



Signing of a memorandum of understanding for an investment framework through capital investment in Delek, The Israeli Fuel Corporation Ltd, in the amount of NIS 450 million

August 19, 2020

Tel Aviv, August 19, 2020. Delek Group (TASE: DLEKG, US ADR: DGRLY) (“the Company”) is hereby pleased to announce that on August 19, 2020, the Company and Delek Petroleum Ltd. (“Delek Petroleum”) signed a memorandum of understanding with a third party (“the Investor”) under which the Investor will make a capital investment of NIS 450 million in preferred shares of Delek, The Israeli Fuel Corporation Ltd. (“Delek Israel”) and/or in another structure as shall be agreed between the parties under the detailed investment agreement.

This investment, if completed, will enable the Company to comply with its liabilities as set out in the amendment to the deed of trust signed between the Company and its debenture holders effective since May 17, 2020 (“the Deed Amendment”). According to the Deed Amendment, the Company committed to receive proceeds amounting to NIS 600 million from Delek Israel. The investment under this immediate report is NIS 450 million plus a dividend already received from Delek Israel of NIS 150 million following completion of the transaction for the sale of Pi Gllilot by Delek Israel. The Company committed to use the proceeds received to repay the entire outstanding debt to the relevant banks, as defined in the Deed Amendment, to release all participating units of Delek Drilling – Limited Partnership from the lien to the relevant banks, and to complete the pledge of 40% of the Delek Drilling participating units in favor of the debenture holders, according to the Deed Amendment.

During the investment period, the Company and the Investor will act to improve Delek Israel and to issue and list its shares on the stock exchange. According to the memorandum of understanding, the management rights in Delek Israel will be transferred to the Investor during the investment period by appointment of most of Delek Israel’s board members.

According to the memorandum of understanding, the investment will bear annual interest of 10% per year for a period of five years (“the Investment Period”), which will be paid regularly out of Delek Israel’s operations by distribution of dividends to the Investor from Delek Israel’s sources only (without any right of recourse to Delek Group and Delek Petroleum). The detailed agreement will set out mechanisms to secure the foregoing return.

At the end of the Investment Period, Delek Petroleum may repay the investment and the Investor will be left with 20% of Delek Israel’s share capital and the remaining shares will be owned by Delek Petroleum (80%). If the value of the Delek Israel shares left in the Investor’s possession reflects an amount lower than an additional 5% return on the investment in annual terms (in other words, the current return plus the value of the shares at the time of the transfer is lower than a return of 15% per year, based on the total original investment), additional Delek Israel shares will be transferred to the Investor free of charge or a cash payment will be made (at Delek Petroleum’s discretion) until an annual return of 15% during the Investment Period is reached.

Furthermore, in the Investment Period, the Investor will have the option to purchase 5% of Delek Israel’s shares, in accordance with a mechanism to be set out in the detailed investment agreement to be signed between the parties.

The detailed investment agreement will include the Investor’s rights as a minority shareholder, including tag along and/or drag along rights in the event that the Company exercises its entire holdings (or controlling interest), standard minority protection, dividend policy and right to appoint a director. These mechanisms will take effect after the end of the Investment Period and return of the Investor’s management rights to Delek Petroleum.

The Investor was granted a 30-day period from signing of the memorandum of understanding to complete the due diligence, add capital investors (LP) to the transaction and complete the legal documents with the intention of the parties to make the investment, if possible, by the end of the 30-day period.

The memorandum of understanding and execution of the transaction accordingly is subject, inter alia, to the approval of the Board of Directors of the Company and Delek Petroleum as well as completion of the Investor’s due diligence and the decision of its organs.

It is clarified that it is a memorandum of understanding and there can be no certainty that a binding agreement will be signed and that the transaction will be finalized under the terms set out in this report above, in whole or in part.

This is a convenience translation of the original HEBREW immediate report issued to the Tel Aviv Stock Exchange by the Company on August 19, 2020.

About The Delek Group

Delek Group is an independent E&P company with activities in the UK North Sea and the East Mediterranean. Delek Group has significant holdings in the Leviathan and Tamar natural gas reservoirs in the East Mediterranean (Israel’s territorial water), with reserves and resources of more than 30 TCF and annual production of approximately 20 BCM. These reservoirs are a major natural gas supplier to the growing markets of Israel, Egypt and Jordan and Delek continues to lead the region’s development into a major natural gas export hub. Through its wholly owned subsidiary Ithaca, Delek Group holds high-quality oil and natural gas assets in the UK North Sea totaling more than 270 million barrels of oil equivalent (boe) and producing about 27 million boe per year. 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 (DLEKG:IT) And its ADRs are traded on the US OTC market (DGRLY:US).

For more information on Delek Group please visit www.delek-group.com

Contact

Investors

Limor Gruber

Head of Investor Relations

Delek Group Ltd.

Tel: +972 9 8638443

Limorg@delek-group.com