

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

IDB Development Corporation Ltd.

Immediate report dated March 15, 2020 - reference number: 2020-01-021226

Subject: Various Updates

IDB Development Corporation Ltd. (the "**Company**") hereby updates that on March 12, 2020, it received a letter ("**The letter**") from the Company's audit committee ("**The Committee**"), addressed to the Company's Chairman of the Board, Mr. Eduardo Elsztain, who also serves as a director in Dolphin IL Investments Ltd. ("**Dolphin**").

Within the framework of the letter, the Committee stated that, in light of the fact that, according to the information which was submitted to the audit committee by its financial advisors, there is a real concern that the Company will be unable to service its debts in the ordinary course of business, the Committee decided to exercise its right by virtue of the debenture which Dolphin issued to the Company on the date of Dolphin's acquisition of the shares of Discount Investment Corporation Ltd. from the Company ("**The acceleration right**" and "**The debenture**", respectively). For details regarding the aforementioned transaction, and regarding the main terms of the debenture, see Note 3.A.2 to the Company's financial statements for the year 2018).

In the letter, the Committee detailed the main uses and payments which the Company is required to perform in the coming weeks, and stated that the Company's immediate liquidity requirements (according to the amounts which the committee specified in the letter) amount to a total of approximately NIS 40 million. In light of the foregoing, the Committee stated that in order for the Company to have sufficient sources and liquid resources to continue servicing the Company's debts in an orderly fashion, the committee's notice should be considered, at this stage, as an exercise of the acceleration right, and as a call for money in the amount of NIS 40 million out of the current adjusted debt, in accordance with the debenture.

A copy of the letter is attached to this immediate report.

Accordingly, further to what is stated in the Company's financial statements as at 30.9.2019, regarding a loan that the Company had received from IDB Tourism (2009) Ltd., (a wholly owned subsidiary of the Company - "**IDB Tourism**") in an amount of 5 million Dollars, which is repayable on 31.3.2020, and further to the Company's immediate report on 8.3.2020 regarding the impact of the spread of the Corona virus on Israil Aviation and Tourism Ltd. (which is a wholly owned subsidiary of IDB Tourism - "Israil"), the Company updates that on 13.3.2020 IDB Tourism informed it that it was activating the mechanism that is set in the agreement covering the loan (the period of which has been extended by the parties), and was calling for the repayment of an amount of 3 million Dollars out of the amount of the loan, in a time period of up to 7 days.

The Company is evaluating the issued that are set forth above, which is being done in coordination with the trustees for the Company's debenture series (I, N, O), holders' meetings will be convened, in which updates will be delivered by the Company's management.

March 12, 2020

Attn.:

Mr. Eduardo Elsztain,

The Chairman of the Board of Directors of IDB Development Corporation Ltd. (the “**Company**”)

A director in Dolphin IL Investments Ltd. (“**Dolphin**”)

Dear Sir,

Re: **Actions Regarding the Management of the Company’s Debts**

Further to the discussions which have recently been held with Company management; with the economic and legal consultants of the audit committee and of the Company; further to the market developments which are affecting the Company’s situation; and further to additional business developments which are affecting the Company’s recent cash flow forecasts from the previous weeks, I hereby address you on behalf of the audit committee, as follows:

1. According to information which was given to the audit committee by its financial advisors, there is an actual concern that the total sum of the Company’s liabilities exceeds its asset value and that it is unable to pay the upcoming March payment to the bondholders. In any case, it seems that the Company is currently in what is known as an “insolvency environment”.
2. In the absence of any material new developments in the Company’s assets, the current situation requires a perceptual change with respect to the Company’s ability to operate in the ordinary course of business.
3. Therefore, and according to the information which was provided to the audit committee by its financial advisors, there is an actual concern that the Company is unable to service its debts in the ordinary course of business, the audit committee has decided to exercise its right by virtue of section 8.2 of the debenture which was issued to it by Dolphin upon the acquisition of Discount Investment Ltd. by Dolphin (the “**Acceleration Right**” and the “**Debenture**”, respectively) from the Company.
4. It is emphasized that the end of March 2020 is the next scheduled date for payment to the Secured Creditors, as this term is defined in the Debenture, in the amount of approximately NIS 11 million. There is also a loan to the subsidiary in the amount of NIS 18 million, which is also scheduled to come due in the coming days. The Company’s situation also requires a cushion of cash in hand in the minimum amount of NIS 10 million. In total, in order for the Company to have sufficient liquid resources available to service the coming debt payments to the Secured Creditors, the Company’s immediate liquidity needs amount to a total of approximately NIS 40 million.
5. In this state of affairs, so long as the Company remains in its current economic condition, there is a real concern that the Company will not have sufficient sources to repay its debts.

6. Therefore, and in order for the Company to have sufficient sources and liquid resources which can be used in order to continue servicing the Company's debts in an orderly fashion, this notice should be considered, at this stage, as exercising the Acceleration Right, and as a call for money in the amount of NIS 40 million out of the current adjusted debt, in accordance with the Debenture.
7. It is clarified that the aforesaid does not exhaust the Company's rights to receive additional funds by virtue of its Acceleration Right and the Company retains its full rights in this matter, including the right to request, according to the Company's needs, at any time, additional funds by virtue of such Right.
8. As a director in Dolphin, please consider our notice as a notice to Dolphin, according to the agreement between the Company to Dolphin dated November 21, 2017 (including its amendment dated February 2020).
9. Finally, we reserve the right to pull this letter and see it as nulled, if within 48 hours, we will be presented with an outline for solving the Company's liquidity problem.

Sincerely,

Mr. Giora Inbar, Audit Committee Chairman

Copy: Prometheus Economic Consulting Ltd. - Economic advisors to the audit committee