



**Signature of Stand Still Deed of Consent with the Banks and Supplementary Report to Convene Meeting of the Company's Debenture Holders to Amend the Deeds of Trust**

**Tel Aviv, June 16, 2020. Delek Group (TASE: DLEKG, US ADR: DGRLY)** ("the Company") announces:

- 1) Further to what is stated in the Company's Immediate Report dated June 4, 2020 (ref. no. 2020-01-057492) ("Report of June 4, 2020"), the Company, Delek Energy Systems Ltd and DKL Investments Ltd (jointly "the Companies") have signed the Stand Still Deed of Consent with the banks. The main points of the Deed of Consent were detailed in the Report from June 4, 2020 and are brought here by way of reference. The banks that are a party to the Deed of Consent are various banks that have provided loans and credit to the Companies, secured by liens on the participation units of Delek Drilling Limited Partnership ("Participation Units") and a foreign bank that provided a loan of EUR 50 million secured by guarantees ("the Banks").

As stated in the Report from June 4, 2020 and subject to the terms stipulated in the Deed of Consent, during the stand still period, despite everything stated in the documents signed between any of the Companies and the Banks (or any one of them) ("the Credit Documents"): (1) The Companies will not be required to supplement the collateral in favor of any of the Banks, also in the event there is a decline in the value of the collateral; (2) the Banks (or any one of them) will not institute any legal proceedings against the Companies on account of the Credit Documents; (3) the loans will not be put up for immediate repayment, the credit facilities will remain valid at the credit levels actually utilized, and no additional interest will be collected for them; (4) the Banks will not act to realize the collateral; and (5) release of the Participation Units will be carried out according to the mechanism stipulated in the Deed of Consent (it is clarified that there will not be a release of Participation Units if there is a rise in the price of the Participation Units, even if there are grounds to release the Participation Units under the Credit Documents).

Under the Deed of Consent, the Company, through a subsidiary that holds the entire share capital of Delek, The Israel Fuel Corporation Ltd ("Delek Israel") will pledge all the Delek Israel shares it owns in a permanent first lien in favor of the Banks, until full repayment of the Credit. In addition, the Company, through the subsidiary, will act to dispose of all its holdings in Delek Israel and/or to dispose of its assets, and the consideration received from this sale will be used for repayment of the Credit, pro-rata, in accordance with each Bank's relative share of the Credit balance. To carry this out a trustee company has been appointed as the trustee company for the Banks and the Companies.

The Deed of Consent will become effective at the date of approval of the Meeting of the Company's debenture holders of the plan to strengthen the collateral (Proposal to Amend the Deed of Trust) as the Company published in the Report of June 14, 2020 and that of June 15, 2020 (ref. nos. 2020-01-061782 and 2018-01-062244, respectively) ("the Amendment to the Deeds of Trust), subject to approval by the said Meeting.

2) In addition to the aforementioned, the Company has reached agreement with a financial institute that provided the Company with a loan backed by a lien on a real estate asset ("the Lender") in respect of the stand still and reorganization of the terms of repayment of the loan with it. In accordance with section 3.1.6 of the Amendment to the Deed of Trust, this agreement represents a condition precedent for the Amendment to the Deed of Trust to become valid. Under the said agreement it is agreed with the Lender that notwithstanding what is stated in previous documents signed between the Company and the Lender:

- (1) The debt to the Lender will be repaid by October 31, 2020 with the possibility to extend the date under certain terms until December 31, 2020;
- (2) At the date of registration of the liens in favor of the trustees in its meaning in section 6 of the Amendment to the Deed of Trust, the Company will deposit in the encumbered account in favor of the Lender the amount of NIS 8.9 million as additional collateral to secure its debt. Lease payments will also be used as collateral for the debt.
- (3) In the event that by June 30, 2020 checks for lease payments for a year have not been deposited in the encumbered account, and the Company will request to make use of the amounts deposited in the encumbered account for current repayment of the loan, the Company will deposit in the encumbered account an additional NIS 4.5 million (half the annual lease payments) to secure the debt;
- (4) If the debt will not be repaid by the date stipulated in paragraph (1), the Lender will be entitled to collect the entire debt and to dispose of the pledged assets, and the Company agrees to this.
- (5) It is agreed that by the date stipulated for repayment of the debt as stated in paragraph (1) above, and subject to fulfillment of the Company's undertakings detailed above, the Lender will not put up the debt for immediate repayment, will not take steps to dispose of the existing liens in its favor based on various grounds stipulated in the loan agreement, including grounds that according to the Lender were available to it at the time of signature of the agreement with it.

3) Further to the convening of Meetings of the Company's debenture holders to approve the Amendment to the Deed of Trust, and to what is stated in the Company's Immediate Report dated June 14, 2020 (ref. no. 2020-01-061782) the Company is of the opinion that at this time approval of the updated proposal (the Amendment to the Deed of Trust) will benefit the debenture holders and the Company's business as a going concern, mainly for the following reasons:

- (1) Approval of the updated proposal alongside the accords with the Banks who are secured creditors will allow the Company to continue to operate to maximize its assets and to complete carrying out the actions and plans intended to facilitate repayment of its debts to its creditors and the Company's continued existence as a going concern.
- (2) According to the updated proposal, the Company has undertaken to raise NIS 313 million during the coming year, and an additional amount of NIS 50 million in the following year, in addition to raising capital in cash that the Company has completed of NIS 137 million. These capital raisings are expected to increase the Company's assets so that they will reduce the Company's leverage, which accordingly is to the benefit of its debenture holders. It is

unnecessary to note that only the continued existence of the Company as a going concern will allow it to act to complete the planned fund raisings in accordance with the terms of the updated proposal.

(3) The status of the debenture holders prior to approval of the updated proposal is that of unsecured creditors, and will materially improve under the terms of the updated proposal according to which liens will be created and registered in their favor immediately, subject to and following approval of the updated proposal, and in addition they will benefit from gradual increase in the liens over time. Alongside the foregoing the Company takes on itself limitations on distribution and other limitations as detailed in the updated proposal without any change in the repayments schedule.

In this regard the Company refers to the rating report of S&P Maalot as published in the Immediate Report dated April 1, 2020 (ref. no. 2020-01-034443), in which Maalot included an analysis of the recovery of the Company's unsecured debt, in a scenario of hypothetical failure to repay, which in the opinion of S&P Maalot the percentage debt recovery in this case will be in the range of 30% - 50%. In the opinion of the Company's management, at this time, in the hypothetical scenario that the debt is put up for immediate repayment by the debenture holders, taking into account the scale of collateral held by the secured creditors, the risk of realization of the marketable collateral they hold at prices lower than their value in the Company's books, is likely to put the debt recovery percentage of the unsecured creditors at the higher end of the range as published in the S&P Maalot report.

In the light of the foregoing, the Company is of the opinion that the proposed alternative as part of the Amendment to the Deed, which has been formulated in negotiations with the trustees for the debenture holders, representatives of the debenture holders and their advisors, is the preferred alternative at this time over another alternative.

**This is a convenience translation of the original HEBREW immediate report issued to the Tel Aviv Stock Exchange by the Company on June 16, 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](http://www.delek-group.com)

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