaluate natural situations of early repayment ,both on the part of the Buyer ,and on the part of the Company .For additional details regarding the Debenture and its terms ,see Note.3 A above .

(2) See Note.3 F above for details .The fair value as of December 31, 2017 has been determined in accordance with the historic cost ,in view of performing the transaction in December 2017 no change toom place in value as of December 2018 ,31 since the last transaction that was executed in Colu's securities reflects a value that is not materially different than the value under which the Company's investment was performed . .

(3) The fair value of debentures traded on the stock exchange was estimated based on their quoted price ,and the interest rate in respect of them reflects the yield to maturity embodied in the aforementioned quoted price .

(4) The carrying value in the accounting records includes contingent liabilities and accumulated interest.

(5) For details regarding the various levels of the fair value hierarchy ,see Note.1 D.(3).B.2 .above

(6) The convertible subordinated loans are presented in the Company's accounting records at fair value .The fair value of the aforementioned loans was determined by an external appraiser based on a calculation used to estimate indications of the value of the Company's equity.

(7) Relates to the swap transaction on 5% of the shares in Clal Holdings Insurance Enterprises ,which were sold by Bank Hapoalim .See Note .3B.4 above for details..

Note 11 - Financial Instruments (Continued)

F. (Continued)

(2) Fair value hierarchy of financial instruments measured at fair value

For details regarding the various levels of the fair value hierarchy ,see Note.1 D.(3).B.2 .above . above.

The fair value of financial assets measured at fair value is determined with reference to their quoted closing bid price as at the date of the statement of financial position ,and in the absence of such a quoted price - using other conventionally accepted valuation methods ,in consideration of the majority of observed market data) such as use of the interest curve.(

As at December ,2018 ,31 the Group had financial liabilities that were measured at fair value level 2 in an amount of NIS 6 million. As at December 31, 2017, the Company had an asset with a value of NIS 1 million ,which was measured at fair value level 2 .

The Group's remaining financial instruments, which are presented at fair value, are measured at fair value level 1, except as detailed in the following tables:

Financial instruments measured at fair value level3

	For the year ended December2018 ,31	
	Financial assets	Financial liabilities
	Debenture from Dolphin IL and other) b(	Subordinated loans) c(
	NIS millions	
Balance as at January2018 ,1	1,556	(521)
Total profit) loss (recognized:		
In profit and loss)a(	(326)	530
In other comprehensive income and loss) under reserves on translation differences(	-	(538)
Balance as at December2018 ,31	1,230	(529)
(a) Total profit (loss) for the period recorded in profit and loss in respect of held assets and liabilities as at December 31, 2017		
Financing) income (expenses	(326)	530

)b (See also Note 3.A above, and the sensitivity analysis in Section F(2) below of this Note .

)c(See also Note 7.C above, and the sensitivity analysis in Section F(2) below of this Note .

)d(In this section ,a change in the fair value of the subordinated loans ,which is attributed to the credit risk

Note 11 - Financial Instruments (Continued)

F. (Continued)

(2) Fair value hierarchy of financial instruments measured at fair value (Continued)

	For the year ended December ,31 2017			
	Financial assets	Financial liabilities		
	Financial assets measured at fair value through profit or loss	Subordinated loans	Other	Total
	NIS millions			
Balance as at January2017 ,1	352	(77)	(3)	(80)
Total profit) loss (recognized:				
In profit and loss)a(	)b8 (	)d(444) (	1	(443)
In other comprehensive income and loss) under reserves on translation differences(	(9)	-	-	-
Debenture of Dolphin IL)e (	1,502	-	-	-
Investment	33	-	)c(1) (	(1)
Sales	(115)	-	-	-
Redemptions	(7)	-	-	-
Transfer from level3	(25)	-	-	-
Transfers to level 3	2	-	-	-
Write-offs due to deconsolidation	(185)	-	3	3
Balance as at December2017 ,31	1,556	(521)	-	(521)

)a (Total profit (loss) for the period recorded in profit and loss in respect of assets and liabilities held as at December 31, 2017

Financing) income (expenses	27	(444)	-	(444)

)b (Not including income from dividends in an amount of NIS 10 million .

)c(Investment of non-controlling shareholders.

)d(See also Note.7 G .above.

)e(For details regarding the note ,see Note.3 A .above .See also sensitivity analyzes in section F .(2) .In this note below.

Note 11 - Financial Instruments (Continued)

F. (Continued)

(2) Fair value hierarchy of financial instruments measured at fair value) Continued (

Fair value sensitivity analysis in respect of financial instruments measured at fair value level 3

Although the Company believes that the fair value amounts which were determined for the purpose of measuring the financial instruments which are measured at fair value level 3 are appropriate, the use of different assumptions or measurement methods could change the fair value amounts significantly .

- In respect of the fair value measurement of the convertible subordinated loans from the controlling shareholder, a possible and reasonable change in each of the following non-observable figures would have increased (decreased) profit and loss, and capital, as follows :

	As at December ,31 2018			
	Impact on total capital		Impact on profit or loss	
	Increase of	Decrease of	Increase of	Decrease of
	NIS millions			
Absolute change of 10% in estimated indications of the Company's equity value	(53)	53	(53)	53
Absolute change of 5% in the fire sale factor in respect of assets	76	(76)	76	(76)
Absolute change of 2.5% in the discount rate in respect of block	13	(13)	13	(13)

The above data are presented on the assumption that the changes derive from changes in the market and not in the Company's credit risk .Pursuant to the provisions of IFRS ,9 insofar as the source of the changes may be in the Company's credit risk ,these changes will be reflected in other comprehensive income.

	As at December ,31 2017			
	Impact on total capital		Impact on profit or loss	
	Increase of	Decrease of	Increase of	Decrease of
	NIS millions			
Absolute change of 10% in estimated indications of the Company's equity value	(52)	52	(52)	52
Absolute change of 5% in the fire sale factor in respect of assets	42	(42)	42	(42)
Absolute change of 2.5% in the discount rate in respect of block	30	(30)	30	(30)

- In respect of the fair value measurement of the Debenture from Dolphin IL ,a possible and reasonable change in each of the following non-observable inputs would increase) decrease (profit and loss ,and capital ,as follows:

	As at December ,31 2018			
	Impact on total capital		Impact on profit or loss	
	Increase of	Decrease of	Increase of	Decrease of
	NIS millions			
Absolute change of 5% in the estimated volatility of DIC as a synthetic asset*	(20)	4	(20)	4
Absolute change of 0.5% in the quarterly probability of a change in the ownership of Dolphin IL	4	(4)	4	(4)
Absolute change of 10% in the threshold ratio of assets to liabilities) VTL (at which insolvency proceedings will be initiated against the Company or against Dolphin IL	7	(23)	7	(23)

- The valuation has been executed using a normative synthetic asset) sum of parts), based on the value of DIC's various holdings.

	As at December ,31 2017			
	Impact on total capital		Impact on profit or loss	
	Increase of	Decrease of	Increase of	Decrease of
	NIS millions			
Absolute change of 5% in the estimated volatility of DIC as a synthetic asset*	(69)	81	(69)	81
Absolute change of 0.5% in the quarterly probability of a change in the ownership of Dolphin IL	62	(7)	62	(7)
Absolute change of 10% in the threshold ratio of assets to liabilities) VTL (at which insolvency proceedings will be initiated against the Company or against Dolphin IL	83	(73)	83	(73)

- In relation to the rest of the financial instruments that are classified at level 3 in the fair value hierarchy ,the possible impact as a result of a reasonable change in the data is not expected to be significant,

Note 11 - Financial Instruments (Continued)

G. Changes in financial liabilities whose cash flows are classified as cash flows from financing activities:

	For the year ended December 31, 2018		
	Debentures	**Subordinated loans**	**Total**
		NIS millions	
Balance as at January ,1 2018	(3,596)	(521)	(4,117)
Changes in 2017			
Cash flows paid-			
For financing activities	891	-	891
Amounts reflected in profit or loss-			
Financing income) expenses(	(215)	530	315
Amounts reflected in other comprehensive income -			
Change in fair value of subordinated loans attributed to changes in the credit risk	-	(538)	(538)
Balance as at December ,31 2018	(2,920)	(529)	(3,449)

	For the year ended December ,31 2017						
	Short term loans from banks and others	**Loans from banks and others**	**Debentures**	**Liabilities in respect of construction and others**	**Subord-inated loans**	**Financial liabilities - derivative instruments**	**Total**
				NIS millions			
Balance as at January ,1 2017	(162)	(3,818)	(20,443)	(115)	(77)	(30)	(24,645)
Changes in 2017							
Cash flows received-							
From continuing financing activities	-	-	(2,037)	-	-	-	(2,037)
From discontinued financing activities	(228)	(351)	(1,834)	-	-	(2)	(2,415)
Cash flows paid-							
For continuing financing activities	-	534	1,186	-	-	-	1,720
For discontinued financing activities	213	418	2,570	20	-	15	3,236
Liabilities added in respect of finance lease - from discontinued operations	-	-	-	(33)	-	-	(33)
Amounts reflected in profit or loss-							
Financing expenses	-	(14)	(247)	-	(444)	-	(705)
Profit (loss) from discontinued operations	(5)	(117)	(948)	3	-	(13)	(1,080)
Amounts reflected in other comprehensive income-							
Foreign currency translation differences on foreign operations	-	156	-	-	-	(5)	151
Others - From discontinued financing activities	-	(5)	-	-	-	-	(5)
Derecognition following the discontinuation of consolidation	182	3,197	18,157	125	-	35	21,696
Balance as at December ,31 2017	-	-	(3,596)	-	(521)	-	(4,117)

Note - 12 Guarantees and Liens

A. **Liens - the Company**

1. See Note.8 B .above and section 2 below for details regarding liens on assets, for the purpose of ensuring the complete fulfillment of all of the Company's liabilities in respect of the repayment of the Company's debentures (Series K, Series L and Series M) .
2. The following are details regarding the liens which were given towards the Company's debenture holders ,in support of the liabilities to those holders :

Charged asset	Charged in support of the holders of debenture series	As at December2018 ,31 Amount	Rate of charged holdings
		Millions of shares	%
Shares in DIC) b(	N	99.26	65.3
Shares in Clal Holdings Insurance Enterprises)a (	K	2.77	5.0
	M)a(	13.81	24.8

(a) The Company has charged ,the consideration in respect of the base shares, and not the actual shares in support of the debenture holders (Series M) .See Note.8 B.(2 (above .At a time close to the time of the publication of the report 11.31 ,million of these shares remained (approximately 20.3% of the shares in Clal Holdings Insurance Enterprises ,(as well as a deposit of approximately NIS 22 million .See Note.8 B (2).above for details .

(b) As from November ,2017 and proximate to the publication date of the report, the Company no longer holds shares in DIC, See Note 3.A. above .The aforementioned 99.26 million shares are charged ,through a specific first ranking lien ,in support of the debenture holders (Series N), through a specific second priority lien in support of the Company, and through a specific third priority lien in support of the Company's debenture holders) including Series N) .
In addition 17.16 ,million shares in DIC are charged through a specific first ranking lien in support of the Company, and through a specific second priority lien in support of all of the Company's other debenture holders .
Accordingly, in total, 116.42 million shares in DIC are charged to guarantee the Debenture from Dolphin IL. The value of the aforementioned shares as at December 31, 20 ,18and at a time close to the time of the publication of the report ,was NIS 1,072 million and NIS 967 million, respectively.

.3 The Company has presented a comfort letter to a bank, in connection with its holdings in Israir, according to which, inter alia, it will invest all possible efforts in order to assist Israir in obtaining financial means which will allow it to service its liabilities towards the bank, and if required, will work to assist in the sale of the airplanes so that the receipts for the sale can be used to repay the debt. The convenience letter noted that it did not create any undertaking to repay the credit and/or any security and/or guarantee whatsoever .In the convenience letter ,the Company undertook to maintain control of IDB Tourism and/or its subsidiaries.

B .**Guarantee for a loan that has been received by Great Wash Park LLC ("GW")**

See Note 3.D.2 above for details regarding a guarantee which has been provided by the Company and Property & Building in connection with a loan that GW received from a local bank in the United States .

C. As collateral for debts to banks ,Israir and its consolidated companies created a floating lien on their assets, share capital, holdings in investee companies and insurance rights to their assets. As at December 31, 2018 all of the airplanes and airplane-associated equipment are charged in support of a loan from a banking corporation .

Note 13 - Contingent liabilities ,commitments and lawsuits

A. Contingent liabilities

(1) The Group issued, to certain officers and employees, and to certain officers in a number of the Company's investee companies, advance letters of indemnification to indemnify those officers in respect of their liability for actions taken by virtue of their aforementioned positions, subject to certain conditions, and in respect of certain monetary liabilities which will apply to them within the framework of their aforementioned liability, and for which, by law, indemnification can be given. See also Note.17 B (3).below.

(2) Within the framework of economic papers and economic opinions which were prepared for the Company and its investees by external experts, the Company and its investees gave those experts an undertaking to indemnify them for damages which they may incur as a result of third party claims against them ,in respect of those economic papers and economic opinions .

B. Lawsuits

The Company is involved in lawsuits ,or various legal proceedings are pending against it") Lawsuits .(" The costs which may arise from lawsuits are provided in the financial statements of the Company, only if" it is more likely that not "(i.e., likelihood greater than 50%) that liability will arise due to past events, and the liability amount is quantifiable or estimable within a reasonable range. The amounts of the provisions, as required, which were performed are based on the Company's estimate regarding the extent of risk of each of the claims (excluding some of the claims, regarding which, due to the preliminary stage of the handling thereof, it is not possible to estimate their chances of success). On this matter, it should be noted that events which occur during litigation may require re-evaluation of this risk. The Company's estimates the risk are based both on the opinions of its legal counsel, and on the Company's estimate the amounts of the reasonable settlement arrangements which the Company could be expected to bear, if the aforementioned settlement arrangements are agreed to by both parties. The following claims are presented at amounts that are correct as at the date of their filing, unless noted otherwise.

(1) **Lawsuits against the Company**

The Company's financial statements as at December 2018 ,31 do not include provisions in respect of lawsuits against the Company .

The following is a description of the pending claims against the Company :

Note 13 - Contingent liabilities ,commitments and lawsuits (Continued)

B. Lawsuits (Continued)

(1) **Lawsuits against the Company (Continued)**

Date of the submission of the claim	Parties	Court	Type of proceedings	Details	Company's share in the original claim amount (NIS millions)
January 2018 [1])the filing date of the amended petition for the approval of the lawsuit (	A claim against the Company, Mr. Eduardo Elsztain, the Company's controlling shareholder; Dolphin Netherlands BV, the Company's controlling shareholder; Mr. Mordechai Ben Moshe, the Company's former controlling shareholder; and C.A.A. Extra Holdings Ltd., the Company's former controlling shareholder, by petitioners who allege that on the relevant date they held shares in the Company, and that they are entitled parties under the Debt Settlement of IDB Holdings Corporation Ltd . ")The petitioners ("	District Central) Lod(Supreme	Petition for the approval of the lawsuit as class action	The original claim included assertions ,inter alia ,regarding the conduct of the Company's controlling shareholders and Board of Directors in connection with the expiration of a transaction for the sale of the Company's holdings in Clal Holdings Insurance Enterprises in 2014, and in connection with rights issues which were performed by the Company in the years 2014 and 2015 . Following the dismissal of the appeal proceedings by the Supreme Court, in connection with a decision which was given in the petition to summarily dismiss which was filed by the respondents, in which the Court ordered the striking out, from the petition to approve, of causes of action which fall under the exemption condition which was included in the amendment to the Debt Settlement, pertaining to damage which was allegedly caused due to prejudice of rights, by virtue of the undertaking of the controlling shareholder and the former controlling shareholder to perform a tender offer for the Company's shares in accordance with the Debt Settlement, the petitioners filed an amended petition to approve the claim as a class action . In the Company's assessment ,in accordance with the opinion of its legal advisors ,it is more likely than not that the lawsuit ,as submitted against the Company will not be accepted.	The personal damage which was allegedly incurred by the petitioners was estimated by them as a total of NIS 861 thousand. The damage claimed on behalf of all of the class members was estimated by the petitioners as up to NIS 413 million .
May 2018	A lawsuit against Bank of Jerusalem Ltd") [2].Bank of Jerusalem" by plaintiffs who managed their investments portfolio through the Clal Finances Companies ("The plaintiffs ("	District) Tel-Aviv-Jaffa(Supreme	Civil action	The Company and DIC ,which in the past sold their holdings 50%) each (in Clal Finances to Clal Holdings Insurance Enterprises ,have a commitment to indemnify Clal Holdings Insurance Enterprises in equal parts between them ,for any amount that may be derecognized from Clal Finances 'equity ,in respect of legal proceedings against Clal Finances ,which relate to the period preceding the time of the sale. In October ,2018 a petition for leave to appeal was submitted in the Supreme Court on a ruling that had been handed down in September ,2018 which dismissed the lawsuit out of hand on the grounds that it was an issue that had been adjudicated) res judicata.(In the Company's assessment ,based ,on the opinion of its legal advices ,its chances are weak.	NIS 43 Million

[1] In June 2015, the petitioners filed a motion to approve a class action against the Company, the Company's controlling shareholder, the Company's former controlling shareholder, and against directors who hold office, and who held office, in the Company. Following the dismissal of appeal proceedings by the Supreme Court, as stated above, the petitioners filed, in January 2018, an amended motion to approve the claim, which included amendments to the list of respondents, the causes of action in the claim, and the claimed damages, as detailed above

[2] The Court has determined that in light of the fact that Respondent 1 (Clal Finances Management Ltd.) has been voluntarily wound up, in light of the merger of Respondent 2 (Clal Finances Betucha Investments Management Ltd.) (a company that was formerly controlled by Clal Holdings Insurance Enterprises) ("The Clal Finances Companies") with Bank of Jerusalem,, the name Bank of Jerusalem should appear in the statements of claim, instead of the names of the Clal Finances Companies).

Note 13 - Contingent liabilities ,commitments and lawsuits (Continued)

B. Lawsuits (Continued)

(1) **Lawsuits against the Company (Continued)**

Date of the submission of the claim	Parties	Court	Type of proceedings	Details	Company's share in the original claim amount (NIS millions)
September2018	A lawsuit against the Company , against Dolphin IL ,against Mr . Eduardo Elsztain and against the Official Receiver by a petitioner who alleges that he held shares in DIC") The petitioner("	District) Tel-Aviv-Jaffa(	Lawsuit and petition for approval as a class action	Within the context of the petition, the Court was requested to determine that the transaction for the sale of all holdings of the Company of DIC shares to Dolphin I.L .does not comply with provisions of the Concentration Law ,to appoint a trustee for the shares in DIC that are owned by the respondents and even to instruct for the payment of monetary compensation to the shareholders from among the public in DIC in respect of the purported retention of the pyramid structure in the Company's group in an amount of between NIS 73 – 58 million. The petitioner's main claims are: that the Company continues to be the controlling shareholder in DIC (by force and in practice) even after the completion of the transaction and that the controlling shareholder in the Company (in his role as the Chairman of the Board of Directors and as the controlling shareholder in DIC), had a personal interest that was separate from the personal interest of the minority shareholders in DIC, in the manner of the implementation of the provisions of the Concentration Law, that he and the Company breached the duty of good faith and the duty of fairness towards DIC, and in addition, the controlling shareholder in the Company breached the duty of trust and the duty of care vis-à-vis DIC, which was, prima facie, because of the fact that the decision regarding the preferred alternative for compliance with the provisions of the Concentration Law was not presented to a general meeting of DIC. The petitioner further claims that there has been discrimination against the minority shareholders in DIC. In the Company's assessment ,in accordance with the opinion of its legal advisors ,the chances of the petition for approval being dismissed are higher than the chances of it being accepted.	NIS 73 – 58 million,

Note 13 - Contingent liabilities ,commitments and lawsuits (Continued)

B. Lawsuits (Continued)

(1) **Lawsuits against the Company (Continued)**

Date of the submission of the claim	Parties	Court	Type of proceedings	Details	Company's share in the original claim amount (NIS millions)
January 2019	A petition for the disclosure and review of documents pursuant to Section198 A of the Companies Law against the Company by a petitioner who alleges that she held debentures) Series M and N (of the Company") The petitioner("	District) Tel-Aviv-Jaffa(	Petition for the disclosure and review of documents pursuant to Section198 A of the Companies Law	Within the context of the petition ,the Court was requested ,in brief ,to hand down an order addressed to the Company and instructing it to reveal to the petitioner , with an affidavit from its attorney ,and to enable her to review ,various documents that are connected to the processes involved in the approval of the transaction for the sale of shares in DIC to Dolphin IL. Within the context of the petition, it is alleged, inter alia, that the said transaction contained a benefit for the controlling shareholder in the Company; that the independent committee relied upon an evaluation, which did not reflect the fair value of the shares in DIC and did not subject the transaction to the market test and that the evidential infrastructure, which stands at the foundation of the petition indicates that there is a reasonable possibility that the Company has grounds for a claim against officers and the controlling shareholder in it in respect of the approval of the transaction. In the Company's assessment ,in accordance with the opinion of its legal advisers and in light of the preliminary stage at which the petition is to be found, it is not possible to assess the chances of its success and the level of the exposure in respect of it at this stage. In any event, either further to and/or following a request for the disclosure of documents under discussion, a petition will be submitted for the approval for a derivative action, there is nothing in it that creates an exposure for the Company itself.	
June 2014	An appeal against the Supervisor of Banks, the Governor of the Bank of Israel, the former controlling shareholder in the Company, IDB Holdings and four banks by the Movement for Quality Government in Israel (R.A.) ("The petitioner")	The Supreme Court sitting as the High Court of Justice	Petition to the High Court of Justice	The petition included ,inter alia ,a request for a decree nisi ordering the Commissioner of Banks to specify why a comprehensive and systematic investigation will not be performed regarding the conduct of the banking system with respect to the provision of credit to the IDB Group ;to act in accordance with its authority to correct the deficiencies which were identified ,including to order the banks to collect the debts of the IDB Group ,in their entirety .As at the reporting date ,the hearing in the Supreme Court has been postponed until a determination has been reached regarding an appeal which was filed by the petitioner against the ruling which was given in an administrative petition which was filed pursuant to the Freedom of Information Law. In June 2018 the Petitioner submitted a notification of an update and a petitioner for the deletion of the petition and in July 2018, when no objection had been submitted ,the petition was deleted as requested without an order being handed down regarding expenses.	As aforesaid ,an appeal for the granting of a decree nisi

Note 14 - Financing income and expenses

A. Financing income

	For the year ended December31		
	2018	2017	2016
	NIS millions		
Financial assets and financial liabilities at fair value through profit or loss			
Increase in the fair value of the debenture from Dolphin IL [1]	-	27	-
Decrease in the fair value of the subordinated loans [2]	530	-	5
Net increase in the fair value of financial assets, which are measured at fair value through profit and loss	3	4	-
Financial instruments at amortized cost			
Interest income from deposits in banks	1	1	-
Other			
Net gain on changes in the exchange rates of foreign currencies	6	-	-
Total financing income	540	32	5

B. Financing expenses

	For the year ended December31		
	2018	2017	2016
	NIS millions		
Financial liabilities measured at amortized cost			
Interest expenses and linkage differentials on financial liabilities	215	261	152
Amortization of the cost of obtaining collateral for the Company's liabilities from Dolphin IL[3]	32	3	-
Financial assets and financial liabilities at fair value			
Debenture from Dolphin IL[1]	326	-	-
Increase in the fair value of the subordinated loans[2]	-	444	-
Decrease in the fair value of the swap transaction on shares in DIC[4]	8	-	-
Other			
Impairment in value of other assets	22	-	-
Net loss from changes in foreign currency exchange rates	-	2	-
Total financing expenses	603	710	152

(1) See Note.3 A.4.a above for details.
(2) See Note.7 c above for details.
(3) See Note.3 A.4.b above for details.
(4) See Note 9 above for details.

Note 15 - General and administrative expenses

	For the year ended December31		
	2018	2017	2016
	NIS millions		
Payroll and salaries	10	[1]8	18
Consulting, audit and legal	5	6	12
Trust and officers insurance	2	3	4
Directors' fees	2	[2]3	2
Rent and building maintenance	2	2	3
Donations	-	-	4
Others	2	-	2
	23	22	45

(1) After a deduction of a non-recurring payment which was received by DIC, in an amount of NIS 3.3 million, see Note 17.B.(2) below .
(2) Including reimbursement of expenses as stated in Note 17.B.(4) below .

Note 16 - Taxes on income

A. Components of tax expenses

	For the year ended December 31		
	2018	**2017**	**2016**
		NIS millions	
Current taxes			
Taxes in respect of current period	-	74	-
Adjustments in respect of prior years, net	-	-	14
Total current taxes	-	74	14

B. Tax rates which apply to the income of the Group's member companies

- The following are the relevant corporate tax rates in Israel in the years 201 :6-2018
  25.0% -2016
  24.0% -2017
  23.0% -2018

Current taxes for the reporting periods are calculated in accordance with the tax rate presented above.

- In January ,2016 the Knesset plenum approved the Law in Amendment of the Income Tax Ordinance)No ,5776-2016 ,(216 .which determined ,inter alia ,a reduction in the corporate tax rate ,beginning on January 2016 ,1 and thereafter ,at a rate of ,1.5% to a rate of.25%
- In December 2016, the Knesset plenum approved the Economic Efficiency Law (Legislative Amendments to Achieve Budget Goals for Budget Years 2017 and 2018), 5777-2016, which determined, inter alia, a reduction of the corporate tax rate from 25% to 23%, in two steps. The first step, to a rate of 24%, will be implemented beginning in January 2017, and the second step, to a rate of 23%, will be implemented beginning in January 2018 and thereafter. As a result of the reduction of the tax rate to 23% in two steps, the balances of deferred taxes as at December 31, 2016 were calculated in accordance with the new tax rates, as determined in the Economic Efficiency Law (Legislative Amendments to Achieve Budget Goals for Budget Years 2017 and 2018), according to the tax rate which is expected to apply on the reversal date .

The impact of the changes described above on the financial statements as at December 31, 2016 which are under discontinued operations was reflected in income from taxes on income and the Group's share in the profit of investee companies treated at equity in an amount of NIS 190 million and in an amount of NIS 7 million, respectively, of which, a total of NIS 61 million is attributable to the owners of the Company .

C. Non-application of International Financial Reporting Standards (IFRS) for tax purposes

In January 2012, Amendment 188 to the Income Tax Ordinance (New Version), 5721-1961 (the "Ordinance ("was published in the Official Gazette, which included an amendment to section 87A of the Ordinance, in a manner which determined in a transitional provision that Accounting Standard 29 - "adoption of International Financial Reporting Standards) IFRS ,"(published by the Israel Accounting Standards Board, will not apply in respect of the determination of the taxable income in respect of the tax years 2010 and 2011, even if this standard was applied in the financial statements (the" Transitional Provision .("On July 31, 2014, amendment 202 to the Ordinance was published, in which the validity of the transitional provision was extended in respect of the tax years 2012 and 2013 .

D. Deferred tax assets and liabilities

(1)Timing differences for which deferred taxes have not been recognized

Deferred taxes have not beeen recognized in respect of the following timing differences:

	As at December31	
	2018	**2017**
	NIS millions	
Deductible timing differences	4,073	3,748
Losses for tax purposes	6,554	6,543
	10,627	10,291

<u>Note 16 - Taxes on income</u> (Continued)

D. Deferred tax assets and liabilities (Continued)

(1) Timing differences for which deferred taxes have not been recognized) Continued (

Deferred tax assets were not recognized in respect of these temporary differences, since it is not likely (chances of less than 50%) that the temporary difference will reverse in the foreseeable future, and that there will be taxable income in the foreseeable future against which it will be possible to use the tax benefits.

As of December 2018 ,31 and ,2017 the Group has no temporary differences relating to investments in investee companies that would require recognition of deferred tax liabilities ,taking into account the carryforward losses that the Company has for tax purposes.

(2) Deferred tax assets and liabilities

As at December ,2017 ,31 the Company had recorded a deferred tax liability in respect of the holding in Clal Holdings Insurance Enterprises in an amount of NIS 14 million, against which it has created a deferred tax asset in an identical amount in respect of deductions and losses carried forward.
As at December ,2018 ,31 the Company has no deferred tax balances.

E. Adjustment between the theoretical amount of the tax on the loss before taxes on income and the tax benefit

	For the year ended December 31		
	2018	**2017**	**2016**
		NIS millions	
Loss before tax, as reported in the statement of income	(157)	(702)	(192)
The Group's principal tax rate	23%	24%	25%
Tax calculated according to the Group's principal tax rate	(36)	(168)	(48)
Tax) tax savings (in respect of:			
Losses and current benefits for tax purposes in respect of which a deferred tax asset has not been recognized, and credits for which a tax benefit has not been recognized	53	-	48
The Group's share of losses after tax of investee companies ,net`	16	-	-
Changes in timing difference for which deferred tax has not been recognized	89	(12)	-
Unrecognized expenses	-	113	1
Losses, tax benefits and timing differences from previous years in respect of which deferred taxes have not been recorded	-	(7)	-
Tax exempt income	(122)	-	(1)
Taxes in respect of previous years	-	-	(14)
Taxes on income	-	(74)	(14)

F. Final tax assessments

The Company and the consolidated companies have final tax assessments for the following periods:

(1) The Company - up to and including the tax year ,2012 pursuant to the assessments agreement of December 2014 ,30 and tax assessments that are deemed to be final up to and including .2013

(2) For the Group's member companies - Most of the Group's member companies have tax assessments which are considered final up to and including the tax years 2012-2015 .

Tax reports which have been filed until the end of 201 ,4are deemed to be a final assessment in accordance with section 145 of the Income Tax Ordinance.

G. Losses and deductions for tax purposes carried forward to future years

Estimated business losses and capital loss for tax purposes which are transferable to subsequent years:

(1) As at December 31, 2018, the Company has capital losses available to be carried forward for tax purposes in an amount of NIS 4.3 billion, and business losses available to be carried forward for tax purposes in an amount of NIS 1.9 billion .Deferred taxes were not recorded in respect of the aforementioned losses since there is no certainty that they will be realized in the foreseeable future .

(2) The balance of losses for tax purposes in the Company's wholly owned subsidiaries (including IDB Tourism) as at December 31, 201 8is approximately NIS 8 21million, of which ,in respect of losses in an amount of approximately NIS 4 35million, deferred taxes have not been recorded in those companies ,since there is no certainty that they will be realized in the foreseeable future .

Note 17 -Related parties and interested parties

Following the completion of the amendment of the debt arrangement in IDB Holdings Corporation Ltd") ,.IDB Holdings ,("the Company's former parent company ,which was approved by the Court in February 2016 ")amendment of the debt arrangement , ("beginning in April 2016, the Company became a private company wholly owned by the Dolphin Group (and continues being a debenture company). As part of the Company’s dealing with the requirements of the Concentration Law, as detailed in Note 3.A above, in November 2017, the Company sold all of the shares in DIC which it held to Dolphin IL, a private company incorporated in Israel, which is wholly owned by a member company of the Dolphin Group, and ceased holding DIC and companies under its control") The Concentration Transaction[3].("

A. Non-extraordinary insignificant transactions

(1) The Company’s Audit Committee established guidelines and rules for classifying a transaction of the Company or of its consolidated company with an interested party as an insignificant transaction as prescribed in Regulation 41(a3)(1) of the Financial Statements Regulations. These rules and guidelines are also used to evaluate the scope of the disclosure which is required in a periodic report and in a prospectus (including in shelf offering reports) in respect of a transaction of the Company, entities under its control and related companies to its controlling shareholder or regarding which the controlling shareholder has a personal interest in the approval of the aforementioned transaction, as detailed in Regulation 22 of the Periodic and Immediate Reports Regulations, and in Regulation 54 of the Securities Regulations (Details of Prospectus and Draft of Prospectus – Structure and Form), 5729 - 1969 (hereinafter: the" Prospectus Details Regulations) ("the types of transactions detailed in the aforementioned financial statement regulations, periodic reports regulations and prospectus details regulations are hereinafter referred to as" Interested Party Transactions .("The guidelines are also used to determine the method for approval of interested party transactions.

These rules are applied in connection with transactions between the Company and related parties and between related parties themselves. The aforementioned rules and guidelines were updated in March .2019

(2) To the best of the Company’s knowledge, the Company and its subsidiaries conduct or conducted insignificant transactions that are not extraordinary with interested parties of the Company, such transactions between the Company and related parties of the Company, including among themselves (including joint ventures between interested party companies in the Company and/or in DIC), and they have commitments to conduct such transactions of the following types and characteristics :

)A (Transactions for the receipt of services from financial institutions (including provident fund, pension fund and study fund management services)**)** ;**B (**Insurance by insurers from Clal Holdings Group, in all insurance branches (including employee loyalty insurance, asset, property and liability insurance, managers’ insurance, professional liability insurance, etc.) and including policies which are shared by the Company and/or additional companies which are interested parties in the Company and/or in DIC. It is clarified that, in general, when the exposure is not marginal, most of the exposure is covered by reinsurance and/or co-insurance at independent third parties, and as a result, the payment of claims in accordance with the aforementioned policies is mostly performed by those parties**)** ;**C (** Transactions involving the purchase or sale of products, services and raw materials (such as communication products and services, data storage services and alternate backup site services, food products, including fees in respect of such transactions and services**)** ;(**D (**Sale and acquisition of gifts and voucher cards (and/or provision of discounts for such transactions)**)** ;**E (**Transactions involving the acquisition of travel, aviation and tourism services in Israel and abroad**)** ;**F (**Transactions involving the rental of real estate properties and property management services**)** ;**G (**Fund management services which were provided for employees**)** ;**H (**Agency services in insurance business by insurance agencies**)** ;**I (**Investment banking and consultancy ,underwriting and securities distribution services ; **)J (**Holding ,from time to time ,of units of mutual funds which are managed by interested parties , and management of securities deposits in Israel and around the world ,as well as other liquid balances .

3 It should be noted that, beginning from the completion date of the concentration transaction, on November 22, 2017, in which the Company sold its entire stake in Shares in DIC to Dolphin IL, as stated above, the Company views transactions between the Company and its consolidated companies, and DIC and/or companies under its control, as transactions in which the Company’s controlling shareholder has a personal interest.

<u>Note 17 -Related parties and interested parties</u> (Continued)

A. <u>Non-extraordinary insignificant transactions</u>) Continued(

(3) According to the criteria and guidelines which were in effect during the reporting period, if no special qualitative considerations arise from the overall circumstances of the matter, an interested party transaction that is not an extraordinary transaction (i.e. – it is executed in the ordinary course of business, at market terms and is not supposed to have a material effect on the profitability, assets or liabilities of the Company) is considered insignificant if the relevant ratio (as detailed below) calculated for the transaction is less than 0.5% and the amount of the transaction does not exceed NIS 8 million (with this amount being adjusted according to the rate of increase, from time to time, of the consumer price index, relative to the known index at the start of 2010 .(As at December ,2018 ,31 this amount stands at NIS 8.7 million (the" Insignificance Threshold Amount .("

For every interested party transaction that is being examined for insignificance ,one or more of the ratios relevant to the specific transaction will be calculated on the basis of the most recent audited or reviewed consolidated financial statements of the Company) :a (for purchases of fixed assets") non-current asset – ("the amount of the transaction compared to total assets in the statement of financial position that is included in the most recent consolidated financial statements of the Company) ;b (Upon the sale of fixed assets") non-current asset – ("profit gain/loss from the transaction compared to the Company's annual profit .For this purpose ,the profit/loss from the transaction will be taken into account at absolute value) ;c (for the acceptance of financial liabilities – the scope of the transaction compared to total liabilities in the statement of financial position included in the most recent consolidated financial statements) ;D (Upon the purchase / sale of products) excluding fixed assets (or services - scope of the transaction does not exceed the insignificance ceiling .In respect of multi-year transactions ,the scope of the transaction will be calculated for the purpose of evaluating the insignificance on an annual basis .For example ,in a multi-year insurance transaction ,the annual paid premiums will be calculated according to the scope of the transaction .In cases where the Company believes that all the aforementioned quantitative ratios are irrelevant to the insignificance examination of the interested party transaction ,the transaction will be considered insignificant on the basis of some other relevant ratio to be determined by the Company ,providing that the relevant ratio calculated for the transaction is less than ,0.5% and the amount of the transaction does not exceed the insignificance threshold.

The qualitative examination of an interested party transaction may lead to classification of the transaction as a transaction that is not insignificant ,notwithstanding the foregoing .As an example only ,an interested party transaction is usually not considered insignificant if it is perceived by management of the Company as being a significant event and is a basis for making management decisions ,or if interested parties are expected to receive from the interested party transaction benefits that it is important they be reported to the public.

Separate transactions that are inter-dependent, so that they are in fact a part of the same commitment (such as concentrated negotiations regarding all the transactions) shall be examined as one transaction. An interested party transaction that was classified as insignificant by an investee company of the Company will also be considered insignificant at the level of the Company. A transaction which was classified, as stated above, by the investee company as not insignificant, or which was not classified by the investee company at all, shall be examined according to the relevant criteria at the level of the Company .The Company's Audit Committee shall each year review the implementation of the instructions of these criteria and guidelines by the Company, and shall conduct a sample examination of transactions in which the Company is a direct party and which were classified as insignificant transactions according to the instructions of the procedure. As part of the sample assessment of such transactions, the Audit Committee shall review, among other things, the manner in which the prices and other terms of the transactions were determined, under the circumstances of the matter, and shall assess the impact of the transaction on the financial position and results of operations of the Company. The actions of the Audit Committee as set out in this paragraph, including the aforementioned sample assessment, the manner in which the assessment was made and a summary of the results and conclusions of such assessment shall be disclosed in the periodic report of the Company. Accordingly, in March ,2019 the sample assessment was presented before the Company's Audit Committee, along with the method by which it was performed and a summary of its results and conclusions, as follows :a list was presented of types transactions that have been executed by the Company and the wholly owned headquarter companies of the Company itself) solo (in 2018 with related companies and/or interested parties ,during the relevant period ,including the name of the related party and/or interested party ,the nature of the commitment and the amount of the transaction or transactions in the aforesaid year .

<u>Note 17 -Related parties and interested parties</u> (Continued)

A. <u>Non-extraordinary insignificant transactions</u>) Continued(

(3))Continued(

A sample of such transactions was also analyzed and compared with price proposals ,as required ,or approvals which were received from the related party at the time of examining the transactions in question ,or as part of annual approval .The Company's Audit Committee will evaluate the need to update the provisions of the aforementioned policy once per year ,in consideration of interested party transactions in which the Company engages ,and changes in the relevant provisions of the law ,which will require approval from the Audit Committee at least once per year.

(4) The classification of a transaction as insignificant was made on the basis of the aforementioned criteria and guidelines that were valid on the date of the transaction, as relevant .

In this note ,the identification of interested parties and the identification of transactions with related parties or transactions in which interested parties have a personal interest ,did not include ,in general , taking into account transactions with third parties due to the fact that the securities of those third parties are held by institutional entities which are held by the Group within the framework of non-nostro holdings)such as provident funds and mutual funds ,(and therefore ,this note also does not include details regarding transactions and balances with the aforementioned third parties .Furthermore ,this note does not provide disclosure of transactions with consolidated companies which are not reflected in these consolidated financial statements) excluding extraordinary transactions which took place in ,2018 or which are ongoing .(

B. <u>Transactions with controlling shareholders or in which controlling shareholders have a personal interest and which are included in Section (4)270 and/or4)270 a (of the Companies Law ,that were entered into in 2018 or between the end of the reporting year and the date of submission of the report or that are in effect on the reporting date</u>

(1) <u>Agreement for the distribution of uses and office expenses</u>

According to an agreement from August 2004 (which was approved by the general meeting of Company shareholders in September 2004, after approval was received from the Company's Audit Committee and Board of Directors), which expired on March 31, 2011, and was extended for an additional 5 year period until March 31, 2016 (the foregoing extension was also approved by the general meeting of Company shareholders in February 2011, after approval was received from the Company's Audit Committee and Board of Directors) , [4]the Company distributes the use of the areas which the Company rents from Kanit Group (the" Lessor ("in Azrieli Center, Tel Aviv (the Triangle Tower), which include offices, parking spaces and storage areas, with various companies of IDB Development Group (during the relevant period) (the" Leased Property "and the" Participating Companies ,"respectively), and distributes the rent and the related expenses in respect of the leased property beginning on May 1, 2004 (the" Expense Distribution Agreement .("

Under the expense distribution agreement, the Company placed parts of the leased property at the disposal of the participating companies and each one of the participating companies bore the relative share of the rental and related expenses pertaining to the leased property, on the basis of the ratio of the number of employees who were employed by that company in the premises of the leased property, to the total number of employees who were employed by all of the participating companies in the office space, without taking into consideration the operating staff that serves all the participating companies in the leasehold's premises and the payment for parking spaces and storage space which were included in the leased property, which was based on actual space used by each company. In June 2015, the Company notified the lessor regarding the extension of the lease period by an additional 60 months, ending March 31, 2021. In April 2016, the Company reduced the aforementioned rental areas .

In May 2016, the Company engaged in a new agreement regarding the distribution of uses and office expenses with DIC (after it was approved by the Company's Audit Committee and Board of Directors in April 2016 and May 2016, respectively) (the" New Expense Distribution Agreement ,("regarding the concentrated rental of offices in Azrieli Center, Tel Aviv, which are used by the parties to the Agreement, and the distribution of the uses and the office expenses between them, in order to efficiently use the resources of each of the parties, while implementing cost savings .

Under the new expense distribution agreement, the distribution of most of the expenses was based on the ratio of the office areas which are used by each of the companies, and the division of the other expenses is based on a numerical ratio of the employees in the two companies, and additional required adjustments .The new agreement is in effect from April 2016 to March 2021 .

4 The other participating companies have also provided their approval, based on decisions of their competent organs and as relevant.

Note 17 -Related parties and interested parties (Continued)

B. Transactions with controlling shareholders or in which controlling shareholders have a personal interest and which are included in Section (4)270 and/or4)270 a (of the Companies Law ,that were entered into in 2018 or after the end of the reporting period and the time of the submission of the report or that are in effect at the time of the report

(1) Agreement for the distribution of uses and office expenses) Continued(

The new agreement was also approved by the competent organs of DIC, including the amendment thereto from March 2017, concurrently with the approval of the agreement for the transfer of employees and the distribution of costs, as detailed in subsection (2) below .

In respect of each of the years 2017 ,2018 and ,2016 the Company's share in the rent and in the related payments) net of value added tax ,(as detailed above, amounted to NIS 2.01 million ,NIS 2.03 million and NIS 2.64 million, respectively .

(2) Agreement of costs distribution) service agreement (

On March 22, 2017, the Company's Board of Directors approved (after approval was received for this purpose from the Company's Audit Committee) the Company's commitment with DIC in an agreement for the transfer of employees and the distribution costs (the" Agreement ,("which entered into effect in May 2017 on the date of receipt of approval from the Tax Authority ,effective retroactively from April 1, 2016 to March 31, 2019, according to which DIC will provide to the Company services which are common to DIC and to the Company, including CFO, VP, legal advisor and VP Accounting services, as well as services involving assistance and consulting on the following subjects: accounting, financing, treasury, economic and accounting services, legal department and company secretariat, compliance services, business and managerial consulting, reporting to authorities in Israel, management, planning, budgeting, strategy and business development services, bookkeeping, payroll, secretarial, headquarters and administration services (the" Shared Services .(" DIC will provide to the Company, during the agreement period, the shared services, according to the scope which will be reasonably required for their performance, as will be determined by from time to time by the competent organs of the Company, in accordance with its needs .The shared services will be provided to the Company by senior position holders who will be appointed by DIC, and who will be replaced by it, if necessary, in its exclusive discretion, provided that they have the ability, knowledge and experience required to provide the shared services (the" Service Providers .("In accordance with the agreement, the Company transferred to DIC all of its employees (plus ownership of the external funds, provident funds, pension funds, managers insurance policies and study funds which exist in connection with those employees), and they became employees of DIC, while maintaining continuity of rights, and DIC bears ,in respect of them, all costs and/or liabilities due to employer - employee relationships in accordance with the law or in accordance with their employment terms, or in accordance with conventional practice, insofar as any applies ,in respect of the period after the date of their transfer to DIC. The agreement formalizes the distribution of the scope of position and the total cost of compensation to the service providers (employer cost in respect of payroll expenses, including social benefits and fringe benefits, as well as bonuses, if and insofar as any will be paid, and excluding equity compensation) which has actually been paid by DIC in any calendar quarter (in consolidated terms: the" Compensation Cost For The Service Providers (" between the parties, in a manner whereby DIC bears 60% of the compensation cost for the service providers, and the Company bears 40% of such cost. Accordingly, in consideration of the receipt of the services, the Company pays DIC a quarterly payment in an amount equal to 40% of the compensation cost for the service providers .

It was further determined that once every calendar year (beginning from one year after the approval date of the agreement by the general meeting of DIC), DIC's Audit Committee will evaluate the need (if any) to update the service cost allocation ratio, in consideration of the scope of shared services which were actually provided to the Company during the past year. The agreement was approved by the Audit Committee, Board of Directors and general meeting of DIC .It should be mentioned that on March ,2019 ,20(after approval for this had been received from the Company's Audit Committee), the Company's Board of Directors approved the extension of the Company's commitment under the agreement for an additional period of three years, under identical terms to the terms of the existing agreement ,effective as from April 2019 ,1 through March 31.2022 ,

On March 19, 2019, DIC published a report to convene a meeting of shareholders ,the agenda of which includes ,inter alia ,a decision to approve continuation of DIC's engagement with IDB Development under said agreement .

<u>Note 17 -Related parties and interested parties</u> (Continued)

B. <u>Transactions with controlling shareholders or in which controlling shareholders have a personal interest and which are included in Section 270(4) and/or 270(4a) of the Companies Law, that were entered into in 2018 or after the end of the reporting period and the time of the submission of the report or that are in effect at the time of the report</u> (Continued)

(2) <u>Agreement of costs distribution (service agreement)</u> (Continued)

In respect of the compensation cost of the joint works which were provided during the period beginning on April 2016 ,1 and ending on the agreement date) March ,(2017 ,20 DIC transferred to the Company a one-time payment in an amount of NIS 3.3 million .

)3(<u>Agreement for the transfer of employees and distribution of costs</u>

The compensation cost for the Company for ,2017 for the period from March 2017 ,20 to December ,2017 ,31was approximately NIS 7 million .,For the year 2018, the amount was NIS 8 million ,

)4(<u>Officers' liability insurance, indemnification letters, letters of exemption from liability for officers and payment of directors 'remuneration</u>

)a(**<u>Officers 'liability insurance :</u>**

The liability of the Company's officers, and of the officers of some of its subsidiaries, including officers who are and/or whose relatives are controlling shareholders in the Company, during the reporting period and on the reporting date, was insured, and is currently insured, through several insurance policies, as detailed in this note below :

<u>"Quasi run-off policy - "</u>In November 2013, the general meeting of the Company approved (after approval was received from the Company's Compensation Committee and Board of Directors) the purchase of insurance coverage, according to which, beginning at the end of the insurance period of the officers' liability insurance policies which were in effect at the time (in other words, as from December 1, 2013) (the" Effective Date ,("that the policies which were in effect until that date would be extended in a manner whereby they would provide insurance cover for an additional period of six years (the" Extended Disclosure Period ("in connection with claims which would be filed for the first time during the aforementioned period, only in respect of actions which were performed prior to the effective date. In other words - turning the policies into quasi run-off policies, in effect for six years after the effective date .

The total insurance premiums which were paid by the Company, IDB Holding and most of the private corporations which were held by them (not through public companies), on a one-time basis ,in respect of the purchase of the aforementioned insurance coverage, amounted to a cost of approximately 2.17 million dollars ,including the fronting fees of the insurer (which is an insurer under the control of Clal Holdings Insurance Enterprises (at a rate of ,10% with the Company paying half the cost .The liability limits of the policies which were in effect at the time ,in the total amount of 140 million dollars ,remained unchanged, and will remain in effect in respect of the extended disclosure period as well .

<u>Compensation policy - insurance</u> - On November 13, 2014, the general meeting of the Company's shareholders approved a compensation policy for the Company (following the recommendation of the Company's Compensation Committee and approval of the Company's Board of Directors) (the" Compensation Policy .("According to the compensation policy ,the Company's officers) including directors (may be entitled ,subject to the approval of the above by the Company's competent organs ,to officers 'liability insurance ,subject to the provisions of any applicable law ,and the maximum coverage in a current insurance policy will not exceed 150million dollars ,and the maximum coverage in a public offering of securities insurance ")POSI ("insurance policy will not exceed 120 million dollars) for details regarding POSI insurance which was purchased by the Company in May 2014, see this section below .(

It was further determined that, in any case, and independent of the maximum cover, the premiums paid for the current insurance policy will not exceed 1.5 million dollars per year, and the premiums paid for the POSI insurance policy will not exceed 1.5 million dollars per year; And that the deductible in all policies will be in accordance with the conventional practice on the market. On May 31, 2016, the general meeting of the Company's shareholders approved (following the recommendation of the Company's Compensation Committee and the approval of the Company's Board of Directors), an extension to the period of the compensation policy, for an additional one year period, i.e., from January 1, 2016 to December 31, 2016.

Note 17 -Related parties and interested parties (Continued)

B. Transactions with controlling shareholders or in which controlling shareholders have a personal interest and which are included in Section (4)270 and/or4)270 a (of the Companies Law ,that were entered into in 2018 or after the end of the reporting period and the time of the submission of the report or that are in effect at the time of the report) Continued(

(3) Officers’ liability insurance, indemnification letters, letters of exemption from liability for officers and payment of directors 'remuneration) Continued (

)a(Officers ’liability insurance) :Continued (

Policy for 2015-2016 and extension thereof until March - 2017 On November 26, 2015, the Company’s Board of Directors approved, following the approval of the Company’s Compensation Committee (in accordance with the provisions of Regulation 1B1 of the Easements Regulations), the Company’s commitment in a directors and officers liability insurance policy, for the Company and for certain private investee corporations, directly and/or indirectly, by the Company and by means other than public companies, to cover the liability of all of the Company’s officers (including the Company’s General Manager, and directors and officers who are controlling shareholders in the Company and their relatives, or regarding whom the Company’s controlling shareholders have a personal interest in their terms of tenure and employment), who will hold office from time to time, for a period of one year, beginning from December 1, 2015, and the terms of which will be in accordance with the terms which were determined in the compensation policy. The liability limits of the policy amount to 75 million dollars ,per claim and cumulatively, and its total cost amounts to approximately 986 thousand dollars) including fronting fees of Clal Insurance, at a rate of 10% .(

On November 24, 2016, the Company’s Board of Directors approved, after receiving approval from the Company’s Compensation Committee (in accordance with the provisions of Regulation 1B1 of the Easement Regulations), the Company’s commitment in an extension of the policy for 2015-2016, with no change to its terms .The aforementioned extension was approved for a period of four months, commencing upon the conclusion of the policy for 2015-2016 (which was in effect up to and including November 30, 2016), i.e., beginning on December 1, 2016, up to and including March 31, 2017 (the" Extension Period.("

The insurance premiums which were paid by the Company in respect of the extension period amount to a total of approximately 227 thousand dollars ,including fronting fees of 10% for Clal Insurance, and a premium discount of 15% .

The terms of the commitment in the insurance policy extension were in accordance with the terms of the Company’s compensation policy, as detailed above .

Policy for - 2017-2018 On May 9, 2017, the Company’s Board of Directors resolved (after approval was received from the Company’s Compensation Committee) (in April 2017), in accordance with the provisions of Regulation 1b(5) of the Easement Regulations, and on May 11, 2017, the Company’s general meeting approved and ratified, the Company’s commitment in officers’ liability insurance policies for the period beginning on April 1, 2017, up to and including March 31, 2018, as follows: (1) A basic insurance policy for the Company and its wholly owned companies") The Company’s Division ,("with an insurance limit of 50 million dollars") The Basic Policy .("The basic policy was prepared together with basic insurance policies which were prepared in other divisions of the Group (during the relevant period), as detailed in subsection (2) below; (2) A collective insurance policy which is shared by the Company’s Division and the other divisions (which include the DIC division (DIC and its wholly owned companies), the Property & Building division (Property & Building and certain of its investee companies) and the Shufersal division (Shufersal and certain of its investee companies)), with an insurance limit of 90 million dollars) the" Collective Policy ;("and (3) Additional insurance coverage up to a total amount of 90 million dollars to supplement the insurance limit of the aforementioned collective insurance policy, insofar as the insurance limit thereunder will be used partially or in full (the" Additional Insurance Coverage) .("In respect of fronting fees, Clal Insurance is entitled to receive 10% of the premiums which are paid by the various divisions which are covered under the policies (as detailed above)). The premiums which were paid by the Company in respect of the policies for 2017-2018 amounted to 804 thousand dollars) including fronting fees of Clal Insurance at a rate of 10% .(

Note 17 -Related parties and interested parties (Continued)

B. Transactions with controlling shareholders or in which controlling shareholders have a personal interest and which are included in Section (4)270 and/or4)270 a (of the Companies Law ,that were entered into in 2018 or after the end of the reporting period and the time of the submission of the report or that are in effect at the time of the report) Continued(

(3) Officers' liability insurance, indemnification letters, letters of exemption from liability for officers and payment of directors 'remuneration) Continued (

) a(Officers 'liability insurance) :Continued(

Policy for - 2018-2019 On March 2018 ,26 the general meeting of the Company's shareholders approved, after receiving approval from the Company's Compensation Committee and the Board of Directors (in March 2018 ,(the Company's commitment in officers' liability insurance policies, including for officers who are and/or whose relatives are the Company's controlling shareholders, with Clal Insurance, for the period beginning on April 1, 20 ,18up to and including March 31, 2019 under similar conditions and liability limits as those which applied in the policies for 2017-2018, as follows: 1) basic policy for the Company's Division, prepared in parallel with the basic insurance policies which were prepared by the DIC division and by the other divisions, as detailed in subsection (2) below; (2) A collective insurance policy which is shared by the Company's Division, the DIC division, and the other divisions (which include, as at the date of this report, the Property & Building division and the Shufersal division); and (3) additional insurance coverage. The premiums which has been paid by the Company in respect of the policy for 2018-2019 ,amount to 565 $ thousand) including fronting fees of Clal Insurance at a rate of 10%) .

Policy for - 2019-2020 On March 28, 2019, following the approval of the Company's Remuneration Committee and Board of Directors) in March 2019), the Company's general meeting approved the Company's engagement in officers' liability insurance policies, including officers who and/or their relatives are controlling shareholders of the Company ,with Clal Insurance for the period from April 1, 2018 to July 31, 2019, under terms and limits of liability similar to the policies of ,2017-2018 as follows (1) :a basic policy for the Company's division, which was made concurrent with the basic insurance policies made by the DIC division, and by the other divisions, as detailed in sub paragraph (2) below (2) ;a group policy shared by the Company's division ,the DIC division and the other divisions) which include, as at the date of this report, the Property & Building Division and the Shufersal Division ,(and (3) additional insurance coverage .The insurance premiums to be paid by the Company in respect of the 2019-2020 policy ,amounts to $784 thousand) including Clal Insurance's fronting fees of 10%.(

The coverage under the policy for 2015-2016, and the extension thereof until March 2017 ;the policy for 2017-2018 ;the policy for ;2018-2019 and the policy for 2019-2020 and a" quasi run-off policy "were arranged through Clal Insurance, with the support of reinsurers at a rate of 100% .

POSI policies - On May 5, 2014, the Company's Compensation Committee, Audit Committee and Board of Directors approved, and on May 7, 2014, the Company's general meeting approved, the Company's acquisition of a POSI (Public Offering of Securities Insurance) policy (the" POSI Policy ("from Migdal Insurance Company Ltd., to cover the Company, its directors and officers: (1 (in respect of the listing of the Company's shares for trading as part of the creditors' settlement in IDB Holding (2) ;in respect of the publication of a shelf prospectus; (3) and in respect of future issuances of securities by virtue of the shelf prospectus . The policy covers the Company, as well as its directors and officers, for an insurance period of 7 years, beginning on May 7, 2014, as well as their liability in respect of the registration of the Company's shares for trading within the framework of the settlement ,in respect of the publication of the shelf prospectus and in respect of the offering of securities by virtue of the aforementioned shelf prospectus, with liability limits of 50 million dollars per claim and cumulatively under the policy .

The POSI policy covers offerings by virtue of the shelf prospectus in a total amount of up to NIS 1 billion .in respect of the aforementioned policy, the Company paid a non-recurring amount of 660 thousand dollars .

<u>Note 17 - Related parties and interested parties</u> (Continued)

B. <u>Transactions with controlling shareholders or in which controlling shareholders have a personal interest and which are included in Section 270(4) and/or 270(4a) of the Companies Law, that were entered into in 2018 or after the end of the reporting period and the time of the submission of the report or that are in effect at the time of the report</u> (Continued)

(3) <u>Officers' liability insurance, indemnification letters, letters of exemption from liability for officers and payment of directors' remuneration</u> (Continued)

(a) <u>Officers' liability insurance:</u> (Continued)

On January 26, 2015, the Company's Compensation Committee (in accordance with the provisions of Regulation 1B1 of the Easement Regulations) and the Company's Board of Directors approved the purchase of an extension to the insurance coverage under the POSI policy, such that it will also apply to the rights issue in accordance with a shelf offering report which was published by the Company on January 19, 2015 ,with no change to the current liability limits (i.e., 50 million dollars per claim and cumulatively) and to the other policy terms .In respect of the aforementioned extension, the Company paid an additional one-time premium in an amount of 227.5 thousand dollars .

)b(**<u>Indemnification of officers:</u>**

The Company has passed resolutions pursuant to which it will indemnify its officers (including former officers) and those serving on its behalf as directors at investee companies for any amount which they are obligated to pay within any legal proceeding filed against them in relation to their actions or inactions in the course of fulfilling their aforesaid duties, subject to certain conditions, in any case and to the extent that such indemnification is due to monetary indebtedness and of a type that is indemnifiable by law from time to time .

The Company has issued the foregoing indemnification letters to several former officers of the Company (the" First Indemnification Letters .("During 2000, and subsequently, the Company issued additional indemnification letters to its officers, pursuant to the Companies Law, as it was at that time (without detracting from the First Indemnification Letters), in which the Company undertook a commitment to indemnify them for indebtedness or expenses indemnifiable by law, imposed upon them due to actions performed as officers of the Company and related to one or more of the types of events established by the Board of Directors and listed in the indemnification letters .

According to the aforesaid indemnification letters ,the maximum indemnification amount to be paid by the Company) in addition to amounts received from the insurance company ,if any , within insurance purchased by the Company (to all officers of the Company in aggregate , under all of the indemnification letters issued to them by the Company pursuant to the indemnification resolution under which the aforesaid indemnification letters were issued ,in respect of one or more of the types of events listed in the addendum to the indemnification letters ,shall not exceed 25% of the shareholders 'equity of the Company on December ,31 .1999Following the enactment of the Companies Law) Amendment No 2005 ,(3 . ")Amendment ,("3 in May 2005, the general shareholders' meeting of the Company, following approval by its Audit Committee and Board of Directors, approved an advance commitment to indemnification of officers of the Company, including officers who are controlling shareholders of the Company, in which the Company undertook a commitment, to the extent permissible by law, to indemnify them for any indebtedness or expenses, as detailed in the indemnification letter, that is imposed upon them or expended by them due to actions taken in their capacity as officers of the Company and/or within their service, at the Company's request , as officers of any other company, related to the events listed in the addendum to the indemnification letter 2005") indemnification letters .("According to the 2005 indemnification letters, the maximum indemnification amount to be paid by the Company in respect of monetary indebtedness imposed upon an officer towards another person, as noted above, together with the indemnification amounts in respect of this cause under the other indemnification letters granted or to be granted for this purpose to officers of the Company and to employees of the Company serving, in the present or future, at the Company's request ,as officers of other companies (in addition to amounts received from the insurance company, if any, in the framework of insurance that was acquired by the Company), in aggregate in respect of one or more of the events listed in the addendum to the indemnification letters, shall not exceed a cumulative amount equal to 25% of the shareholders' equity of the Company, according to its known annual financial statements prior to the actual payment of the indemnity .

Note 17 - Related parties and interested parties (Continued)

B. Transactions with controlling shareholders or in which controlling shareholders have a personal interest and which are included in Section 270(4) and/or 270(4a) of the Companies Law, that were entered into in 2018 or after the end of the reporting period and the time of the submission of the report or that are in effect at the time of the report (Continued)

(3) Officers' liability insurance, indemnification letters, letters of exemption from liability for officers and payment of directors' remuneration (Continued)

(b) Indemnification of officers: (Continued)

Accordingly, beginning in 2005, the Company issued the aforementioned 2005 indemnification letters to its officers, including to officers who were, or who whose relatives were, controlling shareholders. It was also determined that the 2005 indemnification letters will apply to events occurring after their date of approval as aforementioned and that so as to remove any doubt ,it should be noted that the 2005 indemnification letters do not derogate from the indemnification letters that had been duly issued before then .

In December 2011, the Company's general meeting approved an amendment to the Company's articles of association by which, inter alia, the Company is permitted to insure the liability of officers and to indemnify them in accordance with, inter alia, the provisions of the Efficiency of Enforcement Procedures in the Securities Authority Law (Legislative Amendments), 5771-2011 and the Law to Increase Enforcement in the Capital Market (Legislative Amendments), 5771-2011 (jointly: the "Administrative Enforcement Laws") .

In addition ,the Company's general meeting and its Audit Committee and Board of Directors , approved the granting of new indemnification letters by the Company to its officers") the new indemnification letters ,("per the definition of this term in the new indemnification letter ,those currently serving and those who will serve in it from time to time ,including officers who are directors ,and officers who are controlling shareholders in the Company) as at the date of the general meeting which was held in December 2011) or their relatives or who the controlling shareholders in the Company may be considered as having a personal interest in granting them indemnification letters, in respect of their actions taken in their capacity as officers of the Company and their actions taken within their service, at the Company's request ,as officers of any other company, in which the Company holds shares (directly or indirectly) or in which the Company has any other interest, in accordance with the provisions of the Companies Law, the Securities Law, the administrative enforcement laws, and the indemnification provisions included in the aforesaid indemnification letter .In accordance with the new indemnification letters, the indemnification amounts for a monetary indebtedness that is imposed on an officer in support of another person in a court ruling (including in a court ruling that was handed down in a court-approved compromise or arbitration award, providing that the said indebtedness is related, directly or indirectly, to one or more of the events detailed in the new indemnification letter) together with the indemnification amounts for the said indebtedness that are paid to officers in the Company in accordance with indemnification letters drafted as a new indemnification letter, including officers serving presently or in the future as officers in other companies at the request of the Company, will in aggregate not exceed an amount equal to 25% of the equity attributable to the Company's shareholders according to its most recent financial statements (annual or quarterly) that were issued before the actual date of paying the indemnity, plus the amounts of the insurance benefits the Company may receive from time to time, in the framework of an officers' liability insurance policy, in respect of one or more of the events detailed in an annex to the new indemnification letter .

This was in addition to the indemnification for reasonable litigation expenses, including legal fees, which the officer has spent or has been ordered to pay in respect of proceedings which have been filed against him, as described in the new indemnification letter .

The new indemnification letter also provides that its provisions supersede any previous commitment or understanding (from before the signing of the new indemnification letters), provided verbally or in writing, between the Company and its officers in respect of the matters indicated in the new indemnification letter, also in respect of events that occurred before the signing of the new indemnification letter.

Note 17 - Related parties and interested parties (Continued)

B. Transactions with controlling shareholders or in which controlling shareholders have a personal interest and which are included in Section 270(4) and/or 270(4a) of the Companies Law, that were entered into in 2018 or after the end of the reporting period and the time of the submission of the report or that are in effect at the time of the report (Continued)

(3) Officers' liability insurance, indemnification letters, letters of exemption from liability for officers and payment of directors' remuneration (Continued)

(b) Indemnification of officers: (Continued)

The aforesaid is subject to the stipulation that the previous indemnification letter provided to the officer, if provided, continue to be in effect, subject to any law ,in respect of any event that occurred before the signing of the new indemnification letter (even if the indemnification in respect of which was requested from the Company after the signing of the new indemnification letter) if the terms of new indemnification letter impair the terms of indemnification of the said officer in respect of such an event.

It should be noted that in November 2011 the authorized forums of IDB Holding approved the grant of new indemnification letters as aforesaid by the Company (further to approvals of the authorized forums of the Company) to officers of the Company, those presently serving and those who will serve in it from time to time, who are controlling shareholders in the Company (as at the date of the general meeting which was held in November 2011), or their relatives or who the controlling shareholders may be considered in having a personal interest in approving the grant of indemnification letters to them or who are directors in IDB Holding. Beginning from the date of the meeting, the Company issued to its officers, including to officers who were controlling shareholders in the Company or their relatives, new indemnification letters .

In June ,2015 the special general meeting of the Company's shareholders approved ,after receiving approval from the Company's Compensation Committee and Board of Directors ,in March ,2015 the provision of indemnification letters by the Company to officers ,who are and/or whose relatives are controlling shareholders in the Company as at the date of the meeting convention report) the meeting convention report was published by the Company on March ,2015 ,31 and in supplementary immediate reports dated May 2015 ,7 and May ,14 (2015the") Officers Who Are Controlling Shareholders ,("who hold office and/or who will hold office in the Company from time to time, and to officers in the Company regarding whom the Company's controlling shareholder may be considered as having a personal interest in the provision of indemnification letters to them, who hold office and/or who will hold office in the Company from time to time ,in respect of actions which they performed by virtue of their tenure in the Company and in respect of actions which they performed by virtue of their tenure as officers in another company, according to the same wording and terms as the wording of the Company's current indemnification letter, which was approved in December 2011 (see the wording of the" New Indemnification Letters ,"as this term is defined above .(

The approval for the provision of the aforementioned indemnification letters to officers who are controlling shareholders is from the date of completion of the first stage of the Debt Settlement of IDB Holding, on May 7, 2014 (the" application date ,("and for three additional years after the date of the meeting's approval. Approval for the provision of the indemnification letters, as stated above, to officers in the Company regarding which the Company's controlling shareholders may be considered as having a personal interest in approving the provision of indemnification letters to them, who hold office and/or who will hold office in the Company from time to time, will be in effect from the application date until November 30, 2020, in accordance with the decision of the Company's Audit Committee, pursuant to section 275(a1)(2) of the Companies Law, in which the Audit Committee approved, on March 29, 2015, that the commitment until that date was reasonable in light of the circumstances . Accordingly, after the date of the meeting, the Company issued the aforementioned indemnification letters to its officers, including to officers who are controlling shareholders in the Company or their relatives, and to officers in the Company regarding which the controlling shareholders in the Company may be considered as having a personal interest in the approval of the provision of such indemnification letters to them.

Note 17 - Related parties and interested parties (Continued)

B. Transactions with controlling shareholders or in which controlling shareholders have a personal interest and which are included in Section 270(4) and/or 270(4a) of the Companies Law, that were entered into in 2018 or after the end of the reporting period and the time of the submission of the report or that are in effect at the time of the report (Continued)

(3) Officers' liability insurance, indemnification letters, letters of exemption from liability for officers and payment of directors' remuneration (Continued)

(b) Indemnification of officers: (Continued)

On May 30, 2018, following the approval of the Company's Remunerations Committee and Board of Directors (in May 2018), a special general meeting of the Company's shareholders resolved to re-approve the provision of letters of indemnification by the Company to officers in the Company who and/or whose relatives are controlling shareholders in the Company , who hold officer and/or who may hold office in the Company from time to time ,in respect of their activity in the fulfillment of their office in the Company and also in respect of their activity in the fulfillment of their office at the Company's request ,as officers in other companies ,in an identical format and under the same terms to the format and terms of the new letters of indemnification) as defined above(.

(c) Exemption for officers :

The Company issued to directors and officers of the Company, including controlling shareholders or their relatives, letters releasing them in advance from any responsibility towards the Company, subject to the law, in respect of any damage that was and/or will be caused to the Company following a breach of the duty of care towards it, while acting in good faith in their capacity as officers of the Company, and/or according to its request in any other company, in respect of the events stipulated in the addendum to the exemption letter .The exemption letters apply to events that occurred after the date of their approval.

The issuance of the exemption letters, as described above, was approved by the Company's general shareholders' meeting on May 5, 2005, after prior approval by its Audit Committee and Board of Directors .

In November 2011, after re-approval was given by the general meeting of IDB Holding, after approval was received from its Audit Committee and Board of Directors, in light of the provisions of Amendment No. 16 to the Companies Law ("Amendment No. 16"), for the provision of an advance exemption from liability, as stated above, by the Company, to its officers, including those presently serving and those who will serve in it from time to time, who are and/or whose relatives are controlling shareholders in the Company (as at the date of IDB Holding's general meeting which was held, as stated above in November 2011), subject to the provisions of the law .

Furthermore, in November 2011 the Audit Committee of IDB Holding decided to limit until November 30, 2020 (meaning for an additional period of nine years from the date of the decision) the period that events occurring during it will be included in the scope of the exemption from liability letters that were granted and will be granted by the Company from time to time, according to the existing decisions on this matter in respect of officers in the Company who controlling shareholders in the Company may be considered as having a personal interest in providing them a exemption from liability .

On January 26, 2017, the general meeting of the Company's shareholders approved (after approval for this purpose was received from the Company's Compensation Committee and Board of Directors in November 2016 and in January 2017, respectively), the provision of a exemption from liability by the Company to officers who are and/or whose relatives are controlling shareholders in the Company, who hold office and/or who will hold office in the Company from time to time, according to the wording of the Company's current exemption letter, effective from the date of the general meeting's approval .

Note 17 - Related parties and interested parties (Continued)

B. Transactions with controlling shareholders or in which controlling shareholders have a personal interest and which are included in Section 270(4) and/or 270(4a) of the Companies Law, that were entered into in 2018 or after the end of the reporting period and the time of the submission of the report or that are in effect at the time of the report (Continued)

(3) Officers’ liability insurance, indemnification letters, letters of exemption from liability for officers and payment of directors' remuneration (Continued)

(d) Interested parties in the Company (including controlling shareholders in it during the relevant periods) and/or their relatives, who serve and/or who served as directors or other officers in subsidiaries and/or related companies of the Company, receive from certain companies, as aforesaid, indemnification and/or release letters, and their liability is insured as accepted in those companies. Without derogating from the generality of the foregoing ,it should be noted that, as part of the completion of the merger transaction between Koor and DIC, in March 2014, DIC provided the directors and officers of Koor (including those who are or were interested parties and/or controlling shareholders of the Company) indemnification letters in respect of their actions by virtue of their service in Koor and in respect of their actions by virtue of their service at the request of Koor as officers in Koor’s investee companies, or in companies in which Koor holds interests .

The maximum indemnification amount in accordance with the indemnification letters is identical to the indemnification amount which was given by DIC to its directors and officers .

(e) Directors 'remuneration:

(1) In June ,2015 the general meeting of the Company’s shareholders approved) after approval was received from the Company’s Compensation Committee and Board of Directors in March ,(2015 the payment of compensation to directors who are controlling shareholders in the Company) or their alternates ,as applicable ,(who hold office and/or who will hold office in the Company from time to time ,and to directors in the Company)or their alternates ,as applicable ,(regarding whom the Company’s controlling shareholder may be considered as having a personal interest in the approval of payment to them ,who hold office and/or who will hold office in the Company from time to time , in effect from the application date) i.e ,.from the date of completion of the first stage in the Debt Settlement of IDB Holding ,on May ,2014 ,7 and for three additional years after the date of the meeting’s approval .

The payment of compensation to the aforementioned directors, for their service as directors in the Company, and for their participation in meetings of the Company’s Board of Directors and its committees ,in respect of any given period of time, will be identical to the compensation which is paid to the other directors in the Company (in accordance with their classification), according to the maximum possible detailed amounts, and in accordance with the classification of each director, as stated above, as an expert director or as a non-expert director, and according to the rank at which the Company is classified, as applicable during that period of time pursuant to the Companies Regulations (Rules Regarding Compensation and Expenses of External Director), 5760-2000 (the "Compensation Regulations .("

The directors 'remuneration will not be paid to any of the directors in the Company who receive from the Company or from a company under its control (as the term is defined in the Securities Law), compensation for additional activities to those of a director, for as long as the director is entitled to such a salary. The annual (quarterly) compensation and participation-based compensation will be paid to the appointed director or to the alternate director, as applicable, although double compensation will not be paid in any event .

On May 30, 2018, after the approval of the Company's Remunerations Committee and Board of Directors (in May 2018), a special general meeting of the Company's shareholders resolved to reapprove the payment of remuneration to directors who are controlling shareholders in the Company and/or their relatives (or their alternates, as the case may be), who hold office and/or may hold office in the Company from time to time, as well as for directors in the Company(or their alternates, as the case may be), in respect of whom the controlling shareholders in the Company may be considered to have a personal interest in the payment of remuneration to them ,who hold office and/or may hold office in the Company from time to time ,in the amounts and under the conditions that are detailed above.

Note 17 - Related parties and interested parties (Continued)

B. Transactions with controlling shareholders or in which controlling shareholders have a personal interest and which are included in Section 270(4) and/or 270(4a) of the Companies Law, that were entered into in 2018 or after the end of the reporting period and the time of the submission of the report or that are in effect at the time of the report (Continued)

(3) Officers' liability insurance, indemnification letters, letters of exemption from liability for officers and payment of directors' remuneration (Continued)

(e) Directors' remuneration: (Continued)

(2) On February 3, 2016, the Company's Board of Directors resolved, after approval for this purpose was received from the Company's Compensation Committee (on December 15, 2015), in accordance with the provisions of the Companies Law and the Easement Regulations, to approve the payment of compensation to directors in the Company, who currently hold office or who may hold office in the Company from time to time (including outside directors), and who are not and/or whose relatives are not the Company's controlling shareholders, and regarding whom the Company's controlling shareholders may not be considered as having a personal interest in the approval of payment of compensation to them .

The directors 'remuneration which will be paid to each director, as stated above ,in respect of their service, constitutes annual compensation and compensation for participation in the meetings of the Board of Directors and its committees, in the" maximum amount ,"as defined in the Compensation Regulations, in accordance with the classification of each aforementioned director as an expert director or non-expert director, and according to level at which the Company will be classified (i.e., in accordance with its equity in the previous financial year), as applicable at the time in accordance with the Compensation Regulations .Directors 'remuneration will not be paid to any director who receives from the Company, or from any company under its control, a salary in respect of additional activities other than the position of director, so long as they are entitled to receive the aforementioned salary .

Directors 'remuneration and related expenses not exceeding accepted amounts, which were paid by the Company to the Company's directors (and were recognized as an expense in the books) in 2017 ,2018 and) 2016 including VAT 8-11) (recipients of payment in total ,(amounted to NIS 1,229 million ,NIS 1,929 thousand and NIS 1,650 thousand ,respectively.

(3) Various investee companies of the Company pay compensation to their directors in accordance with the Companies Regulations regarding the payment of compensation to outside directors ,and the directors serving therein also include directors in the Company.

(4) Mr. Eduardo Elsztain, a director in the Company and its controlling shareholder, received from the Company and from its subsidiaries and associate companies (during the relevant period) directors 'remuneration in respect of the years 2017 ,2018 and 2016 in the total amounts of NIS 130, thousand NIS 499 thousand and NIS 500 thousand, respectively ,in respect of his tenure as a director therein (in 2017 ,directors 'remuneration from the Company's subsidiaries and associate companies was attributed to the period from January 1, 2017 to November 22, 2017) .

(5) Mr. Alejandro Elsztain, a director in the Company and the brother of Mr. Eduardo Elsztain, received from the Company and from its subsidiaries and associate companies (during the relevant period) directors 'remuneration in respect of the years 2017 ,2018 and 2016 in the total amounts of NIS ,122 thousand NIS 386 thousand and NIS 348 thousand , respectively ,in respect of his tenure as a director therein (in 2017 ,directors 'remuneration from the Company's subsidiaries and associate companies was attributed to the period from January 1, 2017 to November 22, 2017).

(6) Mrs. Diana Dan Elsztain, the sister of Eduardo Elsztain, the Company's controlling shareholder, received from the Company and from a subsidiary (during the relevant period) of the Company directors 'remuneration in respect of the years 2017 ,2018 and 2016 in the total amounts of NIS ,131 thousand NIS 346 thousand and NIS 237 thousand , respectively ,in respect of her tenure as a director therein (in 2017 ,directors 'remuneration from a subsidiary of the Company was attributed to the period from January 1, 2017 to November 22, 2017).

Note 17 - Related parties and interested parties (Continued)

B. Transactions with controlling shareholders or in which controlling shareholders have a personal interest and which are included in Section 270(4) and/or 270(4a) of the Companies Law, that were entered into in 2018 or after the end of the reporting period and the time of the submission of the report or that are in effect at the time of the report (Continued)

(3) Officers' liability insurance, indemnification letters, letters of exemption from liability for officers and payment of directors' remuneration (Continued)

(e) Directors' remuneration: (Continued)

(7) Mr .Nestor Dan ,the spouse of Mrs .Diana Elsztain ,the sister of Mr .Eduardo Elsztain ,the Company's controlling shareholder ,received from I.D.B .Tourism directors' remuneration in respect of the years 2017 ,2018 and ,2016 in the total amounts of NIS ,37 thousand NIS 39 thousand and NIS 35 thousand ,respectively ,respectively ,in respect of his tenure as a director therein.

On August 23, 2018, the general meeting of the Company's shareholders, after obtaining the approval of the Audit Committee and the Board of Directors of the Company, decided to approve that Mr. Nestor Dan is entitled in respect of his position as a director of IDB Tourism from the date of his appointment (on March 22, 2016) for participation compensation in the amount of the "minimum amount" prescribed in the Company's Remuneration Regulations of Grade A of the Remuneration Regulations and an annual remuneration of NIS 25,000, to be paid by IDB Tourism, to be included in the directors and officers liability insurance agreement of IDB Tourism as well as to letters of exemption and indemnification, in accordance with the existing arrangements in IDB Tourism .

(4) Payment and/or reimbursement of expenses to directors who are the controlling shareholders and/or who are among the controlling shareholders

In June 2015, the general meeting of the Company's shareholders approved, after receiving approval from the Company's Remuneration Committee and Board of Directors in March 2015 (after the Company's Audit Committee discussed issues pertaining to the controlling shareholders' routine expenses, in several additional meetings, beginning in August 2014), the payment of expenses and/or reimbursement of expenses, whether in advance or retroactively, to the current Chairman of the Board, Mr. Eduardo Elsztain, and to the former Chairman of the Board, Mr. Mordechai Ben Moshe, who served as Joint Chairman of the Board from May 7, 2014 to May 7, 2015. The aforementioned approval was given in respect of expenses which they spent and/or will spend (as applicable), in practice, as part of the fulfillment of their positions in the Company, including expenses, as stated above, which have been spent by the Chairman in respect of any other party on his behalf (e.g., consultants, personal assistants, administrative staff members), against the submission of written receipts, from the application date (May 7, 2014 - the date when Messrs. Eduardo Elsztain and Mordechai Ben-Moshe became the Company's controlling shareholder), and for three additional years after the date of the meeting's approval, as detailed below: reimbursement of expenses in Israel - the payment / reimbursement will be made in respect of expenses which were spent and/or will be spent, in practice, as part of the fulfillment of the position in the Company, and will include expenses which are required by the Company in order to manage its current business operations; expenses for the sake of participation in meetings of the Company's Board of Directors and its committees; expenses for the sake of promoting the Company's business affairs and expanding its activities, including expenses associated with business meetings with service providers, etc., including, inter alia, the following expenses (for each of the Chairmen) :Meal expenses, including provider hosting expenses, etc., at a total scope which will not exceed NIS 3,000 a month; travel and parking expenses at a total scope which will not exceed NIS 1,500 a month ;telecommunication expenses at a total scope which will not exceed NIS 500 a month ;

In addition ,the Company will bear expenses in respect of office areas which were provided and/or which are provided to the members of the limited staff of the Chairman of the Board in the Company's offices, in the total estimated amount of up to approximately NIS 8,000 a month .

The total estimated cost, as stated above, is the additional cost which the Company will bear in light of the agreement between the Company and other parties (including also investee companies which were held by the Company), regarding the division of the use of areas which the Company leases from a third party in Azrieli Center, Tel Aviv (for details regarding this agreement, see section B.(1) above in this note .(

Note 17 - Related parties and interested parties (Continued)

B. Transactions with controlling shareholders or in which controlling shareholders have a personal interest and which are included in Section 270(4) and/or 270(4a) of the Companies Law, that were entered into in 2018 or after the end of the reporting period and the time of the submission of the report or that are in effect at the time of the report (Continued)

(4) Payment and/or reimbursement of expenses to directors who are the controlling shareholders and/or who are among the controlling shareholders (Continued)

It is clarified that the foregoing will not prevent the Company from directly bearing costs and expenses of the Company which are due to international travel of the Chairman on the Company's behalf, and the Company will bear the costs associated with international travel for business purposes on behalf of the Company (or private companies under its control) by the Chairman, including expenses in conventional amounts in respect of flight tickets, vehicle rental / taxis abroad, hotel expenses and food expenses, provided that the purpose of the trip is the Company's business, as stated above .

In January 2017, the general meeting of the Company's shareholders approved (after approval for this purpose was received from the Company's Remuneration Committee and the Board of Directors in December 2016 and in January 2017, respectively) a reimbursement of expenses mechanism for directors who are the controlling shareholders and/or for certain directors among the controlling shareholders, under which, against the presentation of receipts, the expenses which they spent or will spend in practice") out of pocket ,("as part of their positions as directors in the Company ,will be reimbursed to them ,beginning on January.2016 ,1

It is clarified that the aforementioned mechanism as stated above ,does not include a maximum limit on the amount of expenses, and the expenses will be evaluated in accordance with their nature, and mechanisms for monitoring and supervising the reasonableness and necessity of the aforementioned reimbursed expenses will be established .

The Company's internal auditor ,shall periodically audit the types of expenses ,as well as the reasonableness of the scope of the reimbursed expenses, as well as the method for the reimbursement , in accordance with the Company's guidelines and policies ,and will periodically report his findings to the Audit Committee .The Audit Committee will have the authority to determine that no reimbursement is required for certain expenses ,or if the expenses exceed the range of reasonableness as determined by the Committee.

In the years 2017 ,2018 and 201 ,6the cumulative expense reimbursement amounts for the current Chairman of the Board and for the former Chairman of the Board, including in respect of any other party on their behalf (e.g., consultants, personal assistants, and administrative staff members) and for directors who are the controlling shareholders and/or who are among the controlling shareholders, as detailed above) as from January 1, 2016) amounted to NIS 138 thousand ,NIS 342 thousand and NIS 250 thousand, respectively .

(5) Other transactions

(a) For details regarding the terms of the convertible subordinated loans from Dolphin Netherlands , the Company's controlling shareholder") Dolphin Netherlands ("to the Company in the years 2015-2016 ,including a plan for an alternative injection into the Company by way of a subordinate debt injection by Dolphin Netherlands ,which was approved by the Audit Committee and the Board of Directors of the Company on December 1, 2015, and by the general meeting of shareholders of the Company on December 6, 2015 .The loan in an amount of NIS 15 million which the Company received from Dolphin Netherlands by way of subordinated debt, which was approved by the Company's Audit Committee and Board of Directors) after receiving the recommendation of the Company's independent committee (on February ,2016 ,15 in accordance with Regulation (2)1 of the Easement Regulations") Eligible Transaction ;("and the outline for the outline by Dolphin Netherlands, within the framework of the amendment to the Debt Settlement, including through an issue of Company bonds ,according to terms of said outline which was approved by the Company's Audit Committee and Board of Directors) after receiving the recommendation of the Company's independent committee (on February ,2016 ,23 and by the general meeting of the Company's shareholders on March 2 2016 ,see Sections (1) – (3) of Note.7 C. above .

Note 17 - Related parties and interested parties (Continued)

B. Transactions with controlling shareholders or in which controlling shareholders have a personal interest and which are included in Section 270(4) and/or 270(4a) of the Companies Law, that were entered into in 2018 or after the end of the reporting period and the time of the submission of the report or that are in effect at the time of the report (Continued)

(5) Other transactions (Continued)

(b) In September 2016, after approval for this purpose was received from the Company's Audit Committee and Board of Directors, the Company sold approximately 8.9 million shares in DIC to a private company which is owned (100%) by IRSA Inversiones y Representaciones Sociedad Anonima, a company which is under the (direct and indirect) control of Mr. Eduardo Elsztain, the Company's controlling shareholder, at a price of NIS 11.25 per share (which reflects a discount of approximately 4% relative to the closing price of DIC's shares on the stock exchange on September 21, 2016), in a manner whereby the Company's holding rate in the issued capital of DIC decreased, on the sale date, from approximately 76.07% to approximately 67.30%. The total consideration in respect of the sale of the shares amounted to a total of approximately NIS 100 million .

(c) For details regarding the completion of the concentration transaction, which was approved by the Company's Audit Committee and Board of Directors (following the approval of the Company's independent committee) on November 20, 2017, in which, as stated above, the Company sold, in November 2017, all of the shares in DIC which were held by it to Dolphin IL, and discontinued its holding of DIC and companies under its control, see Note 3.A above .

(d) In connection with the Israeli holding requirement which is included in the general license of Cellcom for the provision of cellular telephone services, and after receiving approval from the Ministry of Communication ,in January 2018, the Board of Directors of DIC resolved, after approval for this purpose was received from DIC's Audit Committee, to approve DIC's commitment in a transaction in which DIC transferred (through Koor, its wholly owned subsidiary) Cellcom shares which represent 5% of its issued share capital, by way of a loan transaction, to two private companies which were incorporated in Israel, whose purpose is the holding of Cellcom shares, and which constitute the Israeli entities (2.5% of Cellcom's issued share capital each), in accordance with the principles of the agreement which was signed between the parties. The shareholder of one of the aforementioned companies serves as an alternate director in the Company ;and the shareholder of the second company serves as an officer in DIC and in Cellcom.

(e) In August ,2015 the Company's Audit Committee and Board of Directors approved the commitment ,by the Company and its wholly controlled (100%) company ,with a wholly controlled (100%) company of Property & Building and with IDBG ,in an agreement for the provision ,by Property & Building to IDBG ,of a credit facility in the maximum amount of fifty million dollars which was used in its entirety (the "Facility Agreement" and the "Loan", respectively). In November 2017 (after approval was received from the Company's Audit Committee and Board of Directors), the Company announced, in accordance with the provisions of the framework agreement, the extension of the loan repayment period by 12 months, until December 20, 2018 .In November 2018 (after the approval of the Company's Audit Committee and Board of Directors on November 11 and 25, respectively), the Company announced, pursuant to the provisions of the facility agreement, an addition extension of the period for the repayment of the loan by 9 months, until September 20, 2019. See Note 3.D.4 above for additional details.

(f) In January ,2017 the Board of Directors of Property & Building) after the receipt of approval for this had been received from Property & Building's Audit Committee), approved a commitment under a loan agreement with an Israeli financing body ("The 2017 loan" and "The loan") in an amount of 41.4 million dollars, including the making available of guarantees, jointly and severally, by Property & Building and by the Company, as well as the commitment under an indemnification agreement between Property & Building and the Company ,which set an indemnification mechanism insofar as one of the parties may bear more than its share in the share capital of IDBG in an amount that the lender may collect in respect of the guarantee) if and insofar as it may exercise the guarantee .(The Company's Board of Directors) after the receipt of approval for this had been received from the Company's Audit Committee ,(approved the making available of the guarantee and the commitment under the said indemnification agreement in December.2016

Note 17 - Related parties and interested parties (Continued)

B. Transactions with controlling shareholders or in which controlling shareholders have a personal interest and which are included in Section 270(4) and/or 270(4a) of the Companies Law, that were entered into in 2018 or after the end of the reporting period and the time of the submission of the report or that are in effect at the time of the report (Continued)

(5) Other transactions (Continued)

After the date of the statement of financial position, in January 2019 ,Board of Directors of Property & Building) after the receipt of approval for this had been received from Property & Building's Audit Committee ,(approved Property & Building's commitment under an addition to the loan agreement for the extension of the 2017 loan, within the context of which IDBG received a loan from the lender in an amount of NIS 153 million .This was including the making available of guarantees jointly and severally by Property & Building and by IDB Development ,and a mutual indemnification agreement between Property & Building and IDB Development ,in connection with the making available of such guarantees ,the terms of which are substantially identical to the terms of the guarantee and indemnification agreement in connection with the 2017 loan agreement .On January 3 ,2019 the Company's Audit Committee and Board of Directors approved the extension of the validity of the said guarantee and its commitment under a new indemnification agreement ,as aforesaid .See Note.3 D.3 above for additional details .For details regarding the debt waiver made by the Company and Property & Building after the date of the statement of financial position in connection with the accrued interest on loans granted by them to IDBG see Note.3 D.6 above .

C. Additional employment and remuneration transactions

(1) In the years 2016, the Company received, from its investee companies ,directors 'remuneration in respect of the tenure of its interested parties as directors in those companies, in an amount of NIS 116 thousand .

(2) In January 2016, Mr. Sholem Lapidot (who serves as a director in the Company) was appointed as the Company’s General Manager, and as the Acting General Manager of DIC (and in August 2016, his appointment as the General Manager of DIC was approved). In May 2016, the Company’s general meeting approved (after approval for this purpose was received from the Company’s Remuneration Committee and Board of Directors in March 2016) the terms of tenure and employment of Mr. Lapidot (following an update thereto), according to the terms detailed below: Mr. Lapidot will serve as the Company’s General Manager in a 25% position, and as part of the foregoing, will serve as a director in the Company’s investee companies, and as the Acting General Manager of DIC, in a 75% position. One year after the approval date of the employment agreement with Mr. Lapidot, and once per year, the allocation of the cost ratios between the Company and DIC will be re-evaluated, for the purpose of determining the ratio at which Mr. Lapidot’s cost of employment will be divided between the Company and DIC (where any change in the scope of Mr. Lapidot’s position, and in the payments which will apply to the Company and to DIC, will be subject to the approval of the Remuneration Committees of the Company and of Discount Investment .

In April 2016, Mr. Lapidot’s terms of tenure and employment as the Acting General Manager of DIC were approved by the general meeting of DIC (after approval for this purpose was received from DIC’s Remuneration Committee and Board of Directors in February 2016 .

The aforementioned employment terms are being paid retrospectively, beginning from the commencement date of Mr. Sholem Lapidot’s tenure as the Company’s General Manager, and as the Acting General Manager of DIC, in January 2016, and include: (a) 12 monthly salaries per year ,in an amount of NIS 170 thousand per month in respect of a 100% position (the Company bears NIS 42.5 thousand per month out of the aforementioned amount ,in respect of a 25% position), linked to the consumer price index on a monthly basis; (b) social and fringe benefits according to the conventional practice, as well as loss of working capacity insurance; (c) reimbursement of vehicle expenses (including insurance, gas, etc.) and grossing-up of the benefit component for tax purposes in respect of them; (D) equity remuneration which will be provided by DIC, including 5,310,000 options, to be allocated in 5 tranches, as detailed below, and exercisable into 5,310,000 ordinary shares in DIC with a par value of NIS 1 each ,in respect of a 100% position. The total benefit value of the options as at the approval date of DIC’s Board of Directors was NIS 16.3 million, based on the Black-Scholes model ,in respect of a 100% position (the Company’s share in the aforementioned total benefit value is NIS 4.064 million in respect of a 25% position, according to a linear calculation, which will be paid to DIC .

Note 17 - Related parties and interested parties (Continued)

C. Additional employment and remuneration transactions (Continued)

(2) (Continued)

The exercise shares (100%) will constitute, following their allocation, approximately 5% of DIC's issued and paid-up share capital as at the approval date of DIC's Board of Directors in February 2016 (approximately 3.5% as at December 31 .(2018 ,Each tranche of options will be exercisable until the end of 7 years after the tenure commencement date in DIC .

The options will be allocated in 5 tranches, as detailed below:

	%of total options	Vesting date	Exercise price per option*,**
First tranche	20%	One year from the tenure commencement date	NIS9.5
Second tranche	20%	Two years from the tenure commencement date	NIS10.5
Third tranche	20%	Three years from the tenure commencement date	NIS11.0
Fourth tranche	20%	Four years from the tenure commencement date	NIS11.5
Fifth tranche	20%	Five years from the tenure commencement date	NIS12.5

* The exercise prices will be subject to adjustments in respect of dividend distributions, bonus shares, rights issues, and consolidations and splits of share capital .It should be noted that the average price of shares in DIC during the last 30 trading days before the date of the resolution of DIC's Board of Directors regarding the terms of tenure and employment was NIS 5.59.

** The aforementioned options will be exercisable using one of the following two methods (1) :exercise in consideration of full payment ,in cash ,of the entire exercise price to DIC (2) ;allocation of shares in a quantity which reflects the amount of the financial benefit embodied in the options as at the date of the exercise notice") cashless .("

The total benefit value of the aforementioned options (100%) on the date of approval of DIC's general meeting of shareholders was NIS 22.6 million, based on the Black-Scholes model. Assumptions used to calculate the aforementioned benefit value: risk-free interest rate - 1.45%, projected lifetime - 7 years, standard deviation - 64%. DIC's share price as at the date of approval of DIC's general meeting was NIS 7.73. On May 30, 2016, DIC's Board of Directors approved the actual provision of the options. In June 2016, DIC allocated the aforementioned options. In April 2017, Mr. Lapidot exercised 1.062 million options into 446,442 ordinary shares in DIC) by way of a cashless exercise.(

(3) **Transactions which are not listed in section (4)270 of the Companies Law ,and which are not insignificant ,in amounts exceeding NIS 8.6 million per single transaction :**

- Shufersal executed a large number of non-extraordinary transactions with suppliers that are interested parties and related parties of the Company in a total amount of NIS 45 million, NIS 59 million in 2017, until the sale date of shares in DIC) November 22, 2017 ,(and ,2016 respectively. The transactions included purchasing food products, toiletries and other products for sale in its stores .
- Property & Building received interest income in respect of loans which it provided to investee companies treated at equity ,which amounted in 2017, until the time of the shares in DIC (November 22, 2017) to NIS 46 million (in - 2016 NIS 59 million.(
- The Company recorded interest income in respect of loans which it provided to IDBG ,in the amounts of NIS 57 million and NIS 53 million in 2018 and in 2017) from the time of the sale of the shares in DIC to December 31, 2017 ,(respectively.

Note 17 -Related parties and interested parties (Continued)

D. Additional details regarding transactions with related parties and interested parties

(1) Balances which ,as at the date of the statement of financial position ,constitute related parties or interested parties

	Interest rate	As at December31	
	As at December 2018 ,31	2018	2017
	%	NIS millions	
Debenture of Dolphin IL[(1)]	6.5	1,203	1,529
Cost of obtaining collateral for the Company's liabilities from Dolphin IL [(1)]		165	197
Long term loans and capital notes to investee companies [(2)]			
NIS) linked and unlinked(	2.6	1	1
Linked to the dollar	0.0	319	1,099
Convertible subordinated loans from the controlling shareholder [(3)]	0.5	529	521
Other payables and credit balances:			
Related parties and interested parties		6	8
Debentures of the investee company held by a related party and an interested party[(4)]	4.95-5.00	137	5

(1) See Note.3 A above .
(2) The repayment dates of the loans have not yet been determined.
(3) See Note.7 C.(1)-(3) above .
(4) Including current maturities.

The following are debentures held by a related party and interested parties

December 31, 2018

Holder's name	Series	Linkage basis	Par value	Amount: Liability value	Amount: Market value	Interest %	Repayment dates
			NIS	NIS millions			
Dolphin Holland	I[(2)]	Linked	[(4)]4,312,091	5	3	4.95	2020-2025
DIC[(1)]	I[(2)]	Linked	[(4)]85,090,065	103	60	4.95	2020-2025
DIC[(1)]	N[(3)']	Unlinked	28,795,103	29	21	5.00	2022
				137	84		

Note 17 - Related parties and interested parties (Continued)

D. Additional details regarding transactions with related parties and interested parties (Continued)

As of December 31, 2017

Holder's name	Series	Linkage basis	Par value	Amount: Liability value	Amount: Market value	Interest %	Repayment dates
			NIS	NIS millions			
Dolphin Holland	I[(2)]	Linked	4,312,091	5	3	4.95	2020-2025

[(1)] _In July 2018 and December ,2018 DIC purchased in the stock exchange approximately NIS 9 million and NIS 76 million par value) Series I (held by the Company at a cost of NIS 8 million and NIS 66 million ,respectively .In addition ,in July 2018 and December ,2018 DIC purchased approximately NIS 23 million and NIS 6 million par value)Series N (of the Company at a cost of NIS 20 million and NIS 5 million ,respectively.

[(2)] See Note 8.A.1 above

[(3)] See sections A.1 and B.3 in Note 8 above .

[(4)] After the distribution of in kind dividends from DIC ,as stated in Note.3 A.6 above ,in February ,2019 after the date of the statement of financial position ,DIC remains with approximately NIS 0.6 million par value ,as aforesaid . Furthermore ,as a result of the holding in shares in DIC ,Dolphin IL ,an additional company that is owned by the Company's controlling shareholder and its CEO hold approximately NIS 68 million par value ,approximately NIS 1 million par value and approximately NIS 0.3 million par value ,respectively.

Note 17 -Related parties and interested parties (Continued)

D. Additional details regarding transactions with related parties and interested parties (Continued)

(2) Income and expenses from related parties and interested parties:

	For the year ended December 31					
	2018	2017	2016	2018	2017	2016
	Number of recipients			NIS millions		
Revenues:						
A. Increase in the fair value of the debenture from Dolphin IL[3]				-	27	
B. Decrease in the fair value of subordinated loans from the controlling shareholder [5]				530	-	
Expenses:						
A. Participation in payroll and associated expenses and in other expenses for a related company [1]				8	2	
B .Benefits in respect of the employment of key management personnel) including directors:(						
Short term benefits [2]	1	1		1	3	
Share-based payment[2]	1	1		1	6	
B .Benefits in respect of directors and interested parties which are not employees) directors 'remuneration including reimbursement of expenses in the Company and in consolidated companies [4](	8	8		1	3	
D. Decrease in the fair value of the debenture from Dolphin IL [3]				326	-	
E. Increase in the fair value of convertible subordinated loans from the controlling shareholder [5]				-	444	
F. Financing expenses in respect of obtaining collateral for the Company's liabilities From Dolphin IL [3]				32	3	

(1) See section B.(2) of this Note.
(2) In respect of the entire year, see section C.(2) of this Note.
(3) See Note.3 A.4 above .
(4) See sections B.(3)(E) and B.(4) of this Note.
(5) For details, see Note.7 C .above and section B.5).A (of this Note .

(3) Transactions between related parties and interested parties, which were described in the note on related parties and interested parties in the Company's financial statements for 2016 and/or 2017

a. Payments of DIC in accordance with a settlement arrangement in connection with a claim and a motion to approve it as a class action against DIC and the directors therein from June 2013 (four equal annual payments in an amount of NIS 4.5 million each, beginning in August 2013), as compensation to the group which will be comprised of Koor shareholders (excluding the Company) who did not exercise rights which they received from Koor for the acquisition of shares within the framework of a rights issue which Koor performed in November 2008

b . An Investment undertaking of Koor and Clal Insurance Group) in equal parts ,(in the total amount of 250 million dollars ,in EMCO Fund) a private investment fund managed by member corporations of Credit Suisse Group .(It should be noted that the period involving the performance of the investments in the EMCO fund ended in November.2012

c. In December ,2016 the general meeting of IDB Tourism) after obtaining the approval of its Audit Committee and Board of Directors (approved its engagement with IDBG for the grant of 2 $ million ,which was repaid in January.2017

d. In accordance with previous decisions of the Company's authorized forums, in March 2017, the Company's Board of Directors decided that the Company's donations budget for 2017 would be NIS 3.93 million (1.5% of the Company's net income for 2016, according to its audited consolidated financial statements) and that 100% of the above amount would be donated to the IDB Foundation for the Community) Registered Association") (Foundation .("Accordingly, during the course of 2017, the aforementioned amount was extended as a contribution to the Foundation.

Note 18 - Segments

A. General

In these financial statements, the Company applied IFRS 8, Operating Segments. In accordance with IFRS 8, segmental information is presented in respect of the Company's operating segments which are based on the Company's internal and managerial reports ("Management Reports").

In these reports, the segmentation of the Company into reportable operating segments, in accordance with IFRS 8, is derived from management's reports, which are based on the Company's investment in some of the companies which it owns, including associate companies (the" Segment Companies ,("and on the Debenture which was issued to the Company by Dolphin IL (hereinafter, in this Note" :The debenture ,(" which is described in Note.3 A above.

The segmental results detailed below include the Company's share in the net profit (loss) of the segment company, the Company's profit (loss) from the realization, amortization or impairment of the segment company, and the update to the debenture's fair value .

Information regarding the assets of the segment companies, as detailed below, includes the total assets of the segment companies in accordance with their financial statements and the fair value of the debentures .

B. The manner of the presentation of segmental results

- The segmental results that are detailed below include the various items of profit and loss of the segment companies (in consideration of the fair value adjustments of the Company), and after deducting the share of non-controlling shareholders - constitute the Company's share in the net profit)loss (of the segment companies.
- The Group's share in the net profit (loss) of investee companies treated at equity ,net, the item for profit from realization of investments and assets, dividends and profit due to rise to control, and the item for loss from realization and write-down of investments and assets also included the profit or loss, as applicable, which arose for the Company from the realization ,impairment and writing-down of its investment in the segment companies .

<u>The manner of the presentation of the results, assets and liabilities of the Clal Holdings Insurance Enterprises segment</u>

The results of the Clal Holdings Insurance Enterprises segment include the changes in the market value of shares in Clal Holdings Insurance Enterprises which are held by the Company ,after deducting selling costs and after deducting costs in respect of the swap transactions that have been executed by the Company on shares in Clal Holdings Insurance Enterprises .The aforementioned result is presented under discontinued operations, and the segmental assets constitute the market value of the Company's holding in Clal Holdings Insurance Enterprises ,in accordance with the information which was received by the Chief Operating Decision Maker on an ongoing and orderly basis .The segmental liabilities include a liability in respect of the swap transactions that have been executed by the Company on shares in Clal Holdings Insurance Enterprises as described in Sections 3 and 4 of Note.3 B above.

<u>Additional date in connection with the debenture</u>

Following the sale of shares in DIC in November 2017) as detailed in Note 3.A above) in consideration of the Debenture from Dolphin IL, and in light of the significance of the Debenture to the Company's assets, and its importance to the Company's financial position, the Chief Operating Decision Maker receives reports both regarding the value of the Debenture (on financial reporting dates), and regarding the value of shares in DIC which are charged to guarantee the Debenture. Accordingly, this information is presented below in this note .

Note 18 - Segments (Continued)

B. Manner of the presentation of segmental results
For the year 2018

	IDBG	Debenture from Dolphin IL	Discontinued operations: IDB Tourism	Discontinued operations: Clal Holdings Insurance Enterprises	Other segments[1]	Consolidation adjustments	Consolidated
	NIS millions						
Income							
Sales and services	42	-	1,281	-	10	(1,333)	-
Other income	-	-	7	-		(7)	-
Financing income	-	-	12	-	1	527	540
Total income in the segment in 2018	42	-	1,300	-	11	(813)	540
Expenses							
Cost of sales and services	25	-	1,143	-	-	(1,168)	-
The Company's share in the profit) loss (of investee companies treated at equity , net	-	-	(4)	-	-	75	719
Decrease in fair value of investment property, net	88	-	-	-	-	(88)	-
Oil exploration expenses	-	-	-	-	14	(14)	-
Selling and marketing expenses	-	-	60	-	-	(60)	-
General and administrative expenses	16	-	56	-	5	(54)	23
Loss from realization ,impairment ,and write-down of investments and assets	-	-	6	-	-	(6)	-
Other expenses	-	-	24	-	-	(24)	-
Financing expenses	30	326	10	-	-	237	603
	159	326	1,295	-	19	(1,102)	697
Profit) loss (before taxes on income	(117)	(326)	5	-	(8)	289	(157)
Tax benefit) taxes on income(	-	-	7	-	-	(7)	-
Profit) loss (from discontinued operations ,after tax	-	-	-	(319)	-	12	(307)
Non-controlling shareholders in profit (loss)	[2]48	-	(1)	-	6	(54)	(1)
Segmental results for 2018 - attributed to the shareholders in the Company	(69)	(326)	11	(319)	(2)	240	(465)
Depreciation and amortization	-		34		-		
Amortization for impairment, net	88	403	6		-		
Interest income	-	13	1		-		
Interest expenses	30	14	10		-		

(1) Includes the holdings in the oil and gas segment ,and in Elron.
(2) Represents the Property & Building's share in the losses of IDBG .

Note 18 - Segments (Continued)

B. Manner of the presentation of segmental results (Continued)
For the year 2017

			Discontinued operations		Discontinued operations sold					
	IDBG[1]	Debenture from Dolphin IL	Clal Holdings Insurance Enterprises	IDB Tourism[2]	Cellcom[1]	Property & Building [1]	Shufersal [1]	Other segments[3]	Consolidation adjustments	Consolidated
	NIS millions									
Incom										
Sales and services	37	-	-	1,243	3,871	1,331	11,852	-	(18,334)	-
The Company's share in the profit) loss (of investee companies treated at equity ,net	-	-	-	7	-	66	5	(70)	(10)	(2)
Profit from realization and increase in the value of investments, assets and dividends	-	-	-	-	-	-	-	56	(56)	-
Increase (decrease) in fair value of investment property, net	(246)	-	-	-	-	392	36	-	(182)	-
Other income	6	-	-	2	11	-	-	2	(21)	-
Financing income	-	27	-	-	52	75	28	11	(161)	32
Total income in the segment in 2017	(203)	27	-	1,252	3,934	1,864	11,921	(1)	(18,764)	30
Expenses										
Cost of sales and services	17	-	-	1,087	2,680	572	8,828	-	(13,184)	-
Oil exploration expenses	-	-	-	-	-	-	-	1	(1)	-
Research and development expenses	-	-	-	-	-	-	-	36	(36)	-
Selling and marketing expenses	4	-	-	57	479	24	2,478	2	(3,044)	-
General and administrative expenses	13	-	-	56	426	74	166	35	(748)	22
Loss from realization ,impairment ,and write-down of investments and assets	42	-	-	9	-	-	-	23	(74)	-
Other expenses	-	-	-	2	-	-	20	1	(23)	-
Financing expenses	26	-	-	19	196	443	139	4	(117)	710
	102	-	-	1,230	3,781	1,113	11,631	102	(17,227)	732
Profit) loss (before taxes on income	(305)	27	-	22	153	751	290	(103)	(1,537)	(702)
Tax benefit) taxes on income(	-	-	-	8	(40)	(161)	(69)	(2)	338	74
Profit) loss (from discontinued operations ,after tax	-	-	363	-	-	-	-	-	(35)	328
Non-controlling shareholders in profit (loss)	[3]144	-	-	(2)	(80)	(556)	(144)	78	250	(310)
Segmental results for - 2017 attributed to the shareholders in the Company	(161)	27	363	28	33	34	77	(27)	(984)	(610)
Depreciation and amortization	-			33	555	4	403	2		
Amortization for impairment, net	288			9	3	-	13	-		
Interest income	-			-	31	36	14	4		
Interest expenses	26			9	147	490	115	-		

(1) Segments whose operations have been discontinued following the sale of the holding in DIC, as stated in Note 3.E. above. The data are for the entire year 2017, notwithstanding the fact that the consolidation of those companies was discontinued on November 22, 2017. Profit (loss) after this period was attributed to non-controlling shareholders .

(2) Includes the holdings in the oil and gas segment ,and in Elron.

(3) Represents the Property & Building's share in the losses of IDBG .

Note 18 - Segments (Continued)

B. Manner of the presentation of segmental results (Continued)
For the year 2016

	Cellcom[1]	Property & Building and projects in Las Vegas [1]	Shufersal[1]	Adama [2],[1]	Clal Holdings Insurance Enterprises	Other segments [3]	Consolidation adjustments	Consolidated
	NIS millions							
Income								
Sales and services	4,027	1,229	11,842	9,239	-	1,080	(27,417)	-
The Company's share in the profit (loss) of investee companies treated at equity ,net	-	51	2	(64)	-	(40)	51	-
Profit from realization and increase in the value of investments, assets and dividends	-	2	-	766	-	4	(772)	-
Increase in fair value of investment property, net	-	276	26	-	-	-	(302)	-
Other income	-	-	1	35	-	7	(43)	-
Financing income	46	65	36	379	-	13	(534)	5
Total income in the segment in 2016	4,073	1,623	11,907	10,355	-	1,064	(29,017)	5
Expenses								
Cost of sales and services	2,692	548	8,853	6,057	-	922	(19,072)	-
Oil exploration expenses	-	-	-	-	-	7	(7)	-
Research and development expenses	-	-	-	91	-	25	(116)	-
Selling and marketing expenses	567	27	2,518	1,564	-	59	(4,735)	-
General and administrative expenses	420	99	152	332	-	89	(1,047)	45
Loss from realization ,impairment ,and write-down of investments and assets	-	22	-	-	-	127	(149)	-
Other expenses	21	-	-	11	-	14	(46)	-
Financing expenses	196	438	135	785	-	16	(1,418)	152
	3,896	1,134	11,658	8,840	-	1,259	(26,590)	197
Profit) loss (before taxes on income	177	489	249	1,515	-	(195)	(2,427)	(192)
Tax benefit) taxes on income(	(9)	(62)	(19)	(50)	-	(1)	155	14
Profit from discontinued operations after tax	-	-	-	-	53	-	1,033	1,086
Non-controlling shareholders in profit (loss)	(112)	(326)	(138)	[4](768)	-	83	615	(646)
Segmental results for 2016 - attributed to the shareholders in the Company	56	101	92	697	53	(113)	(624)	262
Depreciation and amortization	516	9	386	518		46		
Amortization for impairment, net	2	22	13	39		91		
Interest income	39	30	28	108		5		
Interest expenses	157	476	133	315		13		

(1) Segments whose operations have been discontinued following the sale of the holdings in DIC, as stated in Note 3.E. above. The data regarding Adama are in accordance with Adama's financial statements as at September 30, 2016 and for the nine month period then ended.

(2) The liabilities in the Adama segment included the host contract in the hybrid financial instrument in respect of the non-recourse loan, the financing expenses in respect of which (revaluation, interest and foreign currency differences) until the completion date of the Adama transaction (November 22, 2016) amounted to NIS 301 million. These financing expenses were not presented as part of the information in connection with the segment, since they do not constitute a part of the internal reporting framework in the Adama segment, which is provided in an orderly manner to the Group's Chief Operating Decision Maker.
The liabilities in the Adama segment also includes an embedded derivative, where the financing expenses in respect of the revaluation of the derivative until the closing date of the Adama transaction (November 22, 2016) amounted to NIS 35 million. These financing expenses were not presented as part of the information in connection with the segment, since they do not constitute a part of the internal reporting framework, as part of the Adama segment, which is submitted on a routine basis to the Group's Chief Operating Decision Maker.

(3) Includes IDB Tourism) a segment whose operations have been discontinued ;(Holdings in the oil and gas segment and Elron.

(4) Including ChemChina's share in the results of Adama.

Note 18 - Segments (Continued)

C. Composition of the adjustments to the sales and services item in the consolidated report:

	For the year ended December31		
	2018	2017	2016
		NIS millions	
Cancellation of amounts in respect of segments that are classified as investee companies	(52)	-	-
Cancellation of amounts in respect of Adama, which was classified in the financial statements as an investee treated at equity, and which is presented as a discontinued operation	-	-	(9,239)
Segments classified as discontinued operations	(1,281)	(18,334)	(18,307)
Investee companies which do not meet the definition of a segment and other adjustments	-	-	129
	(1,333)	(18,334)	(27,417)

D. Composition of the adjustments to the segmental results attributed to the shareholders of the Company in the consolidated report:

	For the year ended December31		
	2018	2017	2016
		NIS millions	
Segments classified as discontinued operations	-	(331)	-
Inclusion of the results of the Company and the headquarter companies) in - 2016 including the Company and DIC and in 2017 and – 2018 the Company(	240	(653)	(651)
Investee companies which do not meet the definition of a segment and other adjustments	-	-	27
	240	(984)	(624)

Note 18 - Segments (Continued)

E. Segmental balance sheet data

As at December2018 ,31

	IDBG	IDB Tourism[(1)]	Clal Holdings Insurance Enterprises [(1)]	The Debenture[(2)]	Other segments[(3)]	Consolidation adjustments	Consolidated
				NIS millions			
(1) Segmental assets	1,061	1,203	664	1,603	664	(50)	4,545
(2) Segmental liabilities	[(4)]680	-	452	843	6	2,795	4,776

As at December2017 ,31

	IDBG	IDB Tourism[(1)]	Clal Holdings Insurance Enterprises [(1)]	The Debenture[(2)]	Other segments[(3)]	Consolidation adjustments	Consolidated
				NIS millions			
(1) Segmental assets	1,046	599	1,873	1,529	33	517	5,597
(2) Segmental liabilities	[(4)]564	406	315	-	5	3,576	4,866

(1) Discontinued segment.

(2) In addition to the value of the Debenture ,as detailed above ,the Chief Operating Decision Maker regularly receives information regarding the balance of the principal of the debenture and the accrued interest, and also regarding the value of the balance of shares in DIC which are charged against the debenture .The Chief Operating Decision Maker also receives information regarding the asset value of investments which are directly held by DIC and regarding its net debt .The asset value is calculated based on the value of DIC's investments, as follows: (A) in respect of non-marketable holdings - according to their value in DIC's financial statements; (B) in respect of marketable holdings - according to their average market value during the five trading days preceding the relevant date.

The following are data as aforesaid

	As at December31	
	2018	2017
	NIS million	
Balance of the principal and accrued interest	1,904	1,785
Market value of the balance of the shares in DIC that have been charged against the debenture	1,072	1,570
Value of the assets of investments held directly by DIC*	4,138	6,164
DIC's net financial debt*	(2,368)	(3,348)
Percentage of the shares in DIC that are charged in support of the debenture	76.8%	76.6%

* Related to 100% of DIC

(3) Includes oil asset assets and liabilities .

(4) Includes amounts of NIS 237 million and NIS 200 million as at December 31, 2018 and 2017, respectively, in respect of the facility agreement - undertaking towards Property & Building .See Note.3 D.4 above.

Note 18 - Segments (Continued)

F. Composition of the adjustments to the segmental assets and liabilities for the consolidated report:

Segmental assets

	As at December31	
	2018	2017
	NIS millions	
Cancellation of amounts in respect of segments classified in the financial statements as investee companies treated at equity	(1,125)	(1,079)
Inclusion of the total investment in investee companies treated at equity, as included in the financial statements	204	245
Inclusion of headquarter assets *	871	1,351
	(50)	517

*The assets of the Company and wholly owned companies (excluding IDB Tourism) .

Segmental liabilities

	As at December31	
	2017	2016
	NIS millions	
Cancellation of amounts in respect of segments classified in the financial statements as investee companies treated at equity	(686)	(569)
Inclusion of the headquarter companies' liabilities *	3,481	4,145
	2,795	3,576

*The liabilities of the Company and wholly owned companies (excluding IDB Tourism) .

G. Capital investments

	IDBG	Other segments
2018	9	19
2017	75	9

A segment's capital investment is the total of the non-current assets that have been added in the segment company.

H. Types of products and services from which the reportable segments derive their income:

- Cellcom) until November - (2017 ,22 mobile telephone call services ,content and value added services ,other services and income from the sale of end user equipment in the mobile segment , as well as internet services ,international calls and television over internet services.
- Property & Building (until November 22, 2017) and IDBG - rental of revenue-generating properties and residential construction.
- Shufersal) until November - (2017 ,22 retail and rental of revenue-generating properties.
- Adama (until September 2016) - sale of crop protection products (agro) and products in the non-agro segment .
- Clal Holdings Insurance Enterprises - operates through subsidiaries in the insurance and pension and provident segments, as well as in financial services segment and in the holding of real assets and businesses .

I. Information by geographical regions

The country of domicile of the Company and of IDB Tourism is Israel .IDBG generates its revenues in the United States .Most of the revenues from the external customer sales of DIC's investee companies take place in Israel.

The non-current assets are located primarily in Israel .

Note 19 - Events after the date of the statement of financial position

A. See Notes 3.B.3, 3.B.5 and 8.B.(2) above for details regarding the sale of shares in Clal Holdings Insurance Enterprises at a rate of 4.5% of its issued share capital and regarding the partial termination of the May 2017 swap transaction at a rate of 1% of its issued share capital, which was executed in January 2019.

B. See Note 9 above for details regarding the termination of the swap transactions on shares in DIC in January.2019

C. See Sections 2 and 3 in Note 3.D above for details regarding the recycling of loans that have been received by IDBG and GW.

D. See Note 3.A.6 above for details regarding the distribution of a dividend by DIC in February 2019 and the depositing of monies in a deposit that is charged in support of the holders of the debentures (Series N).

E. For details regarding an approach by an independent committee of the Company's Board of Directors in a letter to the Chairman of DIC's Board of Directors, in which the committee proposed to DIC opening negotiations for the acquisition of control in Clal Holdings Insurance Enterprises , and for details on submitting an application for a control permit in Clal Holdings Insurance Enterprises and Clal Insurance by controlling shareholders of the Company, see Note 3 B 8 above .

F. In January 2019, the Company reached agreement with two banking institutions regarding the easing of the terms for the completion of the collateral (mark to market) for the swap transactions that the Company has executed on approximately 20% of the shares in Clal Holdings Insurance Enterprises.