



Cash Flow Forecast Report

Tel Aviv, March 8, 2020. Delek Group (TASE: DLEKG, US ADR: DGRLY) ("the Company") announces: Further to the crisis in the world capital markets and the consequences of the Coronavirus on the international energy sector, the Company is voluntarily providing a cash flow forecast report of the Company and its wholly-owned headquarter companies for a period of 6 years commencing January 1, 2020 with details of the Company's liabilities and financial resources.

The cash flow forecast is attached as Appendix A to this report and is structured according to the format specified in Parts 2 and 3 of the Eighth Addendum to the Securities Regulations (Periodic and Immediate Reports), 1970.

The Company's cash flow forecast has been prepared by the Company's management and presented by it in a meeting of the Company's Board of Directors held on March 8, 2020. As part of the review of the cash flow forecast report, the Board members approved the reasonableness of the assumptions underlying the cash flow forecast report and the reasonableness of the financial scope of the sources stated in the cash flow forecast report.

It is clarified that the cash flow forecast report is published voluntarily by the Company and at the assessment of the Company's management, and the Company is not required to continue to publish these reports, except as required by law.

Warning of forward looking information - in the cash flow forecast attached the Company has included, in respect both of its operations and those of the staff companies, forward looking information, in its meaning in the Securities Law, 1968. This information includes inter alia the likelihood of the fulfillment of relevant commercial scenarios from which the Company expects receipts, timetables for the fulfillment of these scenarios, results of operations, possible alternatives to obtain sources for the repayment of the Company's and its staff companies' liabilities when their dates come due, amounts and dates of repayment of the debentures and loans of the Company and staff companies, and further forecasts, estimates, assumptions and other information that refers to future events or matters whose fulfillment is not certain and is not under the Company's control or that of its investee companies.

This forward looking information is based on assessments of the Company's management, which are based inter alia on information known to the Company's management at the time

of preparation of the cash flow forecast in respect of its operations and in respect of its investee companies, their business and operations, and the assessments of the Company's management and the managements of its investee companies concerning the markets in which the Group operates. This information might not come about, in whole or in part, or come about in a different manner, including materially, from what is forecast. The factors that might affect this are, inter alia, changes in the commercial processes from which the Company's sources are expected; a decline or deterioration in the situation of the capital markets and the economy that might lead to a significant impairment of the value of the Company's holdings; dependence on the yield of the Company's debentures; dependence on the prices of securities of Group companies used as the principal collateral for credit facilities and bank loans; and the coming about in whole or in part of the risk factors that characterize the Group's business, as detailed in Chapter A of the Company's 2018 Periodic Report (ref. no. 2019-01-029344).

This is a convenience translation of the original HEBREW immediate report issued to the Tel Aviv Stock Exchange by the Company on March 8, 2020.

About The Delek Group

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

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Appendix A - Delek Group Ltd. Cash Flow Forecast

A cash flow forecast is hereby provided for the Company and wholly-owned staff companies (see below - general assumptions), in which is detailed the financial liabilities and sources of the Company (in NIS millions) for a period of 6 years commencing January 1, 2020.

	Assumptions	2020	2021	2022	2023	2024	2025	Cumulative cash flow until 2025
Opening balance of cash and liquid balances as of January 1	1	1,339	965	817	192	211	1,132	1,339
Receipts								
Distributions from Delek Drilling	2	621	621	414	414	414	414	2,898
Dividends from Ithaca	3	466	690	690	518	1,380	1,380	5,124
Dividend from other investee companies	4	100	100	100	100	100	100	600
Total dividends from investees		1,187	1,411	1,204	1,032	1,894	1,894	8,622
Disposal of Company's investment (20%) in IDE	5	-	207	-	-	-	-	207
Disposal of various real estate assets owned by the Company	6	-	-	700	-	-	-	700
Other receipts	7	44	20	37	15	20	20	156
Total other receipts		44	227	737	15	20	20	1,063
Securitization of Leviathan and Karish royalties	9	932	-	-	-	-	-	932
Total securitization of royalties		932	-	-	-	-	-	932
Total receipts		2,163	1,638	1,941	1,047	1,914	1,914	10,617

Movements in debit balance, Gross & Net		2020	2021	2022	2023	2024	2025	Cumulative cash flow until 2025
	Assumptions	2020	2021	2022	2023	2024	2025	Cumulative cash flow until 2025
Payments								
Principal repayments of debentures	10	(921)	(921)	(1,785)	(802)	(802)	(802)	(6,033)
Interest payments of debentures		(266)	(220)	(156)	(99)	(64)	(30)	(835)
Loan repayments from banks and others, net	11	(1,280)	(1,270)	(1,179)	(800)	(800)	(800)	(6,129)
Retention of credit facilities backed by collateral	8,11	305	900	800	800	800	800	4,405
Interest payments on loans from banks and others		(99)	(31)	(12)	-	-	-	(142)
Interest payments for credit facilities		(30)	(30)	(27)	(24)	(24)	(24)	(159)
Interest payments on royalty loans		(56)	(64)	(57)	(53)	(53)	(53)	(336)
Total debt payments (principal and interest)		(2,347)	(1,636)	(2,416)	(978)	(943)	(909)	(9,229)
Other payments	12	(190)	(150)	(150)	(50)	(50)	(50)	(640)
Total other payments		(190)	(150)	(150)	(50)	(50)	(50)	(640)
Total payments		(2,537)	(1,786)	(2,566)	(1,028)	(993)	(959)	(9,869)
Closing balance of cash and liquid balances as of December 31		965	817	192	211	1,132	2,087	2,087

Opening balance for period		8,943	7,979	6,688	4,524	3,722	2,920		8,943
Payments in period		(1,896)	(1,291)	(2,164)	802	802	802		(7,757)
Loans against royalties		932	-	-	-	-	-		932
Debit balance at end of period		7,979	6,688	4,524	3,722	2,920	2,118		2,118
Cash balance		965	817	192	211	1,132	2,087		2,087
Total financial debt, net		7,014	5,871	4,332	3,511	1,788	31		31

Assumptions for cash flow forecast for the period 2020-2025

General assumptions:

- The forecast in this report applies to Delek Group Ltd and its staff companies, the main one of which is Delek Energy Systems Ltd ("Delek Energy"), and other wholly-owned staff companies such as: DKL Energy Limited, DKL Investments Limited, Delek Infrastructures Ltd, Delek Financial Investments Limited Partnership (jointly "the Company").
- Dollar data has been translated at the exchange rate of USD 1 = NIS 3.45.
- Debentures and index linked loans known as of December 31, 2019.
- To be conservative, a number of further scenarios have not been taken into account in the cash flow forecast, as noted below, that are likely to have a significantly positive additional impact on the cash flow forecast.
 - Taking on a partner pre-IPO in Ithaca: as reported by the Company, it is in negotiations with third parties to bring in a partner during the pre-IPO process;
 - Ithaca IPO: as reported, the Company has commenced the process to prepare Ithaca for an IPO that will take place according to the situation in the markets;
 - Disposal of additional, non-mortgaged assets;
 - New fund raising in the capital market and cycling through public offerings of debentures.
- It is also emphasized that the Company has additional assets free of liens, which provides it with additional financial flexibility to carry out financing actions and/or equity actions. Among these assets are mainly the Group's holdings (100%) in Delek Israel, real estate properties owned by the Company, actions of raising debt and/or capital against Ithaca shares (including expanding the pre-IPO fund raising), and more.
- The Cash flow forecast report takes into account obligatory repayments of the Company's loans at the date set in the loan agreements, and does not take into account early repayment events. It should be emphasized that part of the Company's loans include covenants linked to the prices of the Company's securities, of its investee companies, of companies in the energy sector, and various stock market indices.

Assumptions to sections in the cash flow forecast:

1. Cash balance and liquidity

The balance includes the following balances as of January 1, 2020:

	In million NIS
Cash balance	977
Financial investments (mainly marketable securities)	302
Balance of secured and unused credit facilities	60
Total	1,339

2. Expected dividend from Delek Drilling Limited Partnership ("Delek Drilling")

The estimate is that Delek Drilling will distribute profits in the range of USD 300-500 million in each of the years 2020-2021 and USD 200 million in the year after that. In the cash flow forecast the Company's share (60%) of the minimum amount expected has been taken into account.

The amounts of distributions of profits from Delek Drilling are based mainly on the expected cash flows from the operations of the Tamar and Leviathan fields as stated in the reserves report and discounted cash flow data published in January 2020 (ref. nos. 2020-01-00451 and 2020-01-005412) and on the assumption that in 2020 Delek Drilling will refinance the Leviathan project.

3. Expected dividend from Ithaca Energy Ltd ("Ithaca")

The estimates underlying this forecast are that Ithaca will distribute dividends in the coming years as follows:

Year	Range of annual distribution (USD millions)	Forecast as included in this cash flow (USD millions)
2020	135-200	135
2021	200-300	200
2022	200-300	200
2023	150-250	150
2024	400-550	400
2025	400-500	400

The assumptions are based mainly on a forecast of gas and oil prices as will be published as part of the reserves report on account of compliance with the dividend distribution tests from Ithaca for the RBL and Ithaca debentures.

It should be emphasized that the assumptions for forecast gas and oil prices that the Group has taken in the detailed table below is based for 2020-2021 and half of 2022 on the scope of hedging transactions and their prices, prepared by Ithaca (price of \$64 per barrel of oil and 51 P/therm), and in the years following at price assumptions below (weighted price for gas and oil in terms of USD per barrel).

2020	2021	2022	2023	2024	2025
52.5	53	55	57	58	57

It should be noted that Ithaca's is hedged for 80%, 50% and 35% of production volumes in 2020, 2021 and 2022, respectively.

4. Dividends from other investee companies

Including Delek The Israel Fuel Corporation Ltd ("Delek Israel"), Cohen Development Gas & Oil Ltd etc.

5. Disposal of investment in IDE Holdings Ltd "IDE")

An assumption is included in this forecast that the investment in IDE (20%) will be realized by the end of 2021 (and in the forecast is included in 2021) in consideration (net after tax) of USD 60 million.

6. Real estate properties

The Company owns several properties, including mainly a building in Herzliya, land in Acre, the Pi Gilot land in Jerusalem (held through Delek Israel); the working assumption in this cash flow is that the Company will dispose of these properties by the end of 2022 (and in the cash flow is included in 2022) for a cumulative net consideration of NIS 700 million (it should be noted that these properties are recorded in the Company's books at NIS 500 million).

7. Other receipts

Mainly in connection with leasehold income and loan repayments expected to be received from third parties.

8. Financing activities

In this cash flow is assumed that new debt will **not** be raised in the Company apart from private loans against royalties as stated in section 9 below:

9. Loans against royalties

In this forecast it is assumed that the Company will raise private loans against a specific lien on its rights and the rights of Delek Energy in the royalties from Leviathan and Karish-Tanin. In the Company's opinion, based on an estimated forecast of receipts from royalties and discussions that are taking place at this time with financial bodies in this connection, total loans against royalties will come to USD 270 million.

Therefore, in the forecast future receipts from these royalties are not included, and the working assumption is that these receipts will service payments of interest and principal of the debt of these loans.

10. Repayment of debentures

In accordance with the repayment schedule of the Company's debentures (due to lack of materiality the impacts of changes to the Consumer Prices Index have not been assumed).

11. Credit facilities and short-term loans

As of the beginning of 2020 the Group has used credit facilities and short-term loans (for periods of up to 24 months) of NIS 2.5 billion. In this forecast it is assumed that the credit facilities will be repaid in part over the coming years, however, on account of the fact that most of the lines of credit are secured with fixed liens on marketable securities (mainly participation units of Delek Drilling) it will be possible to recycle part.

Below is the repayment schedule in respect of credit facilities and short-term loans that the Company expects in the period of this report in accordance with the terms of the loans and in the light of the amounts that the Company and headquarter companies have paid to date.

Below is the repayment schedule as included in the forecast:

	NIS million
Opening balance of short-term loans as of January 1, 2020	2,524
Payments in 2020	(1,280)
Recycling for payment in 2021	305
Loans balance as of December 31, 2020	1,549
Payments in 2021	(1,270)
Recycling for payment in 2022	900

Loans balance as of December 31, 2021	1,179
Payments in 2022	(1,179)
Recycling debt for payment in 2023	800
Balance as of December 31, 2022	800

Working assumption is that starting in 2022 there will remain a balance of bank facilities and short-term credit of NIS 800 million.

12. Other payments

In this section are included payments for taxes for prior years, general and administrative expenses, other unexpected payments, actual reduction in the balance of financial investments and buybacks of shares and/or debentures carried out until the date of this report in accordance with the buyback program that has been fully carried out.