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

IDB Development Corporation Ltd.

Immediate report dated May 4, 2020 - reference number: 2020-01-039214

Subject: Approval of terms of transaction for the sale of the Company's rights in IDBG

Following the provision of Note 3.D. of the financial statements of IDB Development Corporation Ltd. (the "**Company**") of December 31, 2019 regarding the letter of the Audit Committee (the "**Committee**") of Property and Building Corp. Ltd. (a company owned by the controlling person of the Company, "**PBC**"), whereby PBC will agree to purchase the balance of the Company's holdings in IDB Group USA Investments Inc. (hereinafter: "**IDBG**", a company out of whose issued capital 25.82% are held by the Company (through a private company fully owned by it) (the "**Transaction**"), and out of whose issued capital the additional 74.18% are held by PBC (the "**Property**"), and following the Company's immediate report of April 5, 2020 regarding an additional letter received from the Committee, wherein it offered a transaction structure as specified in such additional letter, the Company provides the update that following additional discussions held between the parties, and following several meetings on this subject, after the Company's Audit Committee approved the main points of the Transaction's terms and after approval by the Audit Committee and board of directors of PBC, the parties signed an agreement for the sale of the Company's rights in IDBG, as follows:

- (1) Cash transaction: The Transaction is a cash transaction, with no financing stipulations.
- (2) Merchandise; as-is transaction: The Company will sell to PBC 50 ordinary shares of IDBG which as of this date constitute approximately 25.82% of IDBG's issued and paid-up share capital (the "**Purchased Shares**");
- (3) The Company will assign to PBC, in an assignment by way of sale, finally, irrevocably and unconditionally, all its rights and obligations due to, and in connection with, shareholders' loans (principal along with such interest as will accrue up to the Completion Date), provided by it to IDBG pursuant to the terms of such shareholders' loans (the "**Shareholders' Loans**"), as well as all its rights in credit balances (debit and credit) of IDBG toward the seller (the "**Credit Balances**"), the balance whereof, as of April 24, 2020, is approximately USD 46.34 million and USD 1.8 million, respectively.

The Purchased Shares, the Shareholders' Loans and the Credit Balances will hereinafter be referred to jointly as the "**Merchandise**".

The Transaction will be made on an as-is basis, without a process of due diligence, with no special representations and without an undertaking to indemnify for the (limited) representations included in the agreement between the parties.

- (4) Consideration: Consideration in NIS equal to approximately USD 27.8 million (including the credit balances). The consideration will be paid to the Company immediately after obtaining the approvals of the organs required in connection with the Transaction.
- (5) Closing: The Transaction's completion will be carried out no later than one business day following the date on which the pending warranty provided in Subsection (6) below is met, unless the parties have agreed to extend such date (the "**Completion Date**"). As part of the actions to be taken by the parties on the date of the Transaction's completion, they will also sign the

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following documents: a letter of waiver of mutual actions for the Merchandise; revocation of all the agreements into which they entered in connection with their holdings of IDBG's shares (other than an indemnification agreement whereby, in any event where guarantees provided by the parties to an entity which provided financing for IDBG is realized other than in accordance with the rates of the parties' holding in IDBG following the Completion Date, PBC will be solely liable to indemnify the Company against any payment in connection with such guarantees. The aforesaid indemnification agreement will only be revoked upon the revocation of such guarantees provided by the Company); and all the documents required, if and insofar any are required, to release the Company from its obligations, of any kind whatsoever, toward entities who provided financing for IDBG, and a letter of undertaking whereby, starting from the date of the Transaction's completion, PBC will take the Company's place, for all intents and purposes, regarding such obligations of the Company.

- (6) Pending Warranty: The Transaction's completion will be subject to approval by the Company's board of directors, as well as approval by the general meeting of the shareholders of PBC pursuant to the provisions of the Companies Law, 5759-1999, which will be convened no later than 45 days from the date of the Transaction's approval by PBC's board of directors.
- (7) Interim Period: Starting from the date of the signing hereof and up to the Completion Date, the parties have warranted not to take any action which frustrates, or which could frustrate, the implementation of the agreement or the performance of their obligations thereunder. It has further been clarified that failure to obtain the approval of the general meeting of PBC and failure to obtain the approval of the Company's board of directors will not constitute an action which frustrates, or which could frustrate, the implementation of the agreement, and that such approval by the board of directors will be considered according to its sole discretion and taking heed, *inter alia*, of the circumstances on the date on which such approval is discussed and pursuant to the provisions of law.
- (8) Terminating warranty: The agreement will be automatically revoked in any event where a judicial order is received which prohibits the making and completion of the Transaction.

The above provision regarding the completion of the Transaction is prospective information which may not come to pass, if and insofar as the terms required for its completion are not met, including the obtainment of approvals by the parties' organs.
