



## **Signing of a Binding Agreement for Sale of Holdings in The Phoenix Insurance Company**

**Tel Aviv, May 23, 2019. Delek Group (TASE: DLEKG, US ADR: DGRLY)** ("the Company") is pleased to announce the signing of a binding agreement for the sale of its holdings in the Phoenix insurance company (Phoenix Holdings Ltd). Details of the agreement are as follows:

1. Further to the Company's Immediate Reports dated February 19, 2019 (ref. No. 2019-01-014719) and February 27, 2019 (ref. No. 2019-01-017209) and further to section 1.10 of the Company's Periodic Report of December 31, 2018 that was published on March 31, 2019 (ref. no. 2019-01-029344), the Company announces that on May 23, 2019 it signed a binding agreement with companies controlled by Centerbridge Partners LP and Gallatin Point Capital LLC ("the Purchasers") for the sale of 32.5% of the shares in The Phoenix Holdings Ltd ("The Phoenix") for a total consideration of approximately NIS 1.72 billion ("the Agreement") as detailed hereinafter.
2. Under the Agreement, on the closing date, the Purchasers will acquire approximately 30% of the issued and paid up share capital of The Phoenix, which represents the control stake in The Phoenix ("the Shares to be Sold") for an overall amount of NIS 1.6 billion calculated at NIS 20.6 per share multiplied by the number of shares that will be purchased, and subject to adjustments that will be stipulated in the agreement including, inter alia, taking interest and the dividend until the date of closing into account.
3. The Company has committed in the Agreement to arrange for the Purchasers to purchase additional shares equivalent to approximately 2.5% of the issued and paid up share capital of The Phoenix by the end of 2019, which will be acquired by the Purchasers under the same conditions of sale as the Shares to be Sold ("the Additional Shares") for an additional consideration of NIS 120 million. The Company intends to arrange this through shares that have been used in the swap transactions (see the Company's Immediate Reports dated August 30, 2018 ref. no. 2018-01-082650; September 2, 2018 ref. no. 2018-01-083754; September 5, 2018 ref. no. 2018-01-085113).
4. The Agreement stipulates adjustments to the price related to future profits that are derived from an increase in the value of The Phoenix's share price, and to yield indices of the Purchasers during their investment period that might lead the Company to receive an addition to the total consideration of up to NIS 860 million or a reduction in the total consideration of up to NIS 200 million.

5. The Agreement contains the Company's usual representations and commitments in respect of the period from the date of signature until the closing date. In addition, the Agreement includes an undertaking of indemnification limited in amount and period in respect of breach of the representations and undertakings.
6. The Agreement includes a commitment by the Purchasers to submit a request to receive an ownership permit from the Commissioner for Capital Markets, Insurance and Savings at Israel's Finance Ministry ("the Ownership Permit") in conjunction with the signing of the Agreement.
7. The completion of the Agreement is subject to the realization of contingent conditions, including inter alia receiving approvals from additional regulatory bodies for the transfer of control, non-occurrence of a material adverse event (MAE) in the Phoenix's business, and completion of financing arrangements as detailed below. Soon after complete fulfillment of all the contingent terms the Agreement will be completed, and in any event the period set for its closing is at the latest half a year from date of signature, and is conditional on the progress made in receiving the required permits.
8. In parallel with signing of the Agreement, binding memorandums of understanding have been signed with financial institutions whereby the financial institutions will make available a senior loan of NIS 575 million to the Purchasers which will be part of the cash consideration that will be paid at the time of closing. In addition, the Company will make available a subordinate loan to the Purchasers (together, "the Loans"), such that the total amount of the Loans will be equal to half the consideration for the Shares to be Sold and the Additional Shares. The loans will be made available for a period of 5 years (with options for an extension for two additional years under certain conditions). In addition, the Company has signed a Credit Support document with the financial institutions to support the senior loan that will be made available to the Purchasers by the financial institutions in certain events specified in the agreement. These include payment of certain fees linked to the senior loan; partial support for the amount of money the Purchasers will distribute as a dividend to their shareholders in parallel with repayment of the senior loan; subordination of cash deposits with an initial value of NIS 75 million to ensure the aforementioned support; and support in other instances as detailed in the agreement.
9. The Company is assessing the accounting implications of the Agreement and the transaction on its financial statements, should the transaction be completed. At this point, the Company estimates that the investment balance in The Phoenix proximate to the date of this report is not materially different from the fair value evaluation of the components of the consideration and future adjustments as detailed above.
10. There can be no certainty that the transaction will be completed and the Company will report on this in accordance with the law.

**This is a convenience translation of the original HEBREW immediate report issued to the Tel Aviv Stock Exchange by the Company on May 23, 2019.**

### **About The Delek Group**

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Delek Group is an independent E&P and the pioneering visionary behind the development of the East Med. With major finds in the Levant Basin, including the Leviathan (21.4 TCF) and Tamar (11.2 TCF) reservoirs and others, Delek is leading the region's development into a major natural gas export hub. In addition, Delek has embarked on an international expansion with a focus on high-potential opportunities in the North Sea and North America. Delek Group is one of Israel's largest and most prominent companies with a consistent track record of growth. Its shares are traded on the Tel Aviv Stock Exchange (TASE:DLEKG) and are part of the TA 35 Index.

For more information on Delek Group please visit [www.delek-group.com](http://www.delek-group.com)

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