



November 26, 2020

Delek Group published its Q3 2020 reports -

130% Surge in Net profit to NIS 149 Million

- Revenues and net profit tripled to NIS 1.7 billion and NIS 707 million, respectively, driven by strong performance of Delek Group's quality core assets.
- Ithaca's revenues in the quarter soared almost fourfold to USD 267 million and cash flow from operating activities grew by about 450% to USD 148 million.
- Delek Drilling's EBITDA almost tripled.
- In the last nine months, since the outbreak of the Covid-19 pandemic, the Group executed transactions amounting to over NIS 3.5 billion, generating cash flow of over NIS 3 billion.
- The transaction for the sale of 70% of Delek Israel was completed in return for NIS 525 million.
- Securitization of the overriding royalties from Leviathan in an amount of NIS 608 million was completed.
- The Group made a full early repayment of the debt to the secured banks, released Delek Drilling units and pledged 40% thereof in favor of the debenture holders.
- Yield to maturity on the Company's debentures declined sharply from hundreds of percentage points six months ago to a range of 16%-44% now.
- Idan Wallace, Delek Group's CEO: "Delek Group's Q3 reports are a strong indication of the quality of our core assets and the value they generate for us. During the last quarter, we completed a series of complicated transactions, under good conditions with short timetables,



and the results reflect the yield generated by our efforts to improve the Group's liquidity along with a sharp decline in our financial debt. We met all our commitments to the debenture holders on time and repaid all our commitments to banks in an amount of over NIS 1.2 billion. The successful performance of our core assets together with encouraging macroeconomic figures that emerged in the last couple of weeks, driven mainly by the successful efforts to find a vaccine for Covid-19, and their positive impact on energy prices, provide a tailwind to continue implementing Delek Group's strategy and increase the value of our core assets."

Tel Aviv, November 26, 2020. Delek Group (TASE: DLEKG, US ADR: DGRLY) ("the Company") published its financial statements for the third quarter of 2020. The Group's net profit in the third quarter was NIS 149 million, a surge of 130% compared to the corresponding period last year. Revenues amounted to NIS 1.7 billion compared to NIS 566 million in the third quarter of 2019 and operating profit also increased to NIS 742 million compared to NIS 237 million in the same quarter last year.

Since the beginning of 2020, the Company repaid all its commitments to the secured banks, which at the end of 2019 amounted to over NIS 1.1 billion. During the reporting period, the Company completed transactions amounting to NIS 3.5 billion, of which it received over NIS 3 billion. The cash flow received by the Group enabled it to reduce its financial debt from NIS 9.3 billion at the end of 2019 to NIS 6.4 billion shortly before publication of the financial statements, a decrease of approximately NIS 3 billion. Among the key transactions and measures successfully completed by the Group in recent months are the sale of control (70%) in Delek Israel for NIS 525 million, reflecting a value of NIS 750 million (or NIS 900 million before distribution of the dividend), and securitization of the overriding royalties from Leviathan in the amount of NIS 608 million. Subsequent to the balance sheet date, Ithaca



and Delek Drilling declared a dividend to shareholders in the amount of USD 65 million and USD 100 million, respectively, the Group's share of which is USD 135 million.

The measures carried out by the Group and the performance of its core business are reflected in a sharp decline in the yields of its debentures, from hundreds of percentage points six months ago, to a range of 16%-44% (depending on the series) currently.

Energy Business in the North Sea

Ithaca, which is wholly owned by Delek Group, contributed revenues of NIS 810 million compared to NIS 350 million in the corresponding quarter, an increase of 131%. Delek Group's net profit from the North Sea energy operations was NIS 55 million in the third quarter of 2020 compared to NIS 2 million in the same period last year.

Ithaca's average daily production in the third quarter was 59,000 boed compared to 15,700 boed in the second quarter of 2019. The increase is due mainly to an increase in the quantity of oil and gas produced by Ithaca resulting from new oil assets added as part of the acquisition of Chevron assets. Production in the quarter was slightly lower than the average in the last nine months, which was 68,000 boed, mainly due to scheduled maintenance works in the summer. The Company estimates that the annual production will be 68,000 boed, at the higher range of the Company's forecast of 63,000-68,000 boed in 2020, and the average production cost will be USD 15. The Company's hedging transactions contributed USD 86 million to its revenue and profit in the quarter.

Cash flow from operations in the third quarter increased more than five times compared to the corresponding quarter and amounted to USD 148 million. The strong cash flow enabled Ithaca to continue reducing its financial debt in the quarter by a further USD 100 million, to about USD 1.2 billion as at September 30, 2020. In total, Ithaca reduced its net financial debt by USD



330 million in the first nine months of the year. The strong cash flow also supported the distribution of a dividend of USD 100 million to Delek Group at the beginning of November, three times higher than the dividend estimated by Delek Group in its forecasted cash flows published at the end of August. Ithaca is continuing to maintain high liquidity with an available RBL (reserve-based lending) facility of USD 380 million (before distribution of the dividend). The net debt to EBITDA ratio is 1.5.

Delek group is continuing to act to execute a capital transaction in Ithaca and is reviewing merger transactions with international energy companies, a sale of a stake to a partner a partner, an offering, or a combination of those with the intention of executing a transaction in the first half of 2021.

Energy operations in Israel

Delek Drilling posted a record quarter supported by strong demand in the local and export markets. The sales quantities were 4.6 BCM compared to 2.8 BCM in the corresponding quarter and to 2.9 BCM in the second quarter. In the third quarter, sales from Leviathan amounted to 2.2 BCM compared to 1.5 BCM in the second quarter this year.

Revenues amounted to NIS 810 million in the third quarter, a 130% increase compared to the corresponding quarter, and EBITDA grew 178% to NIS 718 million. The net profit attributable to the Group's shareholders was NIS 127 million compared to NIS 139 million in the corresponding quarter, mainly due to an increase in financing expenses as a result of start of production from the Leviathan reservoir and cessation of discounting of these expenses.

In the quarter, Delek Drilling completed refinancing of the Leviathan project by issuing Leviathan Bonds in the amount of USD 2.25 billion. The successful offering gained demand of USD 7 billion and closed at lower interest rates than expected.



The strong demand in the quarter and the successful refinancing enabled Delek Drilling to distribute profits in the amount of USD 65 million (NIS 216 million), of which Delek Group's share is NIS 120 million. The dividend will be paid at the beginning of December 2020.

Fuel operations in Israel

Delek Israel's Q3 results indicate a significant improvement compared to Q2, which were affected by the lockdown policy due to the spread of Covid-19 and inventory losses. Net profit from ongoing operations was NIS 26 million compared to NIS 23 million in the corresponding quarter, an increase of 13%, and compared to a loss of NIS 17 million recorded in the second quarter of 2020.

Delek Israel's convenience store operations continue to show resilience with revenue of NIS 144 million compared to NIS 138 million in the same period last year.

During the period, the Pi Gllot sale transaction was completed in return for NIS 720 million and a dividend of NIS 150 was paid to Delek Group.

Subsequent to the reporting period, on October 16, 2020, the Group signed an agreement for the sale of 70% of Delek Israel for a consideration of NIS 525 million, reflecting a value of NIS 750 million, or NIS 900 million before distribution of the dividend. As at the publication date of the report, the transaction for the sale of control of Delek Israel has been completed and out of the consideration, NIS 450 million has already been transferred to the Company and used to repay the Group's commitments to the creditor banks and to significantly reduce the debt of a subsidiary of the Group to a foreign bank.

Idan Wallace, Delek Group's CEO: "The current year has posed business and managerial challenges for Delek Group, but all along we asked to be evaluated according to results and bottom line. Q3 reports are a strong indication of the quality of our core assets and the value they generate for



us. Despite the Covid-19 crisis and the market volatility, we succeeded in executing complicated transactions, under good conditions with short timetables, and the results reflect the yield generated by our efforts to improve the Group's liquidity along with a sharp decline in financial debt. We continued to meet all our commitments to the debenture holders on time, and made early repayments to banks, as per our undertakings to the debenture holders, in an amount of over NIS 1.2 billion. The successful performance of our core assets together with the encouraging macroeconomic figures that emerged in the last two weeks, driven mainly by the successful efforts to find a vaccine for Covid-19 and their positive impact on energy prices, provided impetus to continue to implement Delek Group's strategy and increase the value of its core assets."

About The Delek Group

Delek Group is an independent E&P company with activities in the UK North Sea and the East Mediterranean. Delek Group has significant holdings in the Leviathan and Tamar natural gas reservoirs in the East Mediterranean (Israel's territorial water), with reserves and resources of more than 30 TCF and annual production capacity of more than 20 BCM. These reservoirs are a major natural gas supplier to the growing markets of Israel, Egypt and Jordan and Delek continues to lead the region's development into a major natural gas export hub. Through its wholly owned subsidiary Ithaca, Delek Group holds high-quality oil and natural gas assets in the UK North Sea totaling approximately 260 million barrels of oil equivalent (boe) and producing more than 20 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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