Subject: **Letter from the Ministry of Finance Regarding the Provision of a Government Guarantee for Bank Loans to Israir**

Further to that stated in Note 3.C.3 to the financial statements of IDB Development Corporation Ltd. (the “**Company**”) for 2019, on the subject of (inter alia) the impact of the coronavirus outbreak on the activity of Israir Airlines & Tourism Ltd. (“**Israir**”), and the actions which are being taken in order to deal with the situation, including discussions which are being held by Israir with the Ministry of Finance in order to receive support from the State of Israel, the Company hereby updates that on May 7, 2020, a letter from the Ministry of Finance was sent to Israir regarding the state’s position regarding the provision of a government guarantee for bank loans to Israir (the “**Letter**”), in which it was stated that the state will consider providing a government guarantee for loans which will be provided by Israeli banks to Israir, in accordance with the commercial terms which will be agreed upon between Israir and the lending banks (the “**Loan**” and the “**Lending Bank**”, respectively), at a rate of up to 75% of the loan amount, which will be up to NIS 100 million, subject to the additional conditions, as specified in the letter.

It was further noted in the letter that the final structure of the terms of the guarantee will be determined in consideration of the conditions which applied prior to the provision of the loan, and the parameters which were specified in the aforementioned letter, and that the provision of the loan will be subject to the approval of the lending bank’s competent institutions. It was further noted that approval for the provision of the government guarantee for the loan, if given, will be subject to the approval of all relevant government entities, and the approval of the Knesset Finance Committee.

It is hereby clarified that the information presented above regarding the possibility of the provision of a government guarantee for bank loans which will be provided to Israir, if any, constitutes forward looking information, which is uncertain to materialize, and which depends on various factors which are not under the Company’s control.

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