

Convenience translation

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IDB Development Corporation Ltd.

Immediate report dated February 5, 2020 - reference number: 2020-01-011203

Subject: Supplementation of Collateral (Clal) - Dolphin's Undertaking

Further to that stated in Note 3.B to the financial statements of IDB Development Corporation Ltd. (the “**Company**”) for 2018, and to that stated in Note 3.B to the Company’s financial statements as of September 30, 2019 (the “**Third Quarter Reports**”), in connection with the Company’s investment in Clal Insurance Enterprises Holdings Ltd. (“**Clal Insurance Enterprises**”), including regarding swap transactions in connection with shares of Clal Insurance Enterprises which were performed by the Company, the Company hereby reports that on February 4, 2020, after approval was received from the Company’s Audit Committee and Board of Directors, Dolphin Netherlands BV (the Company’s direct controlling shareholder, “**Dolphin Netherlands**”), undertook towards the Company to provide, to the financing entities through whom swap transactions were performed by the Company in connection with shares of Clal Insurance Enterprises in August 2018 and in November 2018 (jointly: the “**Banks**” and the “**Swap Transactions**”, respectively), autonomous and unconditional guarantees (towards the two banks) in a cumulative total of approximately NIS 11 million (the “**Guarantees**”), which will constitute a part of the pledged deposits (which the Company undertook as part of the terms of the aforementioned swap transactions (for additional details, see Note 3.B.3 to the Company’s financial statements for 2018) (“**Dolphin’s Undertaking**”).

It is noted that in accordance with Dolphin’s undertaking, the banks will be entitled to forfeit the guarantees only in case any of the swap transactions has concluded (in accordance with its terms, including in case of early conclusion), and on the aforementioned conclusion date, there is a deficit in the amount of the pledged deposits which were provided by the Company to the banks (in accordance with the terms of the swap transactions, as specified in the aforementioned Note 3.B.3).

The Company also reports, further to the aforementioned notes, and further to that stated in Note 4.G. to the third quarter reports, regarding the undertaking of Dolphin Netherlands to inject capital into the Company, in equal annual payments of NIS 70 million each, on September 2, 2019 of each of the years 2019 to 2021, that in case any of the swap transactions has concluded before the deadline for execution of the second payment, on September 2, 2020 (the “**Second Payment**”), the unrealized parts of the guarantees will be returned to Dolphin Netherlands, while each part of the guarantees which was exercised until September 2, 2020, will be considered as part of the second payment which Dolphin Netherlands undertook to inject into the Company, whereby the balance of the second payment will be transferred by Dolphin Netherlands to the Company, in accordance with and subject to the terms of Dolphin’s undertaking. Insofar as the swap transactions (or any one of them, as applicable) are still in effect on September 2, 2020, then at that time Dolphin Netherlands will inject into the Company the second payment, in accordance with and subject to the terms of the aforementioned undertaking, and in accordance with its terms, and the guarantees will be returned to Dolphin Netherlands.

The Company further reports that on February 4, 2020, the Company received the banks’ approvals for the receipt of the guarantees, and accordingly, the guarantees were deposited in the amount of approximately NIS 8.7 million, and the additional guarantee in the amount of approximately NIS 2.3 million is expected to be deposited on February 5, 2020.

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As of the date of this report, Clal Insurance Enterprises is held by the Company at a rate of approximately 8.5% (of which, approximately 3.5% through the trustee for the Company's shares in Clal Insurance Enterprises, Mr. Moshe Terry). 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 7.1%, as reported by the Company. For additional details, including regarding the accounting presentation of the investment in Clal Insurance Enterprises (including the aforementioned swap transactions) in the Company's statement of financial position, see Note 3.B. to the third quarter reports. Additionally, for details regarding the position of the Israel Securities Authority regarding the classification of the parties to the swap transaction, see section 3.9.1 in Part A of the Company's periodic report for 2018.
