



Binding Agreement for the Sale of 70% of the Shares of Delek, The Israeli Fuel Corporation Ltd.

Tel Aviv, October 18, 2020. Delek Group (TASE: DLEKG, US ADR: DGRLY) ("the Company") hereby announces, further to the immediate report published on October 18, 2020 Regarding cancellation of the transaction for the sale of shares of Delek The Israeli Fuel Corporation Ltd. ("Delek Israel") to the Arbel Fund, as follows:

- 1- On October 16, 2020, Delek Petroleum Ltd., a wholly-owned subsidiary of the Company ("Delek Petroleum" or "the Seller") signed a binding agreement with Lahav L.R. Real Estate Ltd and B.G.M Ltd. (jointly: "the Buyers") for the sale of 70% of the shares of Delek, The Israeli Fuel Corporation Ltd fully diluted, in return for an amount of NIS 525 million ("Proceeds for the Sold Shares"), which reflects a value of NIS 750 million for Delek Israel. Furthermore, under the binding agreement, the Buyers were also granted an option to purchase up to a further 3.5% of Delek Israel's issued and paid up share capital ("the Option Shares") as from the closing date until no later than 135 days from the closing date at the same price per share as the price of the sale under the agreement, meaning an additional NIS 26.25 million, in the event of full exercise of the option. The date set for completion of the transaction is no later than October 26, 2020 (subject to receipt of the approvals required, as listed below), or a different date as shall be agreed by the parties in writing ("the Transaction Closing Date").
- 2- The Proceeds for the Sold Shares will be paid to the Seller as follows: On the Transaction Closing Date, the Buyers will pay NIS 450 million in cash ("the Closing Date Payment") and another amount of NIS 75 million, which supplements the proceeds for the Sold Shares up to the total amount of NIS 525 million, will be transferred by the Buyers within a period of up to 135 days from the Closing Date ("the Deferred Proceeds").

The Closing Date Payment will be made against the transfer of 60% of Delek Israel's share capital to the Buyers and the remaining Sold Shares (about 10% of Delek Israel's share capital) and the Option Shares (3.5% of Delek Israel's share capital) will be deposited in trust with the attorneys of the parties ("the Trustee for the Parties").

- 3- Of the Closing Date Payment, an amount of NIS 343 million will be paid into the account of the trustee for the banks, as required by the letter of consent signed by the Company and the staff companies with various banks (see the immediate report dated June 4, 2020) for the purpose of full settlement of their liabilities to the said banks and release of the participating units of Delek Drilling – Limited Partnership ("Delek Drilling"), which were pledged to secure the debts to banks, so that after release thereof the Company will complete the lien on 40% of all Delek Drilling units in favor of the Company's debenture holders according to the Amended Deed of Trust for the Company's debentures dated June 17, 2020.

NIS 50 million of the Closing Date Payment will be deposited in the account of the Trustee for the Parties and will be released upon completion of the sale transaction of the power stations that was executed by Delek Israel (see the immediate report dated July 23, 2020) ("the Power Station Transaction").

The balance of the Closing Date Payment (NIS 57 million) will be transferred by the Buyers to the trustees of the Company's debenture holders.

- 4- To secure payment of the Deferred Proceeds by the Buyers, in addition to the Option Shares, part of the Sold Shares (that constitute 10% of Delek Israel's issued and paid up capital) will be held by the Trustee for the Parties, and will be transferred to the Buyers upon receipt of the Deferred Payment. The Deferred Proceeds will be transferred upon receipt thereof into the account of the trustees of the Company's debenture holders. Notwithstanding the foregoing, if after elapse of 135 days from the Transaction Closing Date the Buyers fail to complete payment of the Deferred

Proceeds, in full or in part, the Trustee for the Parties will transfer the proportionate quantity of shares against the part of the Deferred Proceeds actually transferred by that date and the remaining Sold Shares, held by the Trustee for the Parties on that date, will be transferred by the Trustee for the Parties to the trustees of the Company's debenture holders.

- 5- Under the agreement, Delek Petroleum provided the standard declarations and undertakings on various matters, *inter alia*, in respect of its authority to enter into the agreement, Delek Israel's share capital, the ownership of the shares, and declarations concerning Delek Israel and its material subsidiaries.
- 6- Closing of the transaction is subject to receipt of the following approvals: (a) Approval from the Competition Authority; (b) approval from financial corporations that provided finance to Delek Israel and some of the subsidiaries and the signature of the trustee for the banks on the release documents of the lien on Delek Israel's shares registered in its favor under the letter of consent signed by the Company and staff companies with the banks.
- 7- The agreements sets out an indemnity section for certain grounds set out in the agreement, mainly in respect of Delek Israel's financial statements for a limited period set in the agreement, in connection with provision of the indemnity notice, and in any case, the indemnity amount for the grounds set out in the agreement will not exceed 35 million cumulatively (except for grounds related to the ownership of the Sold Shares).
- 8- In parallel to signing the agreement, Delek Petroleum and the Buyers signed a shareholders' agreement. The agreement will become effective on the Transaction Closing Date and will remain in force as long as any of the parties thereto is a shareholder of Delek Israel or as long as it is not terminated earlier by the mutual written consent of the parties. The shareholders agreement stipulates, *inter alia*, that the Board of Directors of Delek Israel will include at least 10 directors, and every 10% holding of Delek Israel's share capital will confer on the shareholders the right to one director in Delek Israel and in its material subsidiaries. The dividend distribution policy was prescribed and it was agreed that the parties will act to distribute a dividend for part of the proceeds received by Delek Israel upon completion of the Power Station Transaction.

The shareholders agreement sets out matters in which Delek Petroleum's consent is required, including in respect of transactions with stakeholders, the sale of material assets, material changes in Delek Israel's area of business, resolutions to raise capital for Delek Israel, resolutions on public offering of shares, resolutions on private placement of shares, merger resolutions, financing resolutions, etc. Provisions concerning the right of first refusal in the event of the transfer of shares, confidentiality and non-competition were also prescribed.

- 9- The Company believes that on the Transaction Closing Date, it will cease to consolidate the financial statements of Delek Israel and will recognize the balance of its investment using the equity method. The Company is reviewing the accounting consequences of the foregoing transaction on the results of its financial statements.

This is a convenience translation of the original HEBREW immediate report issued to the Tel Aviv Stock Exchange by the Company on October 18, 2020.

About The Delek Group

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

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

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