



Transaction with a Controlling Shareholder that Does Not Require the Approval of a General Meeting

Regulation 37A(5) of the Securities Regulations (Periodic and Immediate Reports), 1970

Tel Aviv, October 10, 2018. Delek Group (TASE: DLEKG, US ADR: DGRLY) ("the Company") announces as follows:

1. Main points of the transaction

Further to the Company's Immediate Report dated November 29, 2016 (ref. no. 2016-01-133375) and the Supplementary Report dated December 15, 2016 (ref. no. 2016-01-139648) ("the Immediate Reports"), on October 10, 2018 after having received authorization of the Audit Committee on that date, the Company's Board of Directors approved extending the contractual relationship of the Company with Alter Yaffo Ltd through its manager, Mr. Ronen Yaffo ("the Manager") in accordance with Regulation 1(5) of the Companies Regulations (Dispensations in Transactions with Interested Parties), 2000.

The Company's contractual relationship with the Manager will be extended for an additional period of 24 months commencing September 1, 2018. No changes apply to any other terms stipulated in the Immediate Reports, and they are as follows:

According to the terms of the contract the Company will receive from the Manager consulting services in the field of real estate in matters related to development, support and management of the Company's and subsidiaries' real estate assets, including the property in Herzliya Pituach and the property in Akko owned by the Company as well as properties owned by Delek The Israel Fuel Corporation (a wholly owned subsidiary of the Company). The Manager will dedicate all the time required to fulfilling this position. The Company and the Manager have the possibility to shorten the agreement period for any reason by prior notice of 30 days. In consideration of the management services the Manager will receive a monthly payment of NIS 50,000, which will be paid against an invoice.

The main occupation of the Manager is as CEO of a private company owned by a controlling shareholder of the Company, whose business is private construction and development.

2. Summary of reasons of the Board and the Compensation Committee to approve the transaction

The Company's Audit Committee and Board of Directors, at their meetings on October 10, 2018, approved the transaction based on the following reasons:

- 1) Mr. Ronen Yaffo has the knowledge and expertise required by the Company, which can assist the Company to advance the real estate assets it owns. Mr. Yaffo has extensive experience and acquaintance with projects of the sort owned by the Company and the subsidiaries, both in Israel and abroad.
- 2) The Audit Committee pointed out that this is not a contractual relationship defined by the scope of working hours but by services provided for specific projects, though it is estimated that scope required is one third of a full-time position. The Audit Committee examined a proposal from another company on the market that specializes in consulting, support and management in the field of real estate projects. The Audit Committee found that the contractual relationship with the Manager is at the best terms on the market and that it is to the benefit of the Company, based inter alia on the cost to the Company and on Mr. Yaffo's extensive experience and expertise.
- 3) The Audit Committee approved that a competitive process is not required in respect of the transaction, beyond an examination of proposals in the market, since the quality of the

- services offered by the Manager exceed the services offered in the market, and taking into account that it involves a relatively trivial amount for the Company.
- 4) The Audit Committee was satisfied that the contractual relationship is at market terms, is part of the Company's regular business and does not harm the Company's interests.

Based on the reasons stated above, the Company's Audit Committee and Board confirmed that the conditions of Regulation 1(5) of the Dispensations Regulations have been met in order to approve the transaction.

This is a convenience translation of the original HEBREW immediate report issued to the Tel Aviv Stock Exchange by the Company on October 10, 2018.

About The Delek Group

Delek Group is an independent E&P and the pioneering visionary behind the development of the East Med. With major finds in the Levant Basin, including the Leviathan (21.4 TCF) and Tamar (11.2 TCF) reservoirs and others, Delek is leading the region's development into a major natural gas export hub. In addition, Delek has embarked on an international expansion with a focus on high-potential opportunities in the North Sea and North America. 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 (TASE:DLEKG) and are part of the TA 35 Index.

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

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