



Proposed Plan by the Company's Business Consultants to Reinforce Collateral and Recommendations for Raising Capital

April 21, 2020

To The Trustees and Members of the Committee

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1. Delek Group Ltd ("the Company") is a public company traded on the Tel-Aviv Stock Exchange. The Company holds (directly and indirectly), inter alia, 55% of the participation units of the Delek Drilling Limited Partnership ("Delek Drilling"), which is a public partnership traded on the Tel-Aviv Stock Exchange. The majority of the Company's holdings are through its subsidiary, Delek Energy Systems Ltd ("DES"), which holds (directly and indirectly) 90% of all the Group's holdings in Delek Drilling.
2. The Company has 7 series of debentures for an overall value of NIS 5.88 billion (principal). The trustees of the series are Hermetic (5 series), Reznik (1 series), Mishmeret (1 series) (the three trustees jointly "the Trustees").
3. On March 31, 2020 there was a general meeting of all the series of the Company's debentures, and at the meeting a special committee of all the series was elected ("the Committee").
4. The crisis in global markets on account of the spread of the coronavirus and the sharp volatility that has occurred in gas and oil prices in the energy market, including because of the price war between Russia and Saudi Arabia, have led to a dramatic fall in the value of securities of the Oil & Gas sector around the world, including the securities of the Delek Group and of the companies it holds. Following this drop a material difference has developed between the true economic value of the Company's assets and the value of its marketable assets on the "stock exchange screens".
5. We should recall that further to what is stated above, there occurred in the Company the "Citibank event", in which this bank attempted to realize 15% of the participation units in Delek Drilling at rock bottom prices, and only after enormous efforts was the Company able to limit the dramatic damage that was going to occur on account of this and return 10% to the Company.
6. In order to let the Company continue its operations as they were immediately prior to the start of the global crisis in the markets, including to repay its liabilities to debenture holders and secured creditors in an orderly fashion, and in order to prevent a situation in which one of the Company's creditors (secured or unsecured) would act unilaterally and demand early (immediate) repayment and/or commence legal proceedings against the Company and/or those acting on its behalf (and this is likely to be the result: realization of the Company's assets and/or demand for repayment), proceedings that will without a doubt harm the Company in the value of its assets and to its creditors), the Company has held and is holding talks with the secured and unsecured creditors to arrive at agreed understandings.
7. Further to the conversations held with you, we want to present in this document below an overall outline plan proposed by us to the Company and its competent bodies as a basis for formulating agreements with the debenture holders. **It should be emphasized that the proposed outline plan in this document for the debenture holders is subject to approval by the Company's competent bodies.**

The outline plan

For the purpose of this working paper we will take into account that the Company has a material net asset value (NAV) that reflects at least the Company's stock exchange value at today's market prices.

The secured creditors

8. Delek Group will realize its holdings in Delek The Israel Fuel Corporation Ltd ("Delek Israel"), with the consideration received from this disposal being used by the Group to repay the companies' debt to the banks (pro-rata for each of them), and against that the participation units pledged in their favor and/or the guarantees provided to them and/or the negative lien (as applicable) will be released.
9. In the interim stage until the sale, the Group will mortgage in favor of the banks that provided finance to the companies the shares of Delek Israel, pro-rata to the loan agreements of each of them with the companies. The process of mortgaging the shares of Delek Israel in favor of the banks, until their realization, is intended to ensure, inter alia, that the companies will not be required to add collateral for any of the banks, also in the event that there will be a drop in value of the

collateral provided to the banks (or any of them) under the original loan agreements signed with them.

Debenture holders

10. The Company and its subsidiary (Delek Energy Systems Ltd) will mortgage to all its debenture holders the royalties to which they (directly and through DES) are entitled from the Leviathan field ("Leviathan Royalties").
11. The Company will mortgage its rights to receive Leviathan Royalties to the Trustees. The lien will apply for all debenture holders pro-rata to their debts.
12. The Company will be entitled to act at any time to receive a loan from one or more financial bodies against the Leviathan Royalties. In this case the mortgage in favor of the Trustees will be cancelled, subject to the full loan amount being mortgaged in favor of the Trustees, and will be used in full to make payments (principal and interest) in due order to the debenture holders according to the payments schedule. The Company will be entitled to use the said receipts to make early repayments, without an early repayment penalty (depending on the circumstances).
13. Following the sale of Delek Israel and repayment of the bank debt, the Company will mortgage in favor of the Trustees the Delek Drilling participation units at market value that reflects the bank debt repaid (NIS 1.1 billion). The lien on the participation units will be in favor of all the debentures series pro-rata to their debt; however, it is stipulated that the dividends that will be received from the mortgaged units will be used for regular repayments of the debentures.

It is agreed that during the period of the lien on the participation units, there will be a lien on the Leviathan Royalties; this lien will be released (or the monies received from them) in parallel to the mortgaging of the participation units.

14. The Trustees can realize the liens registered in their favor in the event that the Company will not make payments to the debenture holders according to the existing repayment schedule and according to the provisions of the deeds of trust. In such an event consideration of the lien will be distributed pro-rata between the series.
15. If one of the series of debentures decides to act unilaterally, despite what is stated in this document and notwithstanding that the Group has met the debenture payments in due order, the lien on the royalties or participation units (as applicable) will be cancelled retroactively.

Raising capital

16. In order to ensure a higher cash flow as well as reinforcing capital in order to provide additional flexibility in realizing assets, we will recommend to the Company to act during 2020-2021 on the need to raise capital in an overall amount of NIS 260 million, of which NIS 130 million will be raised in 2020 and a further NIS 130 million in 2021.