



## **Shelf Offering Memorandum**

**Tel Aviv, May 17, 2020. Delek Group (TASE: DLEKG, US ADR: DGRLY)** ("the Company") hereby respectfully issues, under the Company's shelf prospectus dated May 31, 2019 (Ref. No.: 2019-01-053992) ("the Shelf Prospectus"), and in accordance with the provisions of the Securities Regulations (Shelf Offering of Securities), 2005 ("the Shelf Offering Regulations"), a shelf offering memorandum for the issue and listing of securities of the Company for trading on the Tel Aviv Stock Exchange Ltd. ("TASE") as set out below ("the Shelf Offering Memorandum" or "the Memorandum").

The terms that appear in the Shelf Offering Memorandum will have the meanings defined for them in the Shelf Prospectus, unless stated otherwise.

### **1. The Offered Securities**

Between 500,00 to 2,000,000 ordinary shares of the Company, nominally listed, of NIS 1 par value each (the "Ordinary Shares" or "Offered Shares", as the case may be);

#### **Together with**

Between 120,000 to 480,000 Options (Series 7), exercisable for Ordinary Shares (each Option (Series 7) may be exercised for one Ordinary Share) on any trading day on the TASE, from the date of listing on the TASE through to the deadline for exercising them on July 15, 2020, against cash payment of the exercise price (adjusted for dividend, benefit and rights) of NIS 100.00, unlinked to any index or currency. Any Options (Series 7) that have not been exercised by the deadline on July 15, 2020 will expire and its holder will not have any right towards the Company (the "Options (Series 7)");

#### **Together with**

Between 120,000 to 480,000 Options (Series 8), exercisable for Ordinary Shares (each Option (Series 8) may be exercised for one Ordinary Share) on any trading day on the TASE, from the date of listing on the TASE through to the deadline for exercising them on December 15, 2020, against cash payment of the exercise price (adjusted for dividend, benefit and rights) of NIS 100.00, unlinked to any index or currency. Any Options (Series 8) that have not been exercised by the deadline on December 15, 2020 will expire and its holder will not have any right towards the Company (the "Options (Series 8)");

The offered Shares, Options (Series 7) and Options (Series 8) will jointly be referred to below as: "the Offered Securities").

Subject to completing the IPO under this Shelf Offering Memorandum, the Company intends issuing another shelf offering memorandum for the allotment of Options (Series 7) and Options (Series 8), free of charge, by way of rights to all the shareholders, holders of Options (Series 7) and holders of Options (Series 8) of the Company, including to the shareholders and holders of Options (Series 7) and holders of Options (Series 8) of the Company that will be purchased as part of the public offering under this Shelf Offering Memorandum ("the Rights Allotment"), at the terms and ratios as will be fixed by the Company's Board of Directors, at its discretion.

The Rights Allotment is subject, inter alia, to obtaining duly required approvals, among others, at a minimum ex-rights price per share, and obtaining TASE approval for listing the securities that will be issued for trading and publication of the Shelf Offering Memorandum. The Company has not yet applied to the TASE and has not yet obtained TASE approval for the foregoing issue.

It is hereby clarified that the foregoing constitutes forward looking information as defined in Section 32A of the Securities Law, 1968, and that the actual allotment of the rights is uncertain as it is dependent, among other things, on circumstances and factors, some of which are not in the Company's control, and including market conditions, the rates of the Company's securities, receipt of approvals from third parties and others. Therefore, it is clarified that at the date of this Shelf Offering it is not at all certain that the issue of rights will be possible or can be carried out in practice on a date shortly after completing the issue under this Shelf Offering Memorandum.

### **2. Method for Offering of the Securities (Tender No.: 1160068)**

- 2.1 The Offered Securities under this Memorandum are offered to the public in units as set out below ("the Units") by way of a standard offering of a range of quantities, as provided in Regulation 4A of the Securities (Method for Offering of Securities to the Public) Regulations, 2007 ("Method of Offering Regulations"), for amounts ranging between 20,000 to 80,000 units (the "Minimum Amount", "Maximum Amount" and "Range of Quantities", respectively) by way of a tender for the price per unit) (the "Tender"), where the composition of each Unit and its price are as follows:

25 Ordinary Shares at the price of NIS 100 per share	NIS 2,500
6 Options (Series 7)	free of charge
6 Options (Series 8)	free of charge
	=====
<b>Total minimum price per Unit</b>	<b>NIS 2,500</b>

The Unit price that will be set in the Tender will not fall below NIS 2,500 per Unit (the "Minimum Price").

The effective price per share (less the value of the Options in each Unit) is NIS 72.72. The financial value of each Option (Series 7) is NIS 42.47, and the financial value of each Option (Series 8) is NIS 71.19. The effective price per share and the financial value of the Options, as aforesaid, will be fixed based on the calculation formula provided in the TASE bylaws, in the event that a share is issued together with Options, whereby the weekly standard deviation is 42.28% and the annual discounting rate is 0.1%.

The foregoing calculation is based on the closing price of the Company's shares on May 14, 2020, which was 9,510 agorot.

## 2.2 Subscription List

The Subscription List for the purchase of the Units will open on Sunday, May 17, 2020 (the "Tender Day") at 11:00 am (Israel time) and will close on Monday, May 18, 2020 at 3:00 pm ("Subscription List Closing Time"), and provided that the Subscription List Closing Time will not fall before the end of seven hours, or which at least five hours of trading, from the time of publication of the Shelf Offering Memorandum.

The Company may cancel the public offering before receiving the issue proceeds from the investors, and the investors will not have any claim in this regard. In such event, all subscriptions submitted to the Company will be considered null and void.

## 2.3 Special account and allotment of Units

2.3.1 Shortly before the Tender Day, the Dealer Manager will open a special trust bank account in the Company's name ("the Special Account") and will submit its details to parties authorized to accept subscriptions. The Special Account will be used to deposit the moneys received from the subscribers of the Offered Securities.

2.3.2 The Special Account will be managed exclusively by the Dealer Manager in the name of and on behalf of the Company, in accordance with the provisions of the Securities Law, 1968 ("the Securities Law"). Proceeds paid with respect to the subscriptions that are accepted by the Company will be deposited into the Special Account, in whole or in part. The Company will be entitled to consider the consideration for the Offered Securities that are held by the Dealer Manager as though received by it.

2.3.3 Proceeds that will accrue in the Special Account will be invested by the Dealer Manager in interest-bearing unlinked liquid daily deposits, if possible.

2.3.4 The Dealer Manager will transfer to the Company, by no later than 12:00 noon on the second trading day after the Tender Day, the balance of the proceeds accrued in the Special Account, together with the yields accrued with respect thereto, and this against the transfer of letters of allotment for the offered Options and certificates for the Offered Shares to the nominee company of Israel Discount Bank Ltd. (the "Nominee Company")

and crediting the TASE member in accordance with the instructions of the Dealer Manager. The Company will not issue certificates for the offered Options and they will be held in accordance with the letters of allotment.

#### 2.4 Submitting subscriptions and the Tender proceedings

- 2.4.1 Subscriptions for purchasing the Units under the Tender ("the Subscriptions") will be submitted to the Company through Israel Discount Bank Ltd., at its address: 38 Yehuda Halevi Street, Tel Aviv (the "Dealer Manager") or through the branches of the banks or other TASE members ("Authorized Handlers"), no later than the Subscription List Closing Time, on the forms that can be obtained from the Authorized Handlers.
- 2.4.2 Any subscription submitted through an Authorized Handler on the day of the Tender will be considered as having been submitted on that day if it is received by the Authorized Handler before the Subscription List Closing Time, and on condition that it is sent by the Authorized Handler to the Dealer Manager and received by the Dealer Manager at the end of one hour from the Subscription List Closing Time, (i.e. by 7:00 pm), (the "Deadline for Submitting to the Dealer Manager"). A subscription received by Authorized Handlers after the Subscription List Closing Time or which is received by the Dealer Manager after the Deadline for Submitting to the Dealer Manager, will not be accepted by the Company.
- 2.4.3 Each subscriber may submit up to three subscriptions at a different prices per Unit, which will not fall below the Minimum Price per Unit, and this in increments of NIS 1, So that the first price that may be submitted for purchasing the Units is NIS 2,500 and thereafter subscriptions for units may be submitted at a price of NIS 2,501, NIS 2,502, NIS 2,503, and so forth. A Subscription that states a price that is not equivalent to one of the foregoing price increments, will be rounded down to the nearest price increment.
- 2.4.4 Each subscriber is to specify in their subscription the number of Units they wish to purchase and the price per Unit it proposes, which will not fall below the Minimum Price per Unit. A Subscription in which the proposed price is lower than the Minimum Price per Unit will be canceled and will be deemed to be a Subscription that was not submitted.
- 2.4.5 Only Applications to purchase whole Units may be submitted. Subscriptions submitted for any fraction of a unit will be seen as a Subscription submitted for only the number of whole units noted in it, and any fraction of a unit noted will be seen as if not included from the outset. A Subscription stating a number of Units that is less than one whole Unit, will not be accepted.
- 2.4.6 The Subscriptions for purchasing Units are irrevocable. Each Subscription will be considered as an irrevocable undertaking on the part of the subscribers to receive the Offered Securities which will be allotted to them as the result of full or partial acceptance of their Subscription and to pay, via the Dealer Manager, the full price, pursuant to the terms and conditions of the Shelf Prospectus and Shelf Offering Memorandum, of the securities allotted to them due to acceptance of their Subscription, in accordance with the Shelf Prospectus and this Shelf Offering Memorandum.
- 2.4.7 The Authorized Handlers will be responsible and liable towards the Company and the Dealer Manager for the full consideration payable to the Company in respect of the Subscriptions submitted through them, in whole or in part.
- 2.4.8 Applicant or Subscriber - together with a family member living together.
- 2.4.9 The Subscriptions will submitted by the Authorized Handlers to the Dealer Manager by digitally transmitting the Subscriptions to the Dealer Manager via a virtual safe. The Subscriptions submitted directly to the Dealer Manager will be submitted in closed envelopes. On the Tender Day, after the Deadline for Submitting to the Dealer Manager, the Subscriptions in the safe, as well as the Subscriptions submitted directly to the Dealer Manager, will be divulged in the presence of a representative of the Company and its

auditor, who will oversee the proper conduct of the Tender proceedings, and at the same time, the results of the Tender will be summarized and processed.

- 2.4.10 By no later than 10:00 am on the first trading day following the Tender Day, the Dealer Manager will give notice, through the Authorized Handlers, to the subscribers whose Subscriptions were accepted in full or in part. The notice will stipulate the price per Unit set in the Tender, as the case may be, the number of Units that will be allotted to each subscriber, and the consideration payable for them. Upon receipt of the notice, and on that day by 12:30 pm, the Subscribers will transfer via the Authorized Handlers to the Dealer Manager, to the Special Account as set out in section 2.3 above, the full consideration payable by them for the Units with regard to which their Subscriptions were accepted, as set out in the foregoing notice.
- 2.4.11 On the first trading day following the Tender Day, the Company will announce, in an immediate report to the Securities Authority and the TASE, the results of the Tender.
- 2.5 Method for setting the price per Unit in the Tender and for allocating the Units to the subscribers
- 2.5.1 All the Units for which Subscriptions to purchase are accepted, will be issued at a uniform price (the "Uniform Price").
- 2.5.2 It is clarified that the public offering is executed by way of a standard offering with a range of quantities, and accordingly, after the Subscription List Closing Time, the Company will decide the quantity of Units it will issue within the range of quantities, at its discretion (and subject to the right to execute another allotment, whereby in this matter, the Maximum Amount noted in a standard offering with a range of quantities will be deemed as the quantity offered under the Shelf Offering Memorandum) ("Number of Units the Company decided to issue").
- 2.5.3 The Units offered to the public will be allotted as follows:
- 2.5.3.1 If the total number of Units requested is less than the Minimum Amount, then the Company may accept Subscriptions received at a price that does not exceed the Minimum Price per Unit.
- If the total number of Units in all Subscriptions received is equal to or exceeds the Minimum Amount, then the Uniform Price per Unit will be at the highest price, or at the higher prices, at which Subscriptions have been submitted to purchase the entire number of Units that the Company has decided to issue.
- 2.5.3.2 If the total number of Units included in the Subscriptions received is equal to or exceeds the number of Units that the Company has decided to issue, then the allotment of the offered Units will be as follows:
- a. Subscriptions that state a price higher than the Standard Price per Unit will be accepted in full.
  - b. Subscriptions that state a price lower than the Standard Price per Unit will not be accepted.
  - c. Subscriptions that state the Standard Price will be accepted pro rata, so that each subscriber will receive, from the total number of Units remaining for allotment once subscriptions that state a price higher than the Standard Price have been allotted, a number equivalent to the ratio between the number of Units requested in their Subscription stating the Standard Price and the total number of Units in all the Subscriptions submitted to the Company in which the Standard Price has been stated.
- 2.5.3.3 If in the allotment based on acceptance in the Tender as aforesaid, fractions of Units are generated, they will be rounded off, if possible, to the nearest whole Unit. Surplus Units created as a result of rounding off will be purchased by the Dealer Manager at the Standard Price.
- 2.5.3.4 Each of the Subscribers will be considered as having undertaken in their Subscription to acquire all the units that will be allotted to them as a result of

the full or partial acceptance of their Subscription, in accordance with the provisions provided above.

2.5.4 In the event that the Tender is canceled, the Units will not be issued, the Offered Securities will not be listed for trading on the TASE and no moneys will be collected from the investors.

2.5.5 The Shares that will be issued and the Shares that will be generated will be registered in the name of the Nominee Company.

### **3. Additional allotments; Subscriptions submitted by the controlling shareholder of the Company**

In the event of oversubscription, as defined in the Method of Offering Regulations, the Company may allot to all the subscribers that submitted Subscriptions at the Standard Price or at a higher price, as the case may be, an additional number of Units in an amount that will not exceed 15% of the Maximum Amount offered under the Shelf Offering Memorandum, namely, an additional number of up to 12,000 Units that include up to 300,000 ordinary shares, up to 72,000 Options (Series 7) and up to 72,000 Options (Series 8) (the "Additional Allotment")<sup>1</sup>

The controlling shareholder of the Company, Mr. Yitzhak Sharon (Teshuva), who holds through companies under his control, as at the date of this Shelf Offering Memorandum, 61.12% of the issued and paid up share capital and 64.27% of the voting rights in the Company, has announced his intention to participate in the Tender, and this to at least retain his share in the share capital of the Company, with regard to the Minimum Amount.

### **4. Details of the share capital of the Company**

4.1 Below is a breakdown of the registered share capital and issued and paid up share capital of the Company as at the date of this Shelf Offering Memorandum and after completing the issue:

<b>Class of shares</b>	<b>Registered shares</b>	<b>Issued and paid up share capital to date<sup>2</sup></b>	<b>Issued and paid up share capital after issuing the Minimum Amount</b>	<b>Issued and paid up share capital after issuing the Maximum Amount</b>
Ordinary shares	16,000,000	11,983,595	12,483,595	13,983,595
Ordinary shares of NIS 1 par value each	2,000,000	-	-	-

4.2 On the assumption that the Minimum Amount will be issued under the Shelf Offering Memorandum, the shares that will be issued under this Memorandum, after issue, without the units that will be issued in the Additional Allotment, will constitute 4.01% of the issued and paid up share capital and 4.2% of the voting rights, and they will constitute 5.57% of the issued and paid up share capital and 5.83% of the voting rights, fully diluted.<sup>3</sup>

On the assumption that the Maximum Amount will be issued under the Shelf Offering Memorandum, the shares that will be issued under this Memorandum, after issue, without the units that will be issued in the Additional Allotment, will constitute 14.30% of the issued and paid up share capital and 17.93% of the voting rights, and they will constitute 19.10% of the

<sup>1</sup> Pursuant to Regulation 9 of the Method of Offering Regulations, in this regard, the Maximum Amount noted in the standard offering with a range of quantities will be deemed to be the quantity offered under the Shelf Offering Memorandum.

<sup>2</sup> The issued and paid up share capital consists of 586,422 treasury shares held by Delek Financial Investments 2012, a subsidiary partnership wholly owned by the Company (the "Partnership"). These shares include rights to receive a dividend but do not confer voting rights. Furthermore, on the assumption that the Maximum Amount will be issued, the issued and paid up share capital of the Company following the issue, assuming that all the underlying options in the offered Units will be exercised, assuming that the Company's Debentures (Series B33) will be converted into Company shares (as set out below), and with the addition of the Units to be issued in the Additional Allotment, will be 15,938,718 ordinary shares.

<sup>3</sup> It is noted that the foregoing calculation takes into account the possibility of the conversion of Debentures (Series B33) of the Company. Debentures (Series B33) may be converted into shares by December 31, 2021, so that each of the NIS 1,278.52907 par value Debentures (Series B33) can be converted into one ordinary share, subject to the terms and conditions of Debentures (Series B33). It is noted that, due to the fact that the Partnership holds 153,082 par value Debentures (Series B33), which do not confer voting rights, for the purpose of calculating the issued and paid up share capital, 551,123 ordinary shares were taken into account and for calculating the voting rights in the Company, 551,003 ordinary shares were taken into account.

issued and paid up share capital and 19.85% of the voting rights, fully diluted.<sup>4</sup>

Furthermore, on the assumption that the Maximum Amount will be issued under the Shelf Offering Memorandum, the shares that will be issued under this Memorandum, after issue, with the addition of the units that will be issued in the Additional Allotment, will constitute 16.10% of the issued and paid up share capital and 16.79% of the voting rights, and they will constitute 21.36% of the issued and paid up share capital and 22.17% of the voting rights, fully diluted.<sup>5</sup>

The fully diluted share capital for the purpose of the foregoing information was calculated on the assumption that all the underlying options in the offered Units will be exercised

## **5. Details of the price of the Company's shares on the TASE**

Below is a breakdown of the high and low closing prices (adjusted for benefits) of the Company's shares on the TASE in 2018 and 2019 and in 2020 (through to May 14, 2020) (in agorot):

	2018		2019		2020 up to May 14, 2020	
	Date	Price	Date	Price	Date	Price
<b>High Price</b>	Dec 12, 2018	65,302.12	Apr 28, 2019	68,906.6	Jan 6, 2020	60,400
<b>Low Price</b>	Jun 27, 2018	45,313.52	Sept 26, 2019	40,570	Mar 12, 2020	5,440

On May 14, 2020 the closing price of the Company's shares on the TASE was 9,510 agorot per share.

## **6. Additional terms of the offered securities**

- 6.1 The ordinary shares of the Company that are offered under this Memorandum and the ordinary shares of the Company that will result from the exercise of the Options (Series 7) and Options (Series 8), if they are exercised, will be registered in the name of the nominee company and will have equal rights to the underlying rights of the existing ordinary shares in the Company's share capital at the time of issue.

For further information concerning the underlying rights of the ordinary shares of the Company, see Chapter 4 of the Shelf Prospectus and the Company's articles of association, as published in the immediate report issued by the Company on August 7, 2019 (Ref. No.: 2019-01-082453).

- 6.2 Terms and conditions of Options (Series 7) and Options (Series 8) (jointly below: the "Options")

6.2.1 For further information with regard to the exercise price and exercise period for Options (Series 7) and Options (Series 8), see section 1 above.

6.2.2 Notwithstanding the foregoing provisions, the Options may not be exercised on the date of record for distribution of bonus shares, an offer by way of rights, distribution of a dividend, capital consolidation, capital split or capital reduction (each of the foregoing will be referred to below as "a Corporate Event"). If the ex-day of a Corporate Event falls prior to the date of record of a Corporate Event (as this term is defined in the TASE Bylaws), there will be no exercise on such ex-day.

- 6.2.3 Adjustments for allotment of bonus shares, rights issue and distribution of a dividend

As of the date of the Shelf Offering Memorandum and through to the Options exercise deadline, the following provisions will apply for unexercised Options:

- (a) Adjustment due to allotment of bonus shares

Subject to the following provisions, if, during the period for establishing the right to exercise the Options, the Company allots bonus shares, the rights of the holders of the Options will be retained so that the number of exercise shares to which the

<sup>4</sup> For further information, see footnote 3 above.

<sup>5</sup> For further information, see footnote 3 above.

holder of Options is entitled to once exercised, will increase or decrease by the number of shares of the same class that the holders of Options are entitled to as bonus shares, had they exercised the relevant Options before the last trading day prior to the ex-day. The exercise price of each Option will not change as a result of such addition of shares. In the event of such adjustment, the subscriber will not be entitled to receive a fractional share, and the provisions of section 6.6.3 above will apply. This adjustment method cannot be changed.

The Company will announce, in an immediate report, the adjusted exercise ratio, before trading opens on the day the ex-bonus shares are traded.

(b) Adjustment following an issue by way of rights

Subject to the provisions below, if, during the period for establishing the right to exercise the Options, the Company's shareholders are offered, by way of rights, the right to acquire any securities, no Units (exercise) or other securities will be added to the exercise Units and the exercise price will not change, however identical rights at the same price and under the same terms and conditions will be offered to the holders of unexercised Options, as though these holders had exercised their Options prior to the date of record for the right to participate in the foregoing rights issue.

The method of adjustment as set out as above cannot be changed.

(c) Adjustment for distribution of a dividend

Subject to the following, if during the period for establishing the right to exercise the Options, the Company distributes a dividend, as defined in the Companies Law, 1999, the exercise price will be multiplied by the ratio between the ex-dividend base price and the closing price of the shares on the TASE on the last trading day prior to the ex-dividend day. The Company will announce, in an immediate report, the adjusted exercise price, before opening of trade on the day on which the ex-dividend shares are traded.

The method of adjustment as set out as above cannot be changed.

6.3 Various provisions for protecting the holders of Options in the exercise period

From the date of the Shelf Offering Memorandum, and as long as the Options (Series 7) or Options (Series 8), as the case may be, have not been exercised and have not expired, and in any event no later than the deadline for exercise of the Options, the following provisions will apply for the protection of the holders of the Options:

- 6.3.1 The Company will retain a sufficient number of ordinary shares in its registered share capital to secure the right to exercise of the relevant holders of the Options, and if necessary, will take measures to increase its registered share capital.
- 6.3.2 If the Company will consolidate or will split the ordinary shares in its issued share capital, as the case may be, the number of exercise shares that will be allotted due to the exercise of the relevant Options will be reduced or increased, accordingly, following such action. In such case, a holder of the relevant Options will not be entitled to receive a fraction of a whole share, and any fractional shares that may be generated, will be treated as the Company's Board of Directors sees fit. In the event of a change in the number of exercise shares due to such foregoing consolidation or split, the provisions of this section will apply, with the required changes.
- 6.3.3 A copy of the Company's periodic reports and interim financial statements will be available for review by the holders of the Options at its registered office, by prearranged appointment and during regular office hours.
- 6.3.4 The Company will not adopt any resolution and will not announce distribution of a dividend or bonus shares or offering of rights to acquire securities when the date of record precedes the date of such decision, and the date of record will be fixed in accordance with the dates set out in the TASE instructions, accordingly.

6.3.5 In the event that a resolution is adopted for voluntary liquidation, the Company will issue an immediate report, and will publish a notice in two (2) widely-circulated daily Hebrew language newspapers in Israel. All holders of Options will be deemed as having executed their exercise rights prior to such resolution (without the need for prior payment of the exercise price), unless written notice is given to the Company within thirty (30) days from the date of the said publication in respect of their waiver of said rights. If the holders of the Options do not give such foregoing notice within the said period, the holders will be entitled to the sum they would have received upon liquidation of the Company as shareholders following the exercise of the Options held by them prior to adopting of the liquidation resolution, and following deduction of the exercise price for those Options from the moneys that they are eligible to receive in such liquidation, if a balance for distribution remains.

#### 6.4 Notice of exercise of the Options

The holders of Options (Series 7) of Options (Series 8), as the case may be, may exercise their right under the Options, during the exercise period, to acquire the exercise shares and to receive them in an allotment in return for a cash payment of the exercise price, under the following conditions:

- 6.4.1 Any holders of Options ("Subscribers") seeking to exercise their rights to acquire the exercise shares to which they are entitled, will submit, through the banks and the other TASE members if they are unlisted holders, or directly (if listed in the Option Holders Register), written standard format notice ("the Exercise Notice"), together with letters of allotment for the Options to which their application refers, plus an amount in cash that will be equivalent to the exercise price for each Option that they seek to exercise, multiplied by the number of Options that they seek to exercise. The number of shares that the holders of each Option are entitled to receive in return for the exercise price will be adjusted in the cases set out in section 6.2.3 above.
- 6.4.2 The date of exercise will be the day on which the Exercise Notice is delivered to the Company, in the event of direct delivery, and if the Exercise Notice is submitted through members of the TASE, it will be the day on which the TASE Clearing House receives the Exercise Notice that complies with all the terms and conditions set out in this Shelf Offering Memorandum ("Exercise Date").
- 6.4.3 The Subscriber will be required to sign, at any time so requested, any additional document required under the provisions of any law or the Articles of Association of the Company, to give effect to the allotment of the exercise shares.
- 6.4.4 If the Subscriber fails to fully comply with all the terms and conditions for exercising the Option, the Exercise Notice will be considered to be null and void and the letters of allotment of the Options and the moneys included with the Exercise Notice will be returned to the Subscriber within two business days from the date on which the Notice is made null and void.
- 6.4.5 An Exercise Notice may not be canceled or amended. Rights will not be granted for partial exercise of the Options.
- 6.4.6 An Option that has been exercised will be void as of the Exercise Date and will not confer any right whatsoever.
- 6.4.7 If the last day of the exercise period falls on a day that is not a trading day, the date will be postponed to the next trading day thereafter.

#### 6.5 Bylaws of the TASE Clearing House for the schedule for exercising the offered Options

The bylaws of the TASE Clearing House concerning the schedule for exercising options provide, as at the date of this Offering Memorandum, as follows:

- 6.5.1 An Exercise Notice that is received by 12:00 noon at the offices of the TASE member,



through which the Options are held, will be delivered by such TASE member to the TASE Clearing House no later than at 12:00 noon on the following trading day.

- 6.5.2 Where the TASE Clearing House received an Exercise Notice from a TASE member by 12:00 noon, the TASE Clearing House will charge the member of the TASE the monetary consideration, and will accordingly credit the nominee company, no later than at 12:00 noon on the trading day after the Notice was delivered to it, as aforesaid.
- 6.5.3 When the nominee company receives a notice of credit, as set out in subsection 6.5.2 above before 12:00 noon, the nominee company will transfer the Exercise Notice to the Company's offices no later than by 12:00 noon on the following trading day.
- 6.5.4 If any of the notices as set out in subsections 6.5.1 through 6.5.3 above (inclusive), are received after 12:00 noon on any trading day, it will be considered as having been received before 12:00 noon on the following trading day.
- 6.5.5 Notwithstanding the foregoing, on the last day of the exercise period, and if the last day of the exercise period is not a trading day, on the next trading day, the TASE Clearing House members will submit the final Exercise Notices to the Clearing House before 9:00 am. The exercise will take place on the same day. A Clearing House member that fails to submit an application by the foregoing time will be deemed by the Clearing House as having failed to exercise the Options held through it, and they will expire.
- 6.5.6 Notwithstanding the foregoing, it is emphasized that the Bylaws of the TASE Clearing House, as may be on the actual Exercise Date, will apply to the exercise of the Options.
- 6.5.7 If a fraction of a share is generated due to the exercise of the Options after exercising, the number of Units will be rounded down to the closest Unit.

## 6.6 Allotment and certificates

- 6.6.1 No later than two trading days following the Exercise Date, the Company will allot to the Subscribers, by means of certificates, the exercise shares they are eligible to receive, and this in the name of the nominee company. In view of the TASE approval in principle for listing the exercise shares, the Company will apply to the TASE, shortly thereafter, to list the exercise shares for trading on the TASE.
- 6.6.2 Pursuant to the TASE Bylaws, all the shares generated from the exercise of the relevant Options, will be registered in the shareholders register in the name of the nominee company, as set out in section \_\_ above.
- 6.6.3 Subscribers will not be eligible for allotment of a fraction of an exercise share, however, all surplus exercise shares that will remain, if any, will be sold by the TASE member over a period of 30 days from the foregoing allotment date, and the proceeds, after deduction of selling expenses, commissions and other fees, if any, will be paid to those eligible within 7 days from the date of sale. The Company will not send checks to those eligible in amounts smaller than NIS 30, however such amounts can be received at the Company's offices, with prior arrangement.

## 6.7 Transfer and splitting of Options

### 6.7.1 Transfer

The letters of allotment for the Options may be transferred and waived, provided that an appropriate transfer deed is submitted to the Company. The deed of transfer will be in a similar format to the deed of transfer of shares (with required changes) and the provisions of the Company's Articles of Association that apply for the transfer of fully paid up and endorsed shares, will apply, mutatis mutandis, to the transfer of the Options. Such deed of transfer will be delivered for registration at the registered offices of the Company with attached letter of allotment and together with any expenses involved in the transfer, including any amount required for the payment of any stamp duty or other

levy, if any. The Board of Directors may require any proof that it deems fit regarding the transferor's title and right to transfer the Option, and in the absence of such proof, the Board of Directors may refuse to register such foregoing transfer.

#### 6.7.2 Splitting

Any letter of allotment for Options may be split into a number of letters of allotment, provided that the total number of Options they contain is equivalent to the number of Options in the letter of allotment for which the split is requested, and that each letter will refer to whole Options. The split will be in accordance with an application to split signed by the registered holders of the letter of allotment, attached to the letter of allotment for which the split is requested. All expenses incurred in the split, including levies and taxes, if any, will apply to the Subscriber requesting the split.

#### 6.8 Expiry of Options

6.8.1 An Option (Series 7) or Options (Series 8), as the case may be, that is exercised will expire on the date of allotment of the exercise shares.

6.8.2 An Option that is not exercised by the end of the exercise period, namely, that the Exercise Notice, exercise price and letter of allotment with respect thereof are not received by the Company (with regard to Options held by registered holders), or at the TASE Clearing House (with regard to Options held through unregistered holders), in accordance with the terms and conditions set out in section 6.5 above, by that date, will not confer any right whatsoever and will expire on that date.

#### 6.9 Modification of rights of Options and general meetings of holders of the Options

With the prior approval of a resolution adopted by a majority of 65% of the voters at a general meeting of the holders of Options (Series 7) or of the holders of Options (Series 8), as the case may be, the Company may enter into a settlement with the holders of the Options in respect of any right or claim that they may have, or effect any amendment, modification or settlement of their rights or of the terms and conditions of the Options.

Notwithstanding the foregoing, under the bylaws of the TASE, as at the date of the Memorandum, and subject to any changes therein, no changes may be made to the terms and conditions of the Options with respect to the exercise period, exercise price, linkage terms, and adjustments for bonus shares, rights and dividends, other than changes in the exercise period and/or exercise price and/or linkage terms of the Options as part of an arrangement or settlement pursuant to Section 350 of the Companies Law, 1999. Furthermore, pursuant to the TASE bylaws and directives, as at the date of the Memorandum, and subject to any changes therein, the Company may change the exercise price as part of proceedings for splitting the Company or merger of the Company, provided that the change includes only the adjustments required for such foregoing proceedings, and this subject to the exercise price not falling below the par value of the underlying shares.

Pursuant to the TASE bylaws and directives (as per their wording as at the date of this Shelf Offering Memorandum) a "splitting proceeding" in this matter means a process by which the Company will transfer to its shareholders the shares that it holds in another company, or the process by which the Company will transfer assets and liabilities to a new company established for the purpose of the split and the shareholders of the new company will also be the shareholders of the company transferring the assets and liabilities, and all provided that the splitting proceeding is carried out at equal terms for the Company's shareholders; a "merger proceeding" in this matter means a process by which all the company's shares are transferred to the ownership of a new company or to the ownership of another registered company or a process under which the company transfers all of its assets and liabilities to a new company or to another registered company, and all provided that the securities of the company whose shares or assets are transferred as aforesaid, will be delisted from the TASE and the proceeding will be carried out at equal terms for the Company's shareholders.

If changes will be made in the TASE provisions with regard to changes in the terms and conditions of the Options, such provisions as may be applicable after the foregoing changes, will apply.

At meetings of the Option Holders, the Option Holder will have one vote for each Option held by him. The vote at a general meeting of the Option Holders will be by ballot. Furthermore, all of the provisions of the Company's articles of association that relate to general meetings of shareholders, the majority required for adopting resolutions, and voting rights, will apply, mutatis mutandis, and as the case may be, to the general meetings of the holders of the Options, subject to the provisions of the Securities Law and its regulations, as these may be from time to time.

Notwithstanding the foregoing in this section above, the Company will fix the date on which holders of the Options will be permitted to participate and vote in a general meeting.

#### 6.10 Register of holders of the Options

The Company will keep a register at its official offices, containing an updated list of the holders of Options (Series 7) and the holders of Options (Series 8). The Company may close the Register and not to permit transfers for periods that will not exceed 30 days in any year.

#### 6.11 Registration

The Company will only recognize the title of a person in whose name the Option is recorded in the Register and the Company will not be required to record in the Register nor to recognize any trusteeship, whether explicit or implied, or any pledge or lien of any kind whatsoever, or any equitable right with respect to an Options.

#### 6.12 Heirs

The executors and administrators of the estate of a deceased sole holder of an Option, or in the absence of executors or administrators, those persons who have a right to an Option as heirs of a deceased sole holder of an Option, will be the only parties that the Company will recognize as holders of any right in the Option, and this against providing reasonable proof that the Company's Board of Directors will deem fit to require as proof of their rights. If one or more of the joint holders of an Option dies, the Company will only recognize the survivor or survivors as having any right in the Option, or as having a beneficial interest therein. Any party that has the right to an Option following the death or bankruptcy of an Option Holder, may, after presenting the requisite proof to the Company's board of directors from time to time, be registered as an Option Holder, or subject to these terms, may transfer the Option.

#### 6.13 Notices

Other than where otherwise provided, any notice from the Company to holders of Options, including to the holders of Options recorded in the register of holders of the Options, will be published in an immediate report and will be considered as delivered to them on the date of such publication in the Magna system.

#### 6.14 Acquisition of Options by the Company or its investee

Subject to the provisions of the law, the Company reserves the right to purchase at any time, on the free market, and at any price it deems fit, Options (Series 7) and Options (Series 8) that will be outstanding at any given time. In the event of such purchase of Options by the Company, the Company will issue an immediate report. Furthermore, investees of the Company may purchase and/or sell from time to time Options (Series 7) and Options (Series 8), at its discretion. Options (Series 7) and Options (Series 8) held by the Company, a subsidiary or by an investee under the Company's control will be considered as an asset of such company or subsidiary.

If the Company or an investee under its control will purchase the Options (Series 7) and/or Options (Series 8), then the underlying shares from the exercise of the Options held by the

Company or other company, and if they will be offered for sale in the future, then they will be offered for sale under a Prospectus and/pr Shelf Offering Memorandum, in accordance with the provisions of the Securities Law and its regulations, or in a private placement (including applicability of lock-up rules prescribed by law with regard to offering them under a private placement).

## **7. Taxation**

It is clarified that the following refers to the method of taxation of investors who are residents of Israel. It is noted that, with regard to "an individual who was initially a resident of Israel" and "a returning resident", as defined in the Ordinance, tax consequences that are different to those described below may apply and it is recommended that such residents receive individual advice to review their eligibility for tax benefits in Israel. Furthermore, it is noted that, with regard to investors who are considered to be "controlling shareholders" or substantive shareholders as defined in the Ordinance, additional tax consequences to those described below may apply.

Moreover, the references presented below regarding the matter of taxation of a foreign association are conditional in the event that Israeli residents are its controlling shareholders, or are the beneficiaries or are entitled to 25% or more of the income or profits of the foreign association, directly or indirectly, in accordance with the provisions of section 68A of the Ordinance.

**As is generally accepted with decisions regarding the investment of money, it is necessary to consider the tax consequences related to the investment in the securities offered under this Shelf Offering Memorandum. The provisions contained in this Shelf Offering Memorandum regarding taxation of the securities offered thereunder do not purport to be an authorized interpretation of the statutory provisions referred to in this Shelf Offering Memorandum, and do not replace professional advice, based on each investor's specific particulars and exclusive circumstances.**

Under the law currently applicable to the securities offered to the public under this Shelf Offering Memorandum (including the Shares deriving from the exercise of Options (Series 7) and/or the exercise of Options (Series 8)), the tax arrangements are presented in brief, below:

### 7.1 Capital gains from the sale of the offered securities

Pursuant to Section 91 of the Income Tax Ordinance [New Version], 1961 ("the Ordinance"), the real capital gain from the sale of securities by an individual resident of Israel is taxable at the individual marginal rate pursuant to section 121 of the Ordinance, but at a rate that does not exceed twenty-five percent (25%), and the capital gain will be deemed as the highest level on the scale of the individual's taxable income. This, other than for the sale of securities by an individual who is a "substantive shareholder" of the company – i.e., an individual who directly or indirectly holds, alone or with another<sup>6</sup>, at least 10% of one or more of the means of control<sup>7</sup> of the company on the date of sale of the securities, or at any time within the 12 months preceding such sale, the tax rate for the real capital gain of such individual will be no more than thirty percent (30%). Notwithstanding the foregoing, an individual who claims real interest expenses and linkage differentials for the securities will be taxed for the real capital gain on the sale of the securities at a rate of thirty percent (30%), pending provisions and conditions for the deduction of real interest expenses pursuant to section 101A(a)(9) of the Ordinance. The foregoing lower tax rate will not apply with respect to an individual whose income from the sale of the securities is considered income from a "business" or "vocation", pursuant to Section 2(a)

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<sup>6</sup> As such term is defined in section 88 of the Ordinance.

<sup>7</sup> As such term is defined in section 88 of the Ordinance.

of the Ordinance and such individual will be taxable at the marginal tax rate set out in Section 121 Of the Ordinance (up to 47% in 2020).

In addition to the foregoing tax rates, a surtax of 3%, as set out in section 7.4 below, will apply with regard to the part of an individual's taxable income that exceeds NIS 651,600 (in 2020 - this amount is revised each year in accordance with the CPI increase).

An association of individuals will be taxed on real capital gain from the sale of securities at the corporate tax rate set in Section 126(a) of the Ordinance, at 23% in 2020.

With regard to the sale of shares that originate in options exercised to shares, the original price of these shares (for the purpose of calculating the capital gain from their sale) will be deemed as the original price of the Options and the payment made for exercising to shares will be deemed to be an improvement expense. Likewise, for tax purposes, the date of purchase of such shares as aforesaid shall be deemed to be the date of purchase of the Options.

With regard to determination of the fair value of the securities offered and issued in a package, see section 7.5 below.

As a general rule, foreign residents (individuals and associations of individuals), as defined in the Ordinance, are exempt from tax on capital gains from the sale of securities traded on the Israeli stock exchange if such profit is not attributed to a permanent enterprise of foreign residents in Israel, subject to the provisions of section 97(b2) of the Ordinance. Such exemption does not apply to a foreign resident association if its controlling shareholders are Israeli residents, or are direct or indirect beneficiaries or are entitled to 25% or more of the income or profits of a foreign association, pursuant to the provisions of section 68A of the Ordinance. In the event that such exemption will not apply, usually the exemption provisions of the relevant double-taxation treaty (if any) between the State of Israel and the country of residence of the foreign resident, will apply.

An exempt benefit fund and pension funds and institutions exempt from tax under section 9(2) of the Ordinance are exempt from tax on capital gains from the sale of securities if the conditions set out in the section exist. The tax rate applicable for the taxable income of a benefit fund from the sale of securities is the tax rate applicable for the income of an individual whose income is not from a "business" or "vocation", unless explicitly stipulated otherwise.. If a specific tax rate has not been fixed for income, the income will be taxed at the maximum rate set out in section 121 of the Ordinance.

With respect to withholding tax on the real capital gains on the sale of the offered securities, pursuant to the Income Tax (Deductions from Consideration, Payment or Capital Margin on Sale of Security, Sale of Unit in a Trust Fund or Future Transaction) Regulations, 2002, (the "Capital Gains Tax Withholding Regulations") (as this term is defined in the foregoing Regulations) the individual that pays a consideration to a seller for the sale of securities is required to withhold tax at a rate of twenty-five percent) 25% on the real capital gain when the seller is an individual, and at a rate of 23% (in 2020) of the capital gain when the seller is an association of individuals. This, subject to approvals for exemption (or reduced rate) from withholding tax and subject to off setting of losses which the withholding party is permitted to deduct. Likewise, tax will not be withheld from pension funds, trust funds and other entities which are exempt from withholding tax at law. If, on the date of sale, full tax on the real capital gain is not withheld, the provisions of section 91(d) of the Ordinance, and the provisions thereunder with respect to reporting and payment of a downpayment for such sale by the seller, will apply.

If the securities offered under this Offering Memorandum are delisted from the TASE, the withholding of tax rate that was deducted at the time of sale (after delisting) will be thirty percent (30%) of the consideration, so long as a tax assessor approval is not presented indicating a different withholding of tax rate (including an exemption from withholding tax).

The provisions of the Capital Gains Tax Withholding Regulations will not apply with regard to a financial institution that pays to a seller who is a foreign resident the consideration or other

payment due to exempt capital gain, if the foreign resident submitted to the financial institution within 14 days from opening the account and if he or his proxy were in Israel once every three years,, a declaration in form 2402 with regard to being a foreign resident and for being eligible for exemption.

Likewise, withholding tax will not be deducted by a banking corporation or member of TASE for a foreign resident, upon the existence of certain conditions.

## 7.2 Offsetting losses from the sale of the offered securities

The losses in a given tax year originating from the sale of the offered securities in the tax year and if they were capital gains would have been taxable by their recipient (individual or association of individuals), will be off set against capital gains and property betterment, including gains from the sale of securities, traded or non-traded, Israeli or foreign, and the balance against taxable inflationary capital gain will be offset at a ratio of 1 to 3.5, and all in accordance with the provisions of section 92 of the Ordinance.

Capital loss resulting from the sale of a security in the tax year can also be offset against a dividend paid with respect to the same security or for interest and a dividend paid with respect to other securities (provided that the tax rate applicable to such interest or dividend does not exceed the tax rate set out in sections 125(b1) and 125C(b) of the Ordinance with respect to an individual (tax rate of 25%) and with respect to a company provided that it does not exceed the rate set out in section 126(a) of the Ordinance, in the same tax year - 23% in 2020. Losses will be offset by way of offsetting the capital loss against capital gain or income from interest or dividends as aforesaid (other than taxable inflationary profit that will be offset at a ratio of 1 to 3.5), and all subject to the provisions of section 92 of the Ordinance.

Capital loss that cannot be offset in the tax year may be offset against capital gain and property betterment only as set out in section 92(b) of the Ordinance in the tax years following the year in which the loss was incurred, provided that a tax return was submitted to the assessing officer for the tax year in which the loss was incurred.

Pursuant to the Capital Gains Tax Withholding Regulations, in calculating capital gain for the purpose of withholding tax on the sale of traded securities, mutual fund units and future transactions ("Negotiable Securities"), the entity required to withhold tax will offset the capital loss resulting from the sale of Negotiable Securities that it manages and provided that the gain was generated in the same tax year in which the loss was incurred, whether before the loss was incurred or after.

With regard to the sale of a share by an association of individuals, the amount of the dividends received with respect to the share during the 24 months preceding the sale capital loss incurred will be deducted from the amount of the loss incurred due to the sale of the share, other than a dividend for which tax was paid (excluding tax paid outside of Israel) at a rate of fifteen percent (15%) or more, but no more than the amount of the loss.

## 7.3 The tax rate applying to revenues from dividends for shares in the Company

A dividend originating from the shares of the Company will usually be taxable when held by individuals resident of Israel at a rate of twenty-five percent (25%), with the exception of an individual who is a substantive shareholder of the Company on the date of receipt of the dividend, or on any other date during the preceding 12 months, when the applicable tax rate will be thirty percent (30%).

In addition to the foregoing, a surtax will be imposed at a rate of 3% on the taxable income for 2020 in excess of NIS 651,600 (this amount is revised each year in accordance with the CPI increase).

A dividend received by companies resident in Israel will, as a rule, pursuant to section 126(b) of the Ordinance, not be part of their taxable income, provided that the source of the dividend is income generated or accrued in Israel that was received directly or indirectly from an

association of individuals that is liable for corporation tax, and will not include the income for which a special tax rate was fixed, and all in accordance with the terms of the section. However, if the dividend is included in the Company's taxable income as aforesaid, the corporate tax rate will apply (23% in the year 2020), subject to foreign tax credit rules as provided in the provisions of the Ordinance.

A foreign resident (individual or company) that is not a substantive shareholder will be taxed at a rate of twenty-five percent (25%), subject to the tax treaty signed by the State of Israel; with respect to a foreign resident who is a substantive shareholder in the Company at the date of receipt of the dividend or at any time within the preceding 12 months - thirty percent (30%), subject to the tax treaty signed by the State of Israel; and by a taxable benefits fund - according to the tax rates applicable to an individual whose income does not constitute income from a "business" or "vocation". An exempt benefits fund, as well as provident funds and other entities that are exempt from tax pursuant to section 9(2) of the Ordinance will be exempt from tax for such a dividend, provided that the foregoing income does not constitute income from a "business" or "vocation".

Under the Income Tax (Deduction from Interest, Dividend and Certain Profits) Regulations, 2005 ("the Deductions Regulations"), the tax rate that is to be withheld at source<sup>8</sup> on dividends to an individual and foreign resident with regard to the Company's shares, including a distribution to a shareholder that is a substantive shareholder of the Company<sup>9</sup> and whose shares are registered and held by the nominee company, will be 25%. In the event of an individual or a foreign resident (an individual or association of individuals) that is a substantive shareholder whose shares are not registered and are not held through the nominee company, the withheld tax will be deducted from the income of such dividend at the rate of 30%. With regard to a foreign resident, the rate of withheld tax will be subject to the provisions of the double taxation treaty signed between the country of residence of the company and the country of residence of the foreign resident. Furthermore, if a limited tax rate is fixed with regard to the dividend is limited by law, tax will be withheld at the set rate, even if the shareholder is an association of individuals resident in Israel. Under these Regulations, where a dividend is paid to an individual resident of Israel in respect of whom a limited tax rate is prescribed under any law, tax will be withheld at the rate so prescribed.

Tax will not be withheld with regard to payments into pension funds, mutual funds and other entities which are exempt from withholding tax under the law.

#### 7.4 Taxation on high income

Pursuant to section 121 of the Ordinance, an individual whose taxable income exceeds the amount of NIS 651,600 in 2020 (an amount adjusted annually according to the increase in the CPI) will be taxed on the part of his taxable income in excess of the foregoing amount, at an additional rate of 3%. The provisions of this section apply to all types of income, including, inter alia, capital gain on securities, excluding the inflationary capital gain component, and dividend and income on interest.

#### 7.5 The securities offered in the Units

The securities offered under this Shelf Offering Memorandum are issued in Units. The Company will attribute the proceeds of the issue to the Company's statement of financial position, to the offered securities at fair value. The fair value will be determined according to the average value (based on the closing price on the TASE) of each of the offered securities at the end of each of the first three days of trading. In the event that a competent authority requires the Company to ascribe a different value to the securities contained in the Units that will be generated, the Company will file an immediate report with regard to the foregoing requirement.

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<sup>8</sup> As of January 1, 2013, the tax on a dividend paid by an association of individuals resident of Israel whose shares are listed on the TASE with respect to shares held through a nominee company will be withheld through a financial institution.

<sup>9</sup> On the date of receipt of the dividend or any time within the twelve months preceding the payment.

**The foregoing is a general description only, and does not constitute an alternative to individual expert advice, that takes into account the exclusive circumstances of each individual investor. It is recommended that whosoever wishes to purchase securities under this Shelf Offering Memorandum receive professional advice in order to clarify the tax consequences which will apply to them, with attention to their specific circumstances of the investor and of the offered securities.**

## **8. Refrain from making arrangements**

- 8.1 The Company and its Board of Directors undertake by their signatures on this Shelf Offering Memorandum, to refrain from making any arrangements not stated in the Shelf Prospectus and the Shelf Offering Memorandum with respect to the offering of the securities offered under this Shelf Offering Memorandum, their distribution and circulation to the public, and undertake to refrain from granting buyers of the securities offered under this Shelf Offering Memorandum the right to sell the securities that they purchased, other than as is set out in the Shelf Prospectus and the Shelf Offering Memorandum.
- 8.2 The Company and the Board of Directors undertake by their signatures on this Shelf Offering Memorandum, to notify the Securities Authority of any known arrangement with a third party with respect to the registration and offering of the securities which will be offered under the Shelf Offering Memorandum, their distribution and circulation to the public, which contravenes the undertaking as set out in section 8.1 above.
- 8.3 The Company and the Board of Directors undertake by their signature on the Shelf Offering Memorandum, to refrain from engaging with any third party, with respect to the registration and offering of the Shares offered under the Shelf Offering Memorandum, their distribution and circulation to the public, which, to the best of their knowledge and according to their review, is contrary to the provisions of section. 8.1 above.

## **9. Permits and Approvals**

- 9.1 The Company has received all the permits, approvals and licenses required by law for the publication of the Shelf Offering Memorandum, the offering of securities under the Shelf Offering Memorandum and their issuance.
- 9.2 The Company applied to the TASE to list for trading the ordinary shares, the Options (Series 7) and Options (Series 8) offered to the public under this Shelf Offering Memorandum, and the ordinary shares that will be generated from the exercise of the Options (Series 7) and Options (Series 8), if exercised, and the TASE has given its approval.

**The foregoing approval of the TASE may not be construed as verification of the information presented in the Shelf Offering Memorandum, its reliability or integrity, nor does it represent an expression of any opinion concerning the Company or the quality of the securities offered under the Shelf Offering Memorandum nor of the price at which they are offered.**

- 9.3 Trading of the securities offered under this Shelf Offering Memorandum will commence shortly after they are listed.

## **10. Payment of fees**

Pursuant to the provisions of Regulation 4A of the Securities Regulations (Application for Leave to Publish a Prospectus) 1995, the Company will pay to the Securities Authority an additional fee for the securities offered under this Shelf Offering Memorandum.

## **11. Issue proceeds**

- 11.1 The immediate proceeds that the Company expects from the offering under the Shelf Offering Memorandum, assuming that the Maximum Amount of Units offered at the Minimum Price per Unit (and without the Additional Amount) will be purchased, is as follows:



Expected immediate proceeds (gross)	NIS 200,000 thousand
Less consultation and distribution fees of	NIS 1,625 thousand <sup>10</sup>
Less other expenses of	NIS 270 thousand
Expected immediate proceeds (net)	<u>NIS 198,105 thousand</u>

- 11.2 A minimum amount to be achieved in this issuance has not been set. It is hereby clarified that if the number of Units included in the Subscriptions that will be submitted to the Company in the Tender is less than the Minimum Amount, the Company will be entitled to cancel this offering.
- 11.3 The Company is not expected to receive immediate proceeds from the issue of the Options offered under this Shelf Offering Memorandum. The expected future proceeds for the Company, assuming that the Maximum Amount of Units offered will be purchased and that all the Options (Series 7) and Options (Series 8) will be exercised for shares, will amount to NIS 48,000 thousand and NIS 48,000, respectively, (not including the Additional Amount of Options (Series 7) and Options (Series 8), which will be issued as a result of the Additional Allotment).
- 11.4 The immediate and future issue proceeds, if any, will be used by the Company for the purposes decided upon by the Company's Board of Directors, from time to time, at its discretion.

## **12. Revisions to the Shelf Prospectus**

- 12.1 In accordance with the Regulation 4 of the Shelf Offering Regulations, all reports that are filed by the Company after publication of the Shelf Prospectus are included in this Shelf Offering Memorandum by way of reference, and including the Company's periodic report for 2019 that was published on the May 3, 2020 (Ref. No.: 2020-01-043356) ("the Periodic Report"). The full version of the Company's reports can be viewed on the Securities Authority's distribution website at [www.magna.isa.gov.il](http://www.magna.isa.gov.il) and on the TASE website at [maya.tase.co.il](http://maya.tase.co.il).
- 12.2 Investors who consider purchasing the securities offered under the Shelf Offering Memorandum must take into account the general and special risk factors that apply to the Company, its business and its assets, as at the reporting date, as set out in the Company's latest Periodic Report, which relate, inter alia, to the global economic crisis that erupted due to the Covid-19 coronavirus outbreak, and their grave adverse effect on the Company's financial position as at the date of the Shelf Offering Memorandum, as well as that stated with regard to these matters in section 1.6.6 of Chapter A of the Periodic Report. In this regard, the attention of the investors is also drawn to the note in the auditors' opinion attached to the Company's financial statements for 2019 in the Periodic Report, concerning significant uncertainty regarding the Company's continued existence as a going concern, with attention to the provisions of Note 1 to the financial statements.

Further to the provisions of Note 1.C to the financial statements as presented in the Periodic Report and other reports of the Company with regard to talks conducted by the Company with the representatives and trustees for the debentures issued by the Company, it is noted that the trustees for the Company's debentures have convened general meetings of the holders of all the debentures issued by the Company on Thursday, May 20, 2020, and the agenda includes a resolution to call for the immediate repayment in full of the debt of the Company to the

<sup>10</sup> Discount Capital Underwriting Ltd., Lidar Issuances (1993) Ltd., and Epsilon Underwriting & Issuing Ltd. (Jointly below: the "Distributors"), and Giza Singer Even Ltd. (the "IPO Advisor") will receive in exchange for the services provided for the securities offered under the Shelf Offering Memorandum, a distribution fee in an amount equivalent to 0.8% of the immediate (gross) proceeds actually received for the Units issued under the Shelf Offering Memorandum; And an additional commission in an amount equivalent to 0.8% of the future (gross) proceeds actually received from the exercise of the Options (Series 7) and Options (Series 8). The exercise commission will be paid at the beginning of the calendar quarter with respect to the Options that were exercised, if exercised, during the calendar quarter then ended. Furthermore, the Company may pay an additional success fee at its sole discretion. The commissions will be divided between the Distributors and IPO Advisor at the discretion of the Company and Discount Capital Underwriting Ltd. The foregoing commissions will have duly added VAT against a tax invoice. In addition, in addition to the Dealer Manager fee, the Dealer Manager will be entitled to an additional amount of NIS 25,000.

debenture holders. Accordingly, it is hereby clarified that it is possible that shortly after completing the issue under the Shelf Offering Memorandum, a decision may be made by the debenture holders to call the debentures, as aforesaid, to call for the immediate repayment of the debentures, an event which, if it occurs, is expected to have a material adverse effect on the stability of the Company, its businesses and its assets, and this could also lead to initiation of proceedings under the Insolvency and Economic Rehabilitation Law, 2018, either by the Company or by its creditors. As at the date of publication of the Shelf Offering Memorandum, in order to avoid the debentures from being called for immediate repayment, the Company is taking measures to reach understandings with the trustees for the debentures, among other things, with regard to amending the deeds of trust and providing collateral for the trustees. It is clarified that these understandings are subject, inter alia, to the approval of the general meeting of the debenture holders and other conditions which, at this date has not yet been convened and there is no certainty that it will take place. For further information, see the immediate report issued by the Company on May 17, 2020.

Further to the Company's report dated May 7, 2020 (Ref. No.: 2020-01-05012), it is noted that the Company has repaid the debt in respect of credit facility No. 4 noted in the table in section 1.16.2(A) of the Periodic Report, in the amount of NIS 100 million, which was secured by a lien on the participating units of Delek Drilling Limited Partnership (the "Partnership"). For further updates regarding loans and financing agreements see, inter alia, the immediate report dated May 12, 2020 (Ref. No.: 2020-01-046884).

12.3 It should be noted that at date of publication of the Shelf Offering Memorandum, the Company is reviewing and pushing forward various alternatives for disposal of assets, and is conducting negotiations with third parties, including for the sale of its holdings in Delek the Israel Fuel Corporation Ltd., and is conducting advanced negotiations for selling its rights to royalties in the I/16 Karish and I/17 Tanin leases for NIS 300 million. For further information see the Company's immediate reports dated May 7, 2020 and May 10, 2020 (Ref. Nos.: 2020-01-045153 and 2020-01-045510, respectively). The Company is also exploring alternatives to raise additional capital for the Company, including the possibility of capital issues, including by way of rights (as set out in section 1, above), and issuing debt secured by encumbering assets.

#### 12.4 Resources attributed to the Company's oil assets

##### 12.4.1 Effect of the Covid-19 coronavirus crisis:

As described in detail in the Periodic Report, the Covid-19 crisis has a material adverse effect on the demand for energy products and their prices, and as a result on the businesses and assets of the Company and its investees. In this regard it is noted that:

- (a) With regard to the Leviathan and Tamar oil assets, it should be noted that as of mid-March 2020 demand and, accordingly, sales of natural gas produced from the Leviathan and Tamar reservoirs declined compared with forecasts based on capitalized cash flow data as at December 31, 2019, noted in sections 1.7.4 and 1.7.5 of Chapter A of the Periodic Report ("Leviathan and Tamar Cash Flows"). As at the date of the Memorandum, the extent and duration of the Covid-19 crisis cannot be estimated and therefore it is difficult to assess, at this stage, its effect on demand and sales from the Leviathan and Tamar reservoirs in the coming years. However, based on an assessment by the Partnership, as reported to the public on May 13, 2020, in 2020 and 2021 the Partnership's revenues from the reservoirs (net, after operating expenses, taxes and royalties) are expected to decline at a rate of between 10% to 20% in 2020 and 5% to 15% in 2021, from each reservoir, and this compared to the forecast of revenues for these years according to the Leviathan and Tamar Cash Flows with regard to 2P reserves<sup>11</sup> ("the Partnership's Report"). The foregoing rates of decrease were calculated based on the following assumptions: (a) assuming a decrease in domestic market demand in 2020 and 2021

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<sup>11</sup> Under the assumption that the Partnership's holdings in the reservoirs will not change until the end of 2021.

of between 5% to 9% compared to the total demand assumed in the Leviathan and Tamar Cash Flow forecasts; (b) assuming the price per barrel for Brent to be USD 25 in 2020 and 2021; and (c) assuming a reduction in contractual volumes to be sold under the export agreements from the reservoirs to the minimum required under the agreements.

- (b) With regard to Ithaca's oil assets on the UK continental shelf in the North Sea, it should be noted that section 1.8.4 of Chapter A of the Periodic Report included discounted cash flows of the reserves attributed to Ithaca's assets, as included in the resources report that the Company received from Netherland Sewell and Associates Inc ("NSAI"), as at December 31, 2019 (below in this section: the "NSAI Report").

The prices of the oil and natural gas produced by Ithaca from its assets have an effect, among other things, on the classification of resources attributed to the oil assets as reserves or contingent resources, and due to the significant price drops recorded in 2020, and prior to the offering under the Shelf Offering Memorandum, at the Company's request, NSAI reviewed the need to reclassify part of the reserves attributed to Ithaca's assets under the NSAI Report as contingent resources.

As set out in the letter the Company received from NSAI dated May 13, 2020, attached as Appendix C to the Shelf Offering Memorandum (below in this subsection: the "NSAI Letter") NSAI assessed two sensitivity analyzes based on the of the latest aggregate price forecasts by the consultancy firm, Wood Mackenzie and the U.S. Department of Energy, as provided by Ithaca (below: the "Latest Aggregate Price Forecasts"), in order to review the need to reclassify reserves attributed to Ithaca's oil assets pursuant to the NSAI Report as contingent resources (the "Reclassification"). The first sensitivity analysis takes into account Ithaca's current hedge transactions, and the second sensitivity analysis does not include these hedging transactions.

According to the first sensitivity analysis (which includes the hedge transactions), 11% of the 1P reserves should be reclassified as 1C contingent resources. As a result of the Reclassification, the decline in prices and the inclusion of the hedge transactions, the discounted cash flow resulting from the 1P reserves attributed to Ithaca's assets, according to the NSAI Letter, discounted at rates of 0%, 5%, 10%, 15% and 20%, is estimated to be approximately USD 1,452.9 million, USD 1,413.9 million, USD 1,334.2 million, USD 1,246.1 million and USD 1,162.0 millions, respectively. The decrease in the 1P reserves will result in an increase of 35% and decrease of 76% in Ithaca's net future income (after capital, operating, abandonment and tax expenses) in 2020 and 2021, respectively, and for 2020 and 2021 together, to an aggregate decrease of approximately 14%. For 2020, the foregoing increase in net income is mainly due to the acceleration of Ithaca's hedging positions.

According to the second sensitivity analysis (which does not include the hedge transactions), approximately 12% of the 1P reserves should be reclassified as 1C contingent resources. As a result of the Reclassification and the decline in prices, the discounted cash flow resulting from the 1P reserves attributed to Ithaca's assets, according to the NSAI Letter, discounted at rates of 0%, 5%, 10%, 15% and 20%, is estimated to be approximately USD 926.2 million, USD 888.8 million, USD 812.0 million, USD 727.9 million and USD 648.4 millions, respectively. The decrease in the 1P reserves will result in a decrease of 94% and 84% in Ithaca's net future income (after capital, operating, abandonment and tax expenses) in 2020 and 2021, respectively, and for 2020 and 2021 together, to an aggregate decrease of approximately 90%. The NSAI Letter further notes that the 2P and 3P reserves that would be reclassified as 2C and 3C contingent resources, respectively, based on the two sensitivity analyzes, is not material.

For further information concerning the sensitivity analyses for quantity and price conducted by the Company with respect to reserves attributed to Ithaca's oil assets in other categories, including 2P and 3P reserves, as well as other sensitivity analyzes conducted by the Company in light of the Covid-19 crisis and the sharp drops in oil and natural gas prices, based on the Brent price curve and the gas price curve (NBP), as at March 17, 2020, and taking into account Ithaca's hedge

transactions, see the section 1.8.4(B)d to the Periodic Report (id, p. A-304) (“Price Data in Additional Sensitivity Analyzes”).

The comparison table below presents a breakdown of the oil prices used for preparing the cash flow forecasts included in the NSAI Report (“NSAI Report Prices”), the latest aggregate price forecasts and Price Data in Additional Sensitivity Analyzes:

	Latest aggregate price forecasts	Price data in additional sensitivity analyzes	NSAI Report Prices
December 31, 2020	36.52*	52.24	60.9
December 31, 2021	44.31*	46.93	62.8
December 31, 2022	59.48	46.97	66.1
December 31, 2023	64.54	47.66	70.6
December 31, 2014	67.12	49.84	72.9
December 31, 2025	69.23	50.00	75.4
December 31, 2026	71.40	51.00	77.8
December 31, 2027	73.63	52.02	81.5
December 31, 2028	75.91	53.06	84.7
December 31, 2029	78.25	54.12	88.3
December 31, 2030	80.62	55.20	91.4
December 31, 2031	83.05	56.31	94.3
December 31, 2032	85.56	57.43	97.2
December 31, 2033	88.15	58.58	100.9
December 31, 2034	90.81	59.75	104.7

\* The prices based on the latest aggregate price forecasts for 2020 and 2021, including the effect of hedge transactions, are USD 56.81 and USD 45.84, respectively.

**Forward-looking information - The foregoing information with regard to the expected decrease in the Partnership’s income from the Leviathan and Tamar reservoirs compared to the Leviathan and Tamar Cash Flow data included in the Periodic Report, as well as the foregoing estimated cash flows for Ithaca from its assets, constitute forward-looking information as defined in section 31A of the Securities Law, 1968. This information and assessments are based on various assumptions and estimates, including with regard to the sales volume and price of the oil and natural gas produced and marketed by the Partnership and by Ithaca in 2020-2021 and thereafter, and on the Brent and natural gas prices throughout the cash flow period. The actual volumes of natural gas, oil and condensate produced may differ from those that the Company assumed in its calculations, inter alia, as a result of the future supply and demand conditions in the markets or commercial conditions that may materialize in the future or as a result of the actual performance of the reservoirs, or other factors not in the Company’s control, and with regard to which there is no certainty. Therefore, it should be emphasized that the foregoing information may be revised as additional information accumulates, and as a result of various factors that the Company, the Partnership and Ithaca have no control over.**

#### 12.4.2 Reserves and contingent resources in the Leviathan leases

For further information concerning the reserves and contingent resources attributed to Company's interests in the Leviathan project, as at December 31, 2019, based on the resources report dated January 13, 2020 as prepared by NSAI for the Partnership, in accordance with the Petroleum Resources Management System (SPE-PRMS) rules, as well as discounted cash flow data attributed to the reserves and contingent resources at Phase 1A of the project as at that date, see section 1.7.4(10) in Chapter A of the Periodic Report and the foregoing NSAI Resources Report, which is attached as Appendix B to the 2019 periodic report of the Partnership (Ref. No.: 2020 01-043110) (“the Partnership’s Periodic Report”).

Attached as **Appendix A** to the Shelf Offering Memorandum is NSAI’s letter of consent to include the foregoing resources report dated January 13, 2020 to the Shelf Offering

Memorandum, including by way of reference, and confirmation that there has been no material change in the volume of resources attributed to the oil asset in the report dated January 13, 2020, other than the volumes actually produced in 2020. The letter further notes that the prices and demand for oil and gas have changed substantially due to the Covid-19 crisis, and that in NSAI's opinion, other than with regard to 2020 and 2021, there is no material change in NSAI's production profile for each resource category. The letter also notes that the expected rate of decline in the Partnership's revenues from the reservoir in 2020 and 2021, as noted in the Partnership's Periodic Report, as well as the assumptions set out in the Partnership's Periodic Report, is in NSAI's opinion, reasonable.

#### 12.4.3 Probable resources in the Leviathan leases

For further information of the probable resources attributed to Company's interests in the Leviathan project, as at December 31, 2019, based on the resources report dated January 1, 2020, as prepared by NSAI for the Partnership, in accordance with the Petroleum Resources Management System (SPE-PRMS) rules, see section 1.7.4(10) in Chapter A of the Periodic Report and the foregoing NSAI Resources Report prepared by NSAI, which is attached as Appendix D to the Partnership's Periodic Report.

Attached as **Appendix A** to the Shelf Offering Memorandum is NSAI's letter of consent to include the foregoing resources report dated January 13, 2020 to the Shelf Offering Memorandum, including by way of reference, and confirmation that there has been no material change in the volume of resources attributed to the oil asset in the report dated January 13, 2020.

#### 12.4.4 Reserves in the Tamar lease

For further information of the probable resources attributed to Company's interests in the Leviathan project, as at December 31, 2019, based on the resources report dated January 1, 2020, as prepared by NSAI for the Partnership, in accordance with the Petroleum Resources Management System (SPE-PRMS) rules, see section 1.7.5(10) in Chapter A of the Periodic Report and the foregoing NSAI Resources Report prepared by NSAI, which is attached as Appendix D to the Partnership's Periodic Report.

Attached as **Appendix A** to the Shelf Offering Memorandum is NSAI's letter of consent to include the foregoing resources report dated January 13, 2020 to the Shelf Offering Memorandum, including by way of reference, and confirmation that there has been no material change in the volume of resources attributed to the oil asset in the report dated January 13, 2020, other than the volumes actually produced in 2020. The letter further notes that the prices and demand for oil and gas have changed substantially due to the Covid-19 crisis, and that in NSAI's opinion, other than with regard to 2020 and 2021, there is no material change in NSAI's production profile for each resource category. The letter also notes that the expected rate of decline in the Partnership's revenues from the reservoir in 2020 and 2021, as noted in the Partnership's Periodic Report, as well as the assumptions set out in the Partnership's Periodic Report, is in NSAI's opinion, reasonable.

#### 12.4.5 Contingent and probable resources in the Dalit lease

For further information concerning the contingent and probable resources attributed to the Company's interests in the Dalit lease as at December 31, 2017, see section 1.7.4(I)(5) to the Company's Periodic Report for 2017 published on March 28, 2018 (Ref. No. 2018-01-031177) (the "2017 Periodic Report"), and the resources report dated March 19, 2018 prepared for the Partnership by NSAI, and attached as Appendix D to the Partnership's Periodic Report for 2017, published on March 21, 2018 (Ref. No. 2018-01-022209), and the revised information with regard to these resources in section 1.7.5(J)(2) in Chapter A of the Company's Periodic Report for the year 2019. As at the date of the Shelf Offering Memorandum,, there has been no change in the foregoing resources information.

Attached as **Appendix B** to the Shelf Offering Memorandum is NSAI's letter of consent to include the foregoing resources report dated March 19, 2018 to the Shelf Offering Memorandum, including by way of reference, and its confirmation that there has been no material change in the information regarding the resources attributed to the Dalit lease under the foregoing Resources Report.

#### 12.4.6 Contingent and probable resources in the Block 12 oil asset in Cyprus

For further information concerning the contingent and probable resources attributed to the Company's interests in the Block 12 oil asset in Cyprus, as at December 31, 2017, see section 1.7.7(K)(7) to the Company's Periodic Report for 2017 and the resources report dated March 19, 2018 prepared for the Partnership by NSAI and attached as Appendix G to the Partnership's 2017 Periodic Report, as published on March 21, 2018 (Ref. No. 2018-01-022209), and the revised information with regard to these resources in section 1.7.6(M) in Chapter A of the Company's Periodic Report for 2019. As at the date of the Shelf Offering Memorandum,, there has been no change in the foregoing resources information.

Attached as **Appendix B** to the Shelf Offering Memorandum is NSAI's letter of consent to include the foregoing resources report dated March 19, 2018 to the Shelf Offering Memorandum, including by way of reference, and its confirmation that there has been no material change in the information regarding the resources attributed to the Block 12 oil asset, under the foregoing Resources Report.

#### 12.4.7 Reserves and contingent resources in Ithaca's oil assets

For further information concerning the reserves and contingent resources attributed to Company's interests in Ithaca's oil assets, as at December 31, 2019, based on the resources report dated April 7, 2020 as prepared by NSAI for the Company, in accordance with the Petroleum Resources Management System (SPE-PRMS) rules, as well as discounted cash flow data attributed to these resources as at that date, see section 1.8.4 in Chapter A of the Periodic Report and the foregoing NSAI resources report, which is attached as Appendix D to the 2019 Periodic Report.

Attached as **Appendix C** to the Shelf Offering Memorandum is NSAI's letter of consent to include the foregoing resources report dated April 7, 2020 to the Shelf Offering Memorandum, including by way of reference, and its confirmation that there has been no material change in NSAI's production profile for each resources category, and that there has been no material change in the total volume of reserves and resources attributed to Ithaca's oil assets in the report dated April 7, 2020, other than the volumes actually produced in 2020. For further information concerning the statements in the NSAI letter, see section 12.4.1(b) above.

- 12.5 Attached as **Appendix D** to the Shelf Offering Memorandum is a letter of consent from Duff & Phelps Ltd. for inclusion in the Shelf Offering Memorandum, including by way of reference, of their very substantial valuation report with regard to the impairment testing of the goodwill attributable to Ithaca's operations and the impairment testing of the decline in GSA region assets, attached as Appendix B to the Board of Directors' Report in the 2019 Periodic Report.
- 12.6 Pursuant to the provisions of Regulation 4A of the Shelf Offering Regulations, at the signing of the financial statements, the consent of the Company's auditors was given for the inclusion in the Shelf Offering Memorandum (including by way of reference) their opinion and/or their review reports on the Company's financial statements.

### 13. Legal Opinion

The Company received the following legal opinion:



Agmon & Co.  
Rosenberg Hacoheh & Co.

May 17, 2020

Att:

Delek Group Ltd.  
19 Abba Eban St.,  
Herzliya Pituach

Dear Sir/Madam,

Re: **Shelf Offering Memorandum of Delek Group Ltd.** (the "Company")

With regard to the Company's shelf prospectus dated May 31, 2019 (Ref. No.: 2019-01-053992) (the "Shelf Prospectus") and the shelf offering memorandum that is to be published thereunder (the "Shelf Offering Memorandum"), concerning a public offering of ordinary shares of NIS 1 par value each of the Company ("Company Shares"), Options (Series 7) and Options (Series 8), exercisable for Company Shares (collectively: "the Offered Securities"), we hereby give our opinion as follows:

1. In our opinion, the underlying rights attached to the Offered Securities under the foregoing Shelf Offering Memorandum are properly described in the Shelf Prospectus and in the Shelf Offering Memorandum.
2. In our opinion, the Company has the authority to issue the Offered Securities under the Shelf Offering Memorandum, in the manner described in the Shelf Prospectus and in the Shelf Offering Memorandum.
3. In our opinion, the Board of Directors of the Company have been duly appointed and their names are included in the Shelf Prospectus and in the Shelf Offering Memorandum.

We hereby consent to have this opinion of ours included in the Shelf Offering Memorandum.

Sincerely,

Ran Shalom, Attorney-at-law  
Matan Daskal, Attorney-at-law

Agmon & Co. Rosenberg Hacoheh & Co. Attorneys

**Signatures**

**The Company:**

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**Delek Group Ltd.**

**The Directors:**

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**Gabriel Last**

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**Yitzchak Sharon Teshuva**

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**Avraham Harel**

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**Carmit Sharon Elroi**

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**Ron Milo**

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**Judith Teitelman Zeidenberg**

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**Shimon Doron**



**Appendices A to C - NSAI Letters**

May 13, 2020

Delek Group Ltd.  
Delek Drilling Limited Partnership  
19 Abba Eban Boulevard  
Herzeliya 4612001  
Israel

Ladies and Gentlemen:

As independent consultants, Netherland, Sewell & Associates, Inc. (NSAI) hereby grant permission to Delek Group Ltd. (Delek Group) and Delek Drilling Limited Partnership (Delek Drilling) to use the following NSAI reports issued to Delek Drilling in the Shelf Registration Offering of Delek Group set to be published in May 2020; in Delek Drilling's immediate report dated May 13, 2020; and in public reports to be filed with the Israel Securities Authority and the Tel Aviv Stock Exchange (including by way of reference):

- The report dated January 21, 2020, which sets forth our estimates of the unrisks prospective resources, as of December 31, 2019, to the Delek Drilling working interest in two Leviathan Deep prospects located in Leases I/14 and I/15, offshore Israel.
- The report dated January 13, 2020, which sets forth our estimates of the proved developed producing, probable, and possible reserves and future revenue, as of December 31, 2019, to the Delek Drilling interest in certain gas properties located in Leviathan Field, Leases I/14 and I/15, offshore Israel. The January 13 report also sets forth our estimates of the contingent resources and cash flow, as of December 31, 2019, to the Delek Drilling interest in these properties.
- The report dated January 10, 2020, which sets forth our estimates of the proved, probable, and possible reserves and future revenue, as of December 31, 2019, to the Delek Drilling interest in certain gas properties located in Tamar and Tamar Southwest Fields, Tamar Lease I/12, offshore Israel.

As of the date hereof, nothing has come to our attention regarding the Leviathan Deep prospects that could cause us to make any revisions in our January 21 report or in our conclusions based on data available when our report was prepared. It is our opinion that there are no material changes to the unrisks prospective resources referenced in our January 21 report.

Since our January 13 report, NSAI has received daily well production data through May 6, 2020, for Leviathan Field. This daily well production data has been reviewed by NSAI and it is our opinion that there are no material changes to the reserves and resources referenced in our January 13 report, with the exception of those changes that would result from reductions for 2020 production. It should be understood that oil and gas prices and demand have changed considerably since our report because of the Covid-19 epidemic crisis. It is our opinion that, with the exception of years 2020 and 2021, there are no material changes to our production profile for each reserves or resources category. Based on our review of Delek Drilling's immediate report dated May 13, 2020, we regard Delek Drilling's forecasted reduction of revenues in years 2020 and 2021 and the underlying assumptions used in its May 13 immediate report to be reasonable.

Since our January 10 report, NSAI has received daily well production data through May 5, 2020, for Tamar Field. This daily well production data has been reviewed by NSAI and it is our opinion that there are no material changes to the reserves referenced in our January 10 report, with the exception of those changes that would result from

reductions for 2020 production. It should be understood that oil and gas prices and demand have changed considerably since our report because of the Covid-19 epidemic crisis. It is our opinion that, with the exception of years 2020 and 2021, there are no material changes to our production profile for each reserves category. Based on our review of Delek Drilling's immediate report dated May 13, 2020, we regard Delek Drilling's forecasted reduction of revenues in years 2020 and 2021 and the underlying assumptions used in its May 13 immediate report to be reasonable.

Sincerely,

**NETHERLAND, SEWELL & ASSOCIATES, INC.**

By:   
Richard B. Talley, Jr., P.E.  
Senior Vice President

RBT:MDK

May 13, 2020

Delek Group Ltd.  
19 Abba Eban Boulevard  
Herzeliya 4612001  
Israel

Ladies and Gentlemen:

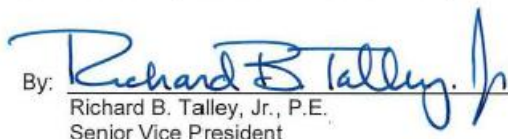
As independent consultants, Netherland, Sewell & Associates, Inc. (NSAI) hereby grant permission to Delek Group Ltd. (Delek Group) to use the following NSAI reports issued to Delek Drilling Limited Partnership (Delek Drilling) in the Shelf Registration Offering of Delek Group set to be published in May 2020 and in public reports to be filed with the Israel Securities Authority and the Tel Aviv Stock Exchange (including by way of reference):

- The report dated March 19, 2018, which sets forth our estimates of the unrisksed contingent and prospective resources, as of December 31, 2017, to the Delek Drilling working interest in discoveries and prospects located in the Dalit Discovery area, offshore Israel.
- The report dated March 19, 2018, which sets forth our estimates of the unrisksed contingent and prospective resources, as of December 31, 2017, to the Delek Drilling working interest in a discovery and prospective reservoirs located in the Aphrodite Area, Cypriot Block 12, offshore Cyprus.

As of the date hereof, nothing has come to our attention that could cause us to make any revisions in our March 19 reports or in our conclusions based on data available when our reports were prepared. It is our opinion that there are no material changes to the unrisksed contingent and prospective resources referenced in our March 19 reports.

Sincerely,

NETHERLAND, SEWELL & ASSOCIATES, INC.

By:   
Richard B. Talley, Jr., P.E.  
Senior Vice President

RBT:MDK

May 13, 2020

Delek Group Ltd.  
19 Abba Eban Boulevard  
Herzliya 4612001  
Israel

Ladies and Gentlemen:

As independent consultants, Netherland, Sewell & Associates, Inc. (NSAI) hereby grant permission to Delek Group Ltd. (Delek Group) to use our report dated April 7, 2020, in the Shelf Registration Offering of Delek Group set to be published in May 2020 and in public reports to be filed with the Israel Securities Authority and the Tel Aviv Stock Exchange. The April 7 report sets forth our estimates of the proved, probable, and possible reserves and future revenue, as of December 31, 2019, to the Ithaca Energy (UK) Limited (referred to as "Ithaca") interest in certain oil and gas properties located in the United Kingdom (UK) Sector of the North Sea. The April 7 report also sets forth our estimates of contingent resources and cash flow, as of December 31, 2019, to the Ithaca interest for discoveries located in the UK Sector of the North Sea.

Since our April 7 report, NSAI has received production data through April 30, 2020, for each field. This production data has been reviewed by NSAI and it is our opinion that there are no material changes to our production profile for each category. It is also our opinion that there are no material changes to the total reserves and resources volumes referenced in our April 7 report, with the exception of those changes that would result from reductions for 2020 production.

It should be understood that oil and gas prices have changed considerably since the as of date referenced in our April 7 report. In order to measure the impact of current pricing on reserves and future net revenue, NSAI performed two sensitivity analyses which utilized an average of current Wood Mackenzie and Department of Energy pricing, as provided by Ithaca. The first sensitivity includes the effects of Ithaca's current hedge transactions; the second sensitivity does not. As stated in our April 7 report, future net revenue is after deductions for Ithaca's share of royalties, capital costs, abandonment costs, operating expenses, and estimates of UK corporate income taxes.

Sensitivity I – Includes Hedge Transactions: Based on this sensitivity analysis, it is our opinion that approximately 11 percent of the total proved (1P) reserves in our April 7 report would be reclassified as low estimate (1C) contingent resources. As a result of this reclassification, the decline in prices, and the inclusion of Ithaca's hedge transactions, the future net revenue of the 1P reserves, discounted at annual rates of 0, 5, 10, 15, and 20 percent to determine its present worth, is estimated in millions of United States Dollars (MM\$) to be approximately MM\$1,452.9, MM\$1,413.9, MM\$1,334.2, MM\$1,246.1, and MM\$1,162.0, respectively. It is our opinion that this reduction in 1P reserves would result in a 35 percent increase in Ithaca's year 2020 future net revenue and in a 76 percent decrease in Ithaca's year 2021 future net revenue. For years 2020 and 2021, the aggregate decrease to future net revenue is approximately 14 percent. For year 2020, the increase in future net revenue is primarily due to the acceleration of Ithaca's hedging position.

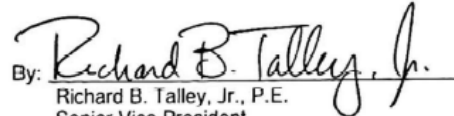
Sensitivity II – Does Not Include Hedge Transactions: Based on this sensitivity analysis, it is our opinion that approximately 12 percent of the 1P reserves in our April 7 report would be reclassified as 1C contingent resources. As a result of this reclassification and the decline in prices, the future net revenue of the 1P reserves, discounted at annual rates of 0, 5, 10, 15, and 20 percent to determine its present worth, is estimated to be approximately MM\$926.2, MM\$888.8, MM\$812.0, MM\$727.9, and MM\$648.4, respectively. It is our opinion that this reduction in 1P reserves would result in a 94 percent decrease in Ithaca's year 2020 future net revenue and in an 84 percent decrease in Ithaca's year 2021 future net revenue. For years 2020 and 2021, the aggregate decrease to future net revenue is approximately 90 percent.



It is NSAI's opinion that for both sensitivities, the proved plus probable (2P) and proved plus probable plus possible (3P) reserves that would be reclassified as best estimate (2C) and high estimate (3C) contingent resources, respectively, are not material.

Sincerely,

NETHERLAND, SEWELL & ASSOCIATES, INC.

By:   
Richard B. Talley, Jr., P.E.  
Senior Vice President

RBT:MDK

**Appendix D – Duff & Phelps Letter**

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Delek Group Ltd  
19 ABBA eBAN BLVD  
P.O.B 2054  
Herzliya 4612001  
Israel

13 May 2020

We, Duff & Phelps, hereby grant permission to Delek Group Ltd., to use our valuation report dated April 30, 2020, in connection with the impairment testing of Ithaca Energy Ltd under IAS 36, in the Shelf Registration Offering of Delek Group Ltd. to be published in May 2020 and in public reports to be filed with the Israel Securities Authority and the Tel Aviv Stock Exchange (Including by way of reference).

*Duff & Phelps Ltd*

Duff & Phelps

By:

Mathias Schumacher  
Managing Director



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

### **About The Delek Group**

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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](http://www.delek-group.com)

### **Contact**

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#### **Investors**

#### **Limor Gruber**

Head of Investor Relations

Delek Group Ltd.

Tel: +972 9 8638443

[Limorg@delek-group.com](mailto:Limorg@delek-group.com)