Delek Group Ltd.

Monitoring Report | October 2018

This credit rating report is a translation of a report that was written in Hebrew for a debt issued in Israel. The binding version is the one in the origin language.

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Delek Group Ltd.

Series rating	A2.il	Rating outlook: Stable

Midroog affirms its A2.il rating for debentures (Series M, R, S, V, AE, AF, AG) issued by Delek Group Ltd. ("Delek Group" or "the Company") and sets a rating of A2.il for outstanding debentures (Series AH) issued by the Company. Rating outlook – Stable.

Outstanding debentures rated by Midroog:

Debenture series	Securities ID	Rating	Rating outlook	Final maturity
M	1105543	A2.il	Stable	29.9.2021
R	1115823	A2.il	Stable	31.10.2022
S	1121326	A2.il	Stable	10.11.2022
V	1106046	A2.il	Stable	31.12.2021
AE	1134790	A2.il	Stable	20.02.2025
AF	1138874	A2.il	Stable	10.07.2019
AG	1138882	A2.il	Stable	10.01.2022
AH	1143361	A2.il	Stable	31.12.2028

Summary of rating rationale

The Company's rating is supported by a significant portfolio of holdings and strong business positioning in the natural gas market in Israel, through direct and indirect holdings in Delek Drilling Limited Partnership (rated A1.il/Stable outlook, hereinafter: "Delek Drilling" or "the Partnership") which holds, inter alia, an interest in the Tamar natural gas reservoir, which is in production, and in the Leviathan natural gas reservoir, which is under development. Delek Drilling has realized part of its interest in Tamar and is expected to realize all of its holding stake in this reservoir over the medium term. Leviathan is associated with relatively high business risk, due to complexity of export contracts signed to date with respect to output from this reservoir, including due to geo-political risk with respect to exports to Jordan and to Egypt. At this point, this reservoir is still subject to construction risk, although as construction progresses, this risk is diminished. Company operations in the natural gas market in Israel are positive for the rating, since natural gas assets are of national economic importance, due to growing demand for natural gas and due to high entry barriers and concentration of this market. However, as production from Leviathan starts in 2019-2020, competition in the gas market should increase, also depending on export agreements to be signed by that time. The contingent agreements recently signed by Delek Drilling and other partners, to acquire 39% of shares of EMG, which owns the gas pipeline from Israel to Egypt, are designed to promot exportation by the Company.

Another material, strategic holding is Ithaca Energy Inc. ("Ithaca", 100%), which operates in oil and gas production in the North Sea. Midroog believes that Ithaca's risk profile is higher than average for Delek Group's holding portfolio, since it is a small company by international scale, with limited reserves and high inherent exposure to global oil prices. Higher oil prices since Ithaca was acquired by the Company provides positive support for Ithaca operations. Recently, Ithaca signed a contract to increase its interest in oil asset licenses in its primary area of operations, the Grater Stella area of the North Sea, by buying out its partners in the reservoirs and production platform. Midroog believes that this transaction should improve Ithaca's business positioning with increased owned reserves and stronger operational positioning. When Ithaca was fully acquired by the Company, the Company provided a guarantee to Ithaca's financing providers, which contributed to lowering of its financing costs. Ithaca should complete the re-financing of part of its liabilities in the coming year. Midroog believes that Ithaca is a mainstay of Company strategy in becoming an international energy player.

The rating is negatively impacted by concentration of the holding portfolio in the energy market in Israel, which accounts for more than half of the value of Company assets. The Company's strategy, focused on the energy sector in Israel and overseas, along with the extensive realization plan, should increase its exposure to the energy sector. Over the past year, the Company reduced its financial debt – which should further decrease through 2018, given the recent asset realizations. Nevertheless, over the past year the Company's leverage ratio increased, as measured by the ratio of financial debt to asset value (LTV[1]), to 52% at the date of this report. This ratio is reasonable for the rating, given that in recent years, the Company has acted to increase portfolio exposure to the energy sector, which is more volatile, at the expense of less volatile holdings. Moreover, the Company has made significant dividend distributions over the years, primarily from Company receipts from realizations, which is a challenge to debt reduction. Midroog considered in its rating the Company policy of further reducing financial debt over the short and medium term, primarily through further realizations, including realization of the controlling stake in Phoenix Holding Ltd. ("Phoenix Holdings").

Permanent receipts from investees is low compared to debt service needs and limits the Company's capacity to accumulate cash; hence, the Company relies to a large extent on asset realizations and on its significant financial flexibility to service its debt. Midroog also considered in its rating the Company's significant experience and capabilities in closing complex transactions and in achievement of its plans. The interest coverage ratio (ICR), reflecting current revenues from investees, net of HQ expenses, to interest expenses should range between 1.0-1.5 and is not favorable for the rating. Concurrently, the Company's rating is favorably supported by significant financial flexibility, based on a significant component of negotiable holdings and un-encumbered assets, as well as on reasonable leverage.

The cash + DSCR coverage ratio, reflecting the ratio of cash balances, signed facilities and expected dividends from investees (excluding realizations), based on Midroog's base scenario net of general and administrative expenses, to debt service (principal and interest payments) is reasonable, ranging between 1.0-1.5 in 2018-2019. Midroog assumes, with high probability, additional realizations in the foreseeable future, which were not included in Midroog's base scenario due to uncertainty with regard to their scope, timing and designation of the proceeds there from. Midroog's base liquidity scenario takes into account the Company's primary sources and uses expected from June 30, 2018 through 2019 (six quarters), without assuming future realizations nor debt issue on the capital market, as follows: Primary sources: Cash amounting to NIS 850 million as of June 30, 2018; Midroog's assumption of dividend receipts and other revenues from investees amounting to NIS 800 million; and receipts from repayment of seller loans amounting to NIS 150 million; receipts from closed transactions for sale of shares of Phoenix Holdings (net of cash pledged to secure swap transactions) and receipts from sale of power stations to a subsidiary, amounting in total to NIS 1,100 million. The Company also has signed, available credit facilities amounting to NIS 1.1 billion, mostly for a one-year term. Primary uses: Expense and HQ expenses amounting to NIS 550 million; debenture redemption and long-term loans amounting to NIS 2 billion (over the next six quarters); payment with respect to Delek Energy purchase offer amounting to NIS 387 million; dividends to shareholders amounting to NIS 120 million paid in the third quarter and recently declared dividends amounting to NIS 100 million; as well as investments and miscellaneous payments amounting to NIS 200 million.

[1] Holdings were values based on the average market value of negotiable holdings over the 90 trading days prior to the report date, and for non-negotiable holdings – their book value, subject to Midroog's discount factors. Adjusted debt consists of the Company's solo net financial debt and several external guarantees to subsidiaries. Given the purchase offer for the public holding of Delek Energy shares, which is expected to be de-listed from trading, the leverage ratio calculation consolidates Delek Energy on the asset side (holding of Delek Drilling and other assets) and on the financial debt side (adding Delek Energy's net financial debt as of June 30, 2018).

The Stable rating outlook is supported, in our view, by the Company being expected to reduce its financial debt over the short and medium term, through further asset realization, including realization of negotiable securities as required to maintain the current rating and by the assumption that the Company would maintain its leadership position in the gas market through making progress on the Leviathan deposit towards the production stage.

Delek Group (expanded solo[2]) – Key Financial Indicators (NIS in millions)

	H1 2018	H1 2017	2017	2016	2015	2014
Net income (loss) attributable to Company shareholders	413	400	1,216	625	25	(765)
Shareholder equity attributable to Company shareholders	4,878	3,902	4,255	4,612	4,504	5,204
Financial debt – solo and HQ companies	8,469	8,972	8,436	7,631	7,513	6,883
Cash and deposits	856	453	564	953	642	1,053
Financial debt net of cash and deposits	7,613	8,519	7,872	6,678	6,871	5,830
Negotiable securities	135	708	433	781	840	1,409
Dividends received	248	589	1,560	162	376	2,067
Dividends paid to Company shareholders	(120)	(400)	(780)	(460)	(500)	(530)

Detailed rating considerations

Concentrated holding portfolio of medium credit quality, which is positively impacted by holdings in gas reservoir in Israel

Delek Group primarily operates in oil and gas exploration and production in Israel and overseas, through subsidiaries. The Company's major operations involve development and production of natural gas in Israel, through holdings in Delek Energy Systems Ltd. ("Delek Energy", 100% owned[3]), which owns 54.11% of participation units in Delek Drilling Limited Partnership ("Delek Drilling" or "the Partnership", rated A1.il), whose key assets include a 45.34% interest in Leviathan reservoir and a 22% in Tamar reservoir. Delek Group also directly owns 4.99%[3] of participation units in Delek Drilling. Further operations in the energy sector overseas are through Ithaca Energy Inc. ("Ithaca", 100% owned), which owns oil and gas reservoirs in the North Sea, as well as investment in interest in oil assets in the Gulf of Mexico.

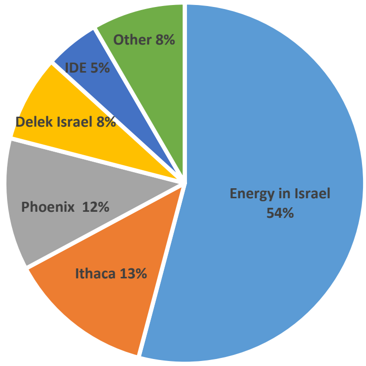
The Company's holding portfolio is positively impacted by the credit profile of natural gas operations in Israel and by Delek Drilling's leading position in the local market. Concurrently, portfolio quality is negatively impacted by overseas energy operations which, although contributing to some diversification of the portfolio, are associated with high business risk due to the relatively small operations by comparison to relevant markets, strong, complex competition and high exposure to global oil prices. Ithaca has recently expanded its ownership of oil and gas interests in its primary area of operations, as part of Group strategy to establish operations in the international energy sector.

[2] Excluding data for Delek Energy.

[3] Pro-forma to the success of the Company's purchase offer for shares of Delek Energy, as reported on October 9, 2018.

The energy sector in Israel, through Delek Drilling, accounts for 55% of the Company's adjusted asset value and its holding stake in Ithaca accounts for a further 14%. Other assets primarily include the controlling stake in Phoenix insurance group, which is designated for sale (holding stake: 30.14%[4], rated Aa3.il), as well as holdings in Delek Israel and in desalination company IDE. The share of energy assets in Israel as percentage of the holding mix remained un-changed in the past year, despite the decrease in holding stake in Phoenix Holdings and sale of other non-core assets, due to the decrease in market value of gas shares in Israel.

Delek Group: Composition of adjusted asset value[5] by key holdings



The holding portfolio, highly concentrated in the energy sector that is highly volatile, and high exposure to external factors, negatively impact the credit risk. In line with Company strategy and restrictions to which the Company is subject, Delek Group is expected to sell the controlling stake in Phoenix Holdings in 2018-2019, to reduce its share (through the Partnership) in Tamar reservoir and may also realize other non-core assets. Realization of these assets is in line with Company strategy of focusing on the energy sector in Israel and overseas and of expanding investments in this area. Consequently, concentration of the holding portfolio in the energy sector should increase, along with exposure to assets associated with higher risk, at least over the short and medium term, pending production from Leviathan reservoir and clarification of uncertainties with regard to gas agreements with respect to Leviathan reservoir.

The leadership position in the Israeli gas market should be maintained once development of Leviathan first Stage is complete

The natural gas reservoirs answer national needs of the Israel and allow the country to be energy independent, hence their strategic and economic importance for the State. Use of natural gas in the Israeli economy constantly grows so much so that natural gas has become the primary source of energy in the local economy replacing coal and oil. The Company estimates that use of natural gas in Israel in 2017 amounted to 10.4 BCM, an annual increase by 8.3% over the previous year. Midroog believes that demand for natural gas in Israel should continue to grow in coming years, due to Government policy of reducing power generation by coal-based power stations, as well as expanded operations of existing consumers, natural growth and higher demand for exportation.

Delek Drilling Partnership has a strong business profile, given its dominant position in natural gas reservoirs in Israel. Currently, the Partnership has significant market share of total natural gas production and of reserves in the local market. Tamar reservoir, which is 22% directly owned by the Partnership and indirectly owned through a 22.6% holding stake in Tamar Petroleum Ltd. (which owns a 16.75% interest in Tamar reservoir), is a revenue-producing asset which is party to long-term, highly profitable agreements and consequently has significant, stable cash flows and a good credit profile. Concurrently with development of Leviathan reservoir, Delek Drilling is acting to sell its remaining holdings in Tamar reservoir, as it is required to do by provisions of Israel's national gas regulatory framework, no later than December 2021. Leviathan reservoir, with annual production reserves amounting to 21 BCM, of which an investment decision has been made for 12 BCM and the remainder are reserves

4 As of October 3, 2018.

5 Adjusted asset value consists of market value of negotiable holdings, based on the holding stake as of the report date and based on the average share price over the most recent 90 trading days, and for non-negotiable assets – on their book value, subject to adjustments made by Midroog.

for future development, is still under development and the partners expect initial production to start in the fourth quarter of 2019. Financing received for development of Leviathan reservoir and Noble Energy's experience in gas reservoir development are risk-mitigating factors for development of this reservoir on schedule. Furthermore, Delek Drilling owns a 30% stake in Aphrodite reservoir in Cyprus – a small-to-medium reservoir which is currently in advanced stages pending an final investment decision (FID).

The natural gas production sector in Israel is concentrated and has high barriers to entry. These include: heavy licensing and regulation, significant capital investments, as well as experience and knowledge in development and operation. Currently, Tamar reservoir is almost the exclusive source of gas supply to the Israeli market, with owners of interest in this deposit being a monopoly in natural gas supply. Once Leviathan reservoir goes into operation as expected, and later on with commercial operation of Karish deposit (in 2020-2022), competition should emerge between major gas reservoirs in Israel, which would be impacted, inter alia, by export agreements signed by the reservoirs (subject to export restrictions set forth in the Israel's national gas regulatory framework), which would impact gas supply and prices for the local market. Over the past year, future gas supply agreements have been signed with respect to Karish reservoir, with some of the customers expected to terminate and/or reduce the volume of gas they currently purchase from Tamar reservoir. Concurrently, a natural gas supply agreement from Leviathan reservoir was signed with the Jordanian Electricity Company and a contingent natural gas supply agreement was signed with Egyptian company Dolphinus, as well as several other agreements signed in the local market. Recently, the Partnership has also reported that contingent agreements have been signed to acquire interest in the gas pipeline of Egyptian company EMG, which connects the Israeli transmission system around Ashkelon to the Egyptian transmission system around El Arish which, after certain adjustments, may support gas transmission from Israel to Egypt. Midroog believes that the complexity of realizing the contracts signed with respect to Leviathan reservoir, along with expected increased competition in the Israeli natural gas market, negatively impact the Company's credit risk. The EMG contract, should it be realized, may mitigate such risk by providing infrastructure for realizing the export agreement with Dolphinus, through gas transmission to Egypt.

Ithaca, with relatively high business risk compared to the holding portfolio, is taking steps to improve its assets, with support from Delek Group

The Company currently operates in the energy market overseas primarily through its holding in Ithaca, which is engaged in oil and gas exploration, production and sale in the North Sea region in UK territorial waters, as well as providing operator services. Ithaca's key oil and gas assets are located in Great Stella Area (GSA). Ithaca's daily production rate in the first half of 2018 was 15.4 thousand oil barrels equivalent, significantly higher compared to the corresponding period last year, when production from Stella reservoir (the largest reservoir in this area) started. Oil and gas reserves owned by Ithaca (immediately prior to announcement of the buy-out of its partners as set forth below) amounted, according to Ithaca's resource report, to 65 million oil barrels equivalent (Proven + Probable Reserves), which implies a relatively fast depletion rate of this deposit and the need for investment in other assets. Recently, the Company reported that Ithaca has signed agreements to acquire oil and gas interest in GSA reservoir from its partners in this reservoir (except for the VORLICH license) as well as the partner's interest in the floating production facility used as production platform for all Ithaca reservoirs in the GSA area, in exchange for cash payment amounting to USD 130 million[6]. Taking this opportunity to buy-out the partners in these reservoirs is, in Midroog's opinion, a positive development for Ithaca's business positioning, as it gains full control over development of the acquired oil rights, full ownership of the production platform, which may contribute to its profitability, as well as increase in P2 reserves by 20 million oil barrels equivalent, according to Ithaca's resource

[6] For more information about the payment and deferred payments in conjunction with this transaction, see immediate report dated August 26, 2018 – https://mayafiles.tase.co.il/rpdf/1180001-1181000/P1180942-00.pdf

report. Midroog believes that Ithaca's business risk is relatively high compared to the average risk of Delek Group's holding portfolio. Ithaca is a small company by international scale, is highly concentrated in oil and gas assets and exposure to global oil prices, which impact its cash flows and asset valuation. Over the short term, Ithaca partially hedges energy prices, so as to partially offset the effect of energy price volatility. Furthermore, higher oil prices since Ithaca was acquired by the Company provides support for Ithaca operations. Ithaca's debt service needs are relatively high in 2018-2019 due, inter alia, to investments in development of Stella reservoir. In 2018, Ithaca should complete the re-financing of part of its liabilities guaranteed by Delek Group, which helped Ithaca in reducing its financing costs. Midroog's base scenario assumes no dividends from Ithaca in 2018-2019 and Midroog cannot rule out potential further capital injection to Ithaca.

Decrease in financial debt due to realizations has offset erosion of gas share valuation in Israel and leverage remains reasonable for the rating. Further debt reduction is contingent on the extent of realizations and dividend distribution

As of June 30, 2018, the Company's gross financial debt (expanded solo), including accrued interest, amounted to NIS 8.4 billion, compared to NIS 8.9 billion as of June 30, 2017. Excluding cash and deposits, net financial debt amounted to NIS 7.6 billion, compared to NIS 8.5 billion one year ago. The decrease in net financial debt over the past four quarters was mostly funded by dividend distributions from Delek Drilling Partnership (directly and indirectly, through holdings in Delek Energy), originating from sale of part of the Partnership's interest in Tamar reservoir. Another source for the debt reduction was realization of marketable securities by the Company, which eliminated most of its negotiable portfolio. Proceeds from these and other sources were also used for dividend distribution to shareholders (NIS 500 million over the past four quarters) and for investment in investees, including deposit provided to Ithaca, amounting to USD 70 million. Midroog expects a further decrease in net financial debt by end of 2018, due to swap transactions for sale of 16.09% of Phoenix Holdings shares, which should net the Company NIS 500-600 million in the third quarter (excluding cash pledged with respect to these swap transactions). Moreover, in the third quarter, the Company sold its Ashkelon and Sorek power stations to its wholly-owned subsidiary Delek Israel Ltd., for immediate consideration amounting to NIS 474 million.
Considering the aforementioned transactions, completion of the tender offer to purchase the outstanding shares of Delek Energy and dividends to shareholders declared in the third quarter, Midroog estimates the Company's leverage ratio (LTV – ratio of net financial debt after Midroog adjustments to value of Company holdings) to be around 52%, higher than the year-ago level of 50%, primarily due to the decrease in market value of gas shares. As noted above, the Company is expected to make additional realizations: Completion of sale of Tamar by Delek Drilling, in conjunction with provisions of the Israel's national gas regulatory framework, and sale of the controlling stake in Phoenix Holdings, in conjunction with provisions of the Reduced Concentration Act. The Company is also acting to realize its holdings in the water desalination sector. Midroog expects that reduction of the number of holdings following the completed and expected realizations, along with increased concentration of the energy sector in the holding portfolio, would result in further reduction of financial debt, which is also supported by Company policy, as presented to Midroog.

Low visibility of current cash flows from investees over the short and medium term and strong reliance on realization of holdings increase credit risk

Midroog's base scenario considers the current dividends received and other revenues of the Company from investees would range between NIS 300-350 million per year. This amount primarily consists of dividends from Delek Energy with respect to realization of the gas royalties, which was completed in 2018, and tax refunds, as well as, to a lesser degree, current dividends from other holdings. These receipts, net of management and HQ expenses, would cover financing expenses at a ratio of 1.0, which we consider weak for the rating and not supportive of significant cash accumulation without realization of assets.

We wish to emphasize that Midroog's dividend forecast above excludes potential dividends to the Company from expected sale of the remaining holdings in Tamar reservoir by Delek Drilling, due to uncertainty with regard to timing of and proceeds from such sale. Furthermore, pursuant to Midroog's scenario for sale of the remaining holding stake in Tamar at the price of the Tamar Petroleum transaction (although it is uncertain that this would be the transaction price), the potential for distribution from sale proceeds is relatively low, due to debt repayment needs with respect to Tamar reservoir and investment needs of Delek Drilling for completion of the Leviathan project (its share of equity in conformity with the financing agreements) and export agreements with respect there to. This estimate may change depending on the leverage level to be specified at Delek Drilling after this sale.

Company liquidity is reasonable and supported by realizations in the previous quarter and signed credit facilities

Midroog's base liquidity scenario considers the Company's primary sources and uses expected from June 30, 2018 through 2019 (six quarters), without assuming future realizations nor debt issue on the capital market, as follows: Primary sources[7]: Cash amounting to NIS 850 million as of June 30, 2018; Midroog's assumption of dividend receipts and other revenues from investees amounting to NIS 800 million; and receipts from repayment of seller loans amounting to NIS 150 million; receipts from closed swap transactions for sale of shares of Phoenix Holdings (net of cash pledged to secure swap transactions) and receipts from sale of power stations to a subsidiary amounting in total to NIS 1,100 million. The Company also has signed, available credit facilities amounting to NIS 1.1 billion, mostly for a one-year term.

Primary uses: Expense and HQ expenses amounting to NIS 550 million; debenture redemption and long-term loans amounting to NIS 2.0 billion (over the next six quarters); payment with respect to Delek Energy purchase offer amounting to NIS 387 million; dividends to shareholders amounting to NIS 220 million (including dividends amounting to NIS 120 million paid in the third quarter and recently declared dividends amounting to NIS 100 million) well as expected investments amounting to NIS 200 million.

Midroog's assumptions, as set forth above, result in sources, including signed facilities, for the next six quarters amounting to NIS 4.0 billion and current uses amounting to NIS 3.4 billion, with a ratio of sources to uses at 1.2, which indicates reasonable liquidity. Note also that due to significant debt repayment every year, Midroog expects the Company to maintain liquid balances equal at least to the annual principal repayment amount. The aforementioned sources and uses scenario reflect a basic analysis, which does not account for debt issues (other than signed facilities), realizations for which a binding agreement has yet to be signed and does not assume dividend distributions to shareholders other than those declared to date. Midroog believes that realizations in the foreseeable future are highly probable but does not account for these in the base scenario, due to uncertainty with regard to their amount, timing and designation of their proceedings.

High financial flexibility supported by negotiable holdings and large proportion of un-encumbered assets

The Company's financial flexibility is favorable for the rating and is primarily reflected in the large extent of un-encumbered assets, most of which are negotiable. The Company has signed credit facilities from multiple banks, amounting to a significant NIS 1.1 billion as of June 30, 2018, secured by pledging of some of the Company's

7 The cash and cash and cash equivalents balance, on the source side, excludes cash and securities held by Delek Energy, but cash flows from Delek Energy are taken into account in the dividend forecast.

marketable holdings. We believe that the Company's financial flexibility would allow it, if needed, to bridge timing gaps and given the relatively high debt service needs.

Other considerations

Midroog regards the Company's execution capability and good reputation regarding achieving forecasts, as reflected in execution of business and financial moves in recent years, as being positive for the rating. Concurrently, Midroog regards the relatively significant dividend distributions to shareholders in recent years, as being negative for the rating. As noted above, Midroog was taken into account the Company policy, as stated to Midroog, of reducing financial debt and leverage.

Rating outlook

Factors that could lead to a rating upgrade:

- Significant increase in visibility and stability of current cash flows from investees

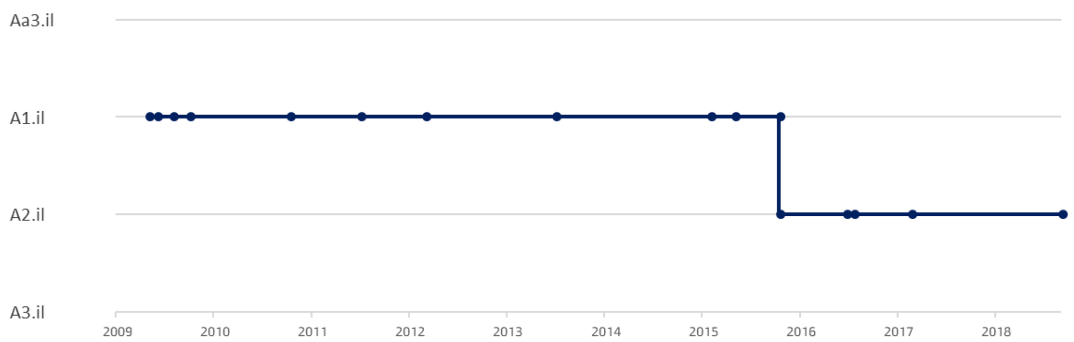
Factors that could lead to a rating downgrade:

- Increase in financial debt over time and increase in ratio of adjusted net financial debt to holding portfolio valuation, beyond 50% over time
- Increase in risk profile of the holding portfolio

Company profile

Delek Group is a holding company which controls diverse companies, primarily operating in the energy sector. The Company owns (100%[3]) Delek Energy, which is engaged in oil and gas exploration and drilling, through its 54.11% holding stake in Delek Drilling Partnership. The Company also has a direct holding stake (4.99%[3]) in Delek Drilling. The key assets of Delek Drilling are interests in Leviathan reservoir (45.34%), in Tamar and Dalit drillings (22%) and a 22.6% holding stake in Tamar Petroleum. The Company also owns Ithaca (100%, private foreign company), Delek Israel (100%, private company), Delek Automotive (22.5%) and Phoenix Insurance Holdings (30.14%). The Group also owns 50% of the share capital of IDE Technologies Ltd., which is engaged in construction and operation of desalination plants in Israel and overseas. The major shareholder is Mr. Yitzhak Tshuva, who owns 60.77% of the share capital and 64.82% of voting rights in the Company. The Company CEO is Mr. Assi Bartfeld and the Chairman of the Board of Directors is Mr. Gabbi Last.

Rating history



Related reports

Delek Group Ltd., related reports
Delek Drilling Limited Partnership, related reports
Tamar Petroleum Ltd., related reports
Rating of holding companies – Methodology Report, November 2017
Table of affinities and holdings
Midroog's rating scales and definitions

These reports are available on the Midroog website at www.midroog.co.il

General information

Rating report date:	10.10.2018
Date of last revision of the rating:	08.10.2017
Date of first publication of the rating:	26.05.2009
Rating commissioned by:	Delek Group Ltd.
Rating paid for by:	Delek Group Ltd.

Information from the issuer

In its ratings, Midroog relies, inter alia, on information received from competent organs of the issuer.

Midroog

Long-Term Rating Scale

Aaa.il	Issuers or issues rated Aaa.il are those that, in Midroog judgment, have highest creditworthiness relative to other local issuers.
Aa.il	Issuers or issues rated Aa.il are those that, in Midroog judgment, have very strong creditworthiness relative to other local issuers.
A.il	Issuers or issues rated A.il are those that, in Midroog judgment, have relatively high creditworthiness relative to other local issuers.
Baa.il	Issuers or issues rated Baa.il are those that, in Midroog judgment, have relatively moderate credit risk relative to other local issuers, and could involve certain speculative characteristics.
Ba.il	Issuers or issues rated Ba.il are those that, in Midroog judgment, have relatively weak creditworthiness relative to other local issuers, and involve speculative characteristics.
B.il	Issuers or issues rated B.il are those that, in Midroog judgment, have relatively very weak creditworthiness relative to other local issuers, and involve significant speculative characteristics.
Caa.il	Issuers or issues rated Caa.il are those that, in Midroog judgment, have extremely weak creditworthiness relative to other local issuers, and involve very significant speculative characteristics.
Ca.il	Issuers or issues rated Ca.il are those that, in Midroog judgment, have extremely weak creditworthiness and very near default, with some prospect of recovery of principal and interest.
C.il	Issuers or issues rated C are those that, in Midroog judgment, have the weakest creditworthiness and are usually in a situation of default, with little prospect of recovery of principal and interest.

Note: Midroog appends numeric modifiers 1, 2, and 3 to each rating category from Aa.il to Caa.il. The modifier '1' indicates that the obligation ranks in the higher end of its rating category, which is denoted by letters. The modifier '2' indicates that it ranks in the middle of its rating category and the modifier '3' indicates that the obligation ranks in the lower end of that category, denoted by letters.

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