



**Binding Agreement for the Sale of Shares of Delek - the Israel Fuel Corporation Ltd.
for Consideration of NIS 450 million**

Tel Aviv, September 29, 2020. Delek Group (TASE: DLEKG, US ADR: DGRLY) ("the Company") hereby respectfully announces, further to its immediate report of August 19, 2020 (Ref. No.: 2020-01-090789) with respect to the signing of a Memorandum of Understanding for a capital investment in the amount of NIS 450 million in shares of Delek - the Israel Fuel Corporation Ltd. (below: Delek Israel), as follows:

1. On September 25, 2020, Delek Petroleum Ltd., a subsidiary of the Company (100%), (Delek Petroleum) signed an agreement with a third party (the "Buyer") under which, subject to compliance with set preconditions, on the closing date of the transaction, the Buyer will pay an amount of NIS 450 million (the "Proceeds") in cash, against which it will receive from Delek Petroleum preferred shares and ordinary shares A of Delek Israel, which together constitute 49.9% of the issued and paid-up share capital of Delek Israel (29.9% of the capital by way of preferred shares and 20% by way of ordinary shares A). The Company, through Delek Petroleum, will continue to hold ordinary shares of Delek Israel constituting 50.1% of Delek Israel's issued and paid-up share capital. The date set for closing the transaction is by October 15, 2020 with an automatic further 7 day extension until October 22, 2020 ("Transaction Closing Date"), unless Delek Petroleum announces that it does not wish to extend this deadline due to the high probability that the pending preconditions may not be met within the aforesaid 7 days, for reasonable reasons that will be specified.
2. On the Transaction Closing Date, an amount of NIS 350 million of the Proceeds will be transferred to the account of the banks' trustee, as required under the letter of agreement that the Company signed with the banks (see immediate report dated June 4, 2020, Ref. No.: 2020-01-057492) fully repay the Company's debt to the banks and release the participation units pledged by Delek Drilling Limited Partnership to secure the debts to the banks. The balance of the consideration, in the amount of NIS 100 million ("Balance of the Consideration"), will be transferred to an account as will be instructed by Delek Petroleum and will be used by the Company to repay the debt of the subsidiary, DKL Energy Limited, to a foreign bank; except in the event that, by the Transaction Closing Date, the Buyer fails to close the deal that Delek Israel engaged in for selling the power plants (see the immediate report dated July 23, 2020, Ref. No.: 2020-01-078138 (the "Power Plant Deal"), which then the Balance of the Consideration will be transferred to a trust account until the closing of the Power Plant Deal, and once closed it will be transferred to an account as will be instructed by Delek Petroleum.
3. Under the agreement with the Buyer, Delek Petroleum provided acceptable declarations and commitments on various issues, including with regard to its authority to engage in the agreement, Delek Israel's share capital, its shareholders and statements regarding Delek Israel and its material subsidiaries.
4. The closing of the transaction is subject to a number of pending preconditions, including: (a) approvals from financial corporations that provided financing for Delek Israel and some of its subsidiaries; (b) approval of the Competitions Authority, if required; c) approval of the trustee for the Company's debentures for, inter alia, the subordination of the lien to be registered in favor of the debenture holders on Delek Israel shares that will remain in Delek Petroleum's possession, relative to the Buyer's rights, providing documentation that will enable the foregoing lien to be released in the event that this will be required for executing the provisions of the agreements with the Buyer, and amendment of the deed of trust dated May 17, 2020 so that it will comply with the provisions of the agreements with the Buyer.
5. On the Transaction Closing Date, Delek Petroleum, the Buyer and Delek Israel will sign a shareholders' agreement. The shareholders' agreement will automatically terminate once a public

offering by Delek Israel is completed or when both Delek Petroleum and the Buyer no longer hold a minimum of 10% of Delek Israel shares.

6. The shareholders' agreement sets out a mechanism for the distribution of an annual dividend by Delek Israel, in the amount of NIS 45 million, which will be distributed to the Buyer as the holder of the preferred shares of Delek Israel (the "Preferred Dividend").
7. As long as a forced sale of Delek Israel shares has not been completed as set out in section 11 below, Delek Petroleum will have a call option to purchase the Buyer's preferred shares, at a price that reflects (a) the Proceeds, and (b) an additional amount required to give the Buyer to annual cash return of 10% on the amount of the Proceeds (the amounts of the Preferred Dividend that the Buyer will receive from Delek Israel will be taken into account for the purpose of calculating the Buyer's return), and (c) if the value of ordinary shares A sold to the Buyer on Transaction Closing Date reflects a value lower than an additional annual return of 5% above the amount of the Proceeds, Delek Petroleum will transfer the difference in shares of Delek Israel or in cash, as Delek Petroleum chooses (the "Call Option"). The Buyer will be entitled to the foregoing return as part of the exercise price of the Call Option for a period of at least 5 years (the "Investment Period"), with the exception of: a) in the event that the Call Option is exercised within 15 months from the Transaction Closing Date, then the period for which the Buyer will be entitled to such return as part of the Call Option exercise price will be 3 years; (b) in the event that the Call Option is exercised after 15 months but before 24 months subsequent to the Transaction Closing Date, in which case the period for which the Buyer will be entitled to such return as part of the Call Option exercise price will be the period from the Transaction Closing Date through the end of 3 years from the date of exercise of the Call Option.
8. During the Investment Period, the Buyer will have an option to purchase an additional 5% of Delek Israel shares from Delek Petroleum, based on a consideration mechanism set out in the agreement, which will reflect a discount on the value of the shares at date of exercise. The Buyer will also be entitled to a net exercise of the option, i.e. exercise without cash payment (in which case Delek Petroleum will transfer shares to the Buyer to the value of the difference between the value of the option and the exercise price of the option).
9. The shareholders' agreement stipulates that Delek Israel's board of directors will consist of a maximum number of 6 directors. As long as the Buyer holds the preferred shares, the Buyer will be entitled to appoint 4 directors, and Delek Petroleum will have the right to appoint 2 directors. Should the Buyer no longer hold the preferred shares, but continue to hold shares that constitute at least 10% of Delek Israel shares, the Buyer will be entitled to appoint a number of directors reflecting its pro rata holdings of Delek Israel shares, and not less than one director. Provisions were set in the shareholders' agreement for the appointment of the CEO and of the Chairman of the board. Provisions were provided regarding Delek Israel's dividend policy (including for the annual distribution of the Preferred Dividend), and regarding the future financing of Delek Israel's operations (if its own resources will be insufficient) and preemptive rights. Restrictions were specified on the transfer of shares, which will be subject, among other things, to Delek Petroleum's right to encumber the Delek Israel shares that it holds on behalf of the trustees of the Company's debenture holders, provided that the lien documents ensure compliance with the agreement with the Buyer.
10. Provisions were provided regarding the possibility of shareholders that hold 65% or more of Delek Israel's share capital and that receive an offer to purchase all of Delek Israel shares, to force the remaining shareholders to join such transaction. Such right may arise commencing from the date on which the Buyer no longer holds the preferred shares. In addition, the Buyer's tag along right to join a future sale of Delek Israel shares by Delek Petroleum was set, including the right to sell the Buyer's entire holding of Delek Israel shares in the events and at the terms and conditions that were defined.
11. The shareholders' agreement stipulates acceleration events which, if they occur, and subject to cure periods as defined for some of them and additional terms set forth in the shareholders' agreement, the Buyer may place all its shares in Delek Israel (including the shares held by Delek Petroleum) for sale ("Acceleration Event" and "Forced Sale"), and in such event, the Buyer will have priority to receive the forced sale proceeds to an amount that reflects the guaranteed return

as set out in section 7 of this report (namely, similar to completing the exercise of the Call Option), with required changes. The Buyer will not have right of recourse from Delek Petroleum in the event that the proceeds of the forced sale will be insufficient for the purpose of the return on the amount of the Proceeds and/or the Buyer's foregoing return. Acceleration events include, but are not limited to, the event that the Call Option is not exercised by the end of the Investment Period; events where it will not be possible to distribute a Preferred Dividend on the set dates and in the minimum annual amounts set; the event of a fundamental breach of material liabilities or representations of Delek Petroleum; the event of various insolvency proceedings against Delek Israel; the event of real deterioration in Delek Israel's business position; the event of a third party having the right to call a debt of Delek Israel, in an amount fixed in the agreement, for immediate repayment.

12. As long as the Buyer holds the preferred shares no decision will be made at a general meeting or class meetings of Delek Israel without the approval of the Buyer and several issues were defined which will also require the consent of Delek Petroleum in the general meeting or of Delek Petroleum's representative on the board of directors of Delek Israel. These issues include, among others, transactions with related parties; amendment of Delek Israel's articles of association in a manner that infringes shareholder rights; changes in its area of operations or engaging in new areas of operations; allotment of new shares of Delek Israel; receiving financing outside of the ordinary course of business/day-to-day management of Delek Israel; receiving shareholders' loans under circumstances not provided in the agreement; distribution of a dividend that is not in accordance with the provisions of the agreement; executing an investment or sale in an amount exceeding the set limit; merger transactions and/or the sale of all or a major part of Delek Israel's operations (without derogating from the Buyer's right to force a sale transaction if certain conditions set are not met); and changes in the composition of Delek Israel's board of directors. Following the Investment Period, and as long as the Buyer holds shares that constitute at least 10% of the share capital of Delek Israel, fully diluted, some of the foregoing issues will require a majority vote that will include the Buyer.
13. The shareholders' agreement also contains provisions regarding exemption, indemnification and insurance for officers, as well as waiver and release of any claim or lawsuit against the Buyer, its shareholders, its managers and so forth, with regard to their actions (including as shareholders, officers and any other position) concerning the management of Delek Israel and its subsidiaries, other than with respect to a breach of the agreement and matters in which a Company may not grant exemption to its officers .
14. At this stage, the Company is reviewing the accounting effects of the foregoing transaction on its financial statements.
15. It should be noted that the foregoing transaction was also approved, for the sake of caution, by the Company's audit committee, prior to the approval by the board of directors, in accordance with Section 272 of the Companies Law 1999, due to the fact that Mr. Barak Mashraki, who serves as an executive officer of the Company, has a personal interest in the transaction as a holder of rights in the Buyer and his appointment as a director of Delek Israel on behalf of the Buyer. Mr. Barak Mashraki announced his intention to cease serving as an executive officer of the Company on the Transaction Closing Date

This is a convenience translation of the original HEBREW immediate report issued to the Tel Aviv Stock Exchange by the Company on September 29, 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 capacity of more than 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 approximately 260 million barrels of oil equivalent (boe) and producing about 25 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

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