

Convenience translation

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IDB Development Corporation Ltd.

Immediate report dated May 2, 2019 - reference number: 2019-01-042664

Subject: Agreements Regarding the Sale of Clal Shares

Further to that stated in Notes 3.B.2., 3.B.3. and 3.B.5. to the financial statements of IDB Development Corporation Ltd. (the “**Company**”) for 2018, in connection with the Outline for the sale of the Company’s control of and holdings in Clal Insurance Enterprises Holdings Ltd., which was formulated by the Director of the Authority of Capital Markets, Insurance and Savings (the “**Outline**”, “**Clal Insurance Enterprises**” and the “**Commissioner**”, respectively), and further to that stated in the Company’s report dated April 16, 2019, regarding the Commissioner’s instruction to the trustee for the Company’s holdings in Clal Insurance Enterprises Holdings in Clal Insurance Enterprises Holdings Ltd., Mr. Moshe Terry (the “**Trustee**”), to continue working in accordance with the provisions of the Outline, and to sell 5% of the means of control of Clal Insurance Enterprises which are held by the Trustee, by May 4, 2019 (the “**Commissioner’s Instruction**”), the Company hereby reports that on May 2, 2019, the Company entered into agreements with two third parties which are unrelated to the Company (the “**Buyers**”), according to which each of the Buyers will acquire shares of Clal Insurance Enterprises which constitute approximately 4.99% of its issued capital, in consideration of a cash payment of NIS 47.7 per share. Additionally, one of the Buyers was given an option to acquire additional shares of Clal Insurance Enterprises, which constitute approximately 3% of its issued capital, for a period of 120 days, subject to the receipt of a holding permit, at a price of NIS 50 per share. The Company also engaged, on May 2, 2019, in an agreement with a third buyer which is unrelated to the Company (the “**Additional Buyer**”), according to which the Additional Buyer will receive from the Company an option, valid for a period of 50 days, to acquire shares of Clal Insurance Enterprises which constitute up to approximately 4.99% of its issued capital (and no less than 3% of its issued capital), in consideration of NIS 47.7 per share. Subject to the exercise of the option by the Additional Buyer, the consideration with respect to the option shares will be paid by the Additional Buyer in a manner whereby 10% of the consideration will be paid in cash, and the remainder will be paid through a loan which will be provided to the Additional Buyer by the Company and/or by a related entity thereof and/or by a banking corporation and/or financial institution, under conditions which were agreed upon (the Agreements with the Buyers, and the agreement with the Additional Buyer, shall hereinafter be referred to as: the “**Agreements**”). The Agreements include, inter alia, an undertaking by the Buyers and the Additional Buyer not to sell the acquired shares during agreed-upon periods. It is hereby clarified that each of the Buyers, and the Additional Buyer, have declared and undertaken towards the Company that no arrangements or understandings exist between them and the other buyers and/or the Additional Buyer (as applicable) regarding the joint holding of the shares of Clal Insurance Enterprises which form the subject of the Agreements.

The total scope of the shares of Clal Insurance Enterprises which may be acquired by the aforementioned three buyers, insofar as the three agreements will be completed, and the options thereunder exercised, amounts to approximately 18% of the issued capital of Clal Insurance Enterprises.

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The Company's engagement in the aforementioned agreements has been approved by the Company's Board of Directors.

Further to that stated in Notes 3.B.3. and 3.B.5. to the Company's financial statements for 2018, regarding swap transactions which were executed by the Company with respect to shares of Clal Insurance Enterprises, it is noted that the Company's intention is for the source of the shares of Clal Insurance Enterprises which form the subject of the Agreements to be out of the shares of Clal Insurance Enterprises which are held by the Trustee, and regarding which the Commissioner's instruction was issued, and also out of additional shares which will be sold as part of the termination, including the early termination, of some of the swap transactions which were executed by the Company in connection with shares of Clal Insurance Enterprises and/or out of additional shares which are held by the Trustee. In connection with the foregoing, and in consideration of the terms of the aforementioned swap transactions, the Company requested the Commissioner to provide his consent for the aforementioned update of terms, in a manner which will allow the execution of the sale of shares of Clal Insurance Enterprises which forms the subject of the swap transactions through over the counter transactions, to a particular buyer (instead of sale through distribution of the shares), and which will also allow the Company to instruct the financial entities through which the swap transactions were executed to execute the sales to the Buyers and to the Additional Buyer.

With reference to an administrative petition which was filed by the Trustee for the debentures (Series I) with the District Court of Jerusalem (the "**Court**"), against the Commissioner, the Trustee and the Company, in which the Court was requested, inter alia, to order the Commissioner and the Trustee to suspend the sale of shares of Clal Insurance Enterprises, as well as a motion for an interim injunction which was filed by the Trustee for the debentures (Series I), in parallel with the petition (the "**Motion for an Interim Injunction**"), in which the Court was requested to order the Commissioner and the Trustee to refrain from executing the Commissioner's instruction until a determination has been reached regarding the petition (for details, see the Company's immediate report dated May 1, 2019), the Company hereby clarifies that insofar as the requested interim injunction is not issued, it intends to comply with the Commissioner's instruction through the shares of Clal Insurance Enterprises which are held by the Trustee; and insofar as the Court accepts the motion for an Interim Injunction, and suspends the sale which forms the subject of the Trustee's instruction, the Company will work to advance to an earlier date the termination of the swap transactions, in order to execute the in accordance with the Agreements.

In light of the above, the Company stated, in the response which the Company filed with respect to the Motion for an Interim Injunction, inter alia, that in any case, in light of the provisions of the Agreements, it leaves the matter to the Court's discretion.

It is hereby clarified that the completion and execution of the Agreements are subject to the fulfillment of suspensory conditions, including the Commissioner's agreement, as specified above, and there is no certainty that such agreement will be given in general, or within the timetable specified in the Commissioner's instruction.

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It is noted that, as of the date of this report, Clal Insurance Enterprises is held by the Company at a rate of approximately 25.3% (of which approximately 20.3% through the Trustee). The investment in Clal Insurance Enterprises includes, in addition to the aforementioned holding, also an investment through swap transactions with respect to shares of Clal Insurance Enterprises, at a rate of approximately 28.9%.

The report regarding the conducting of negotiations with the Buyers and with the Additional Buyer was delayed, in light of the Company's assessment that the publication of details regarding the negotiations with the Buyers and with the Additional Buyer, as stated above, could harm the chances of signing the Agreements, or could have a significantly adverse effect on the terms thereof. The delay of the report concluded after the Agreements were signed and the Company's response to the Court, in connection with the petition, was filed.

On May 2, 2019 at 2:00 PM, the restriction on submitting the report was lifted.
