



Update on Discussions with the Banks regarding a Stand Still Document

June 4, 2020

Tel Aviv, June 4, 2020. Delek Group (TASE: DLEKG, US ADR: DGRLY) ("the Company") announced as follows:

A. The Company hereby respectfully wishes to inform that as part of the negotiations conducted by the Company, Delek Energy Systems Ltd ("Delek Energy") and DKL Investments Limited ("the Companies") with the various Banks which granted loans and credit to the Companies, secured by Lien on participation units of Delek Drilling – Limited Partnership ("the Participation Units"), as well as a foreign bank that granted a loan in the amount of EUR 50 million secured by guarantees ("the Banks"), a Stand Still Deed of Consent was drafted. The main points of the Deed of Consent are detailed below. It should be noted that the signing of the Deed of Consent is subject to the approval of the competent organs at the Banks. Insofar as the said approval shall be received, the Deed of Consent shall be signed and enter into force on the date of approval of the meeting of the Company Debenture holders for a plan to reinforce the collateral (proposed amendment of the Deed of Trust) that the Company published in a report dated May 17, 2020 (reference no.: 2020-01-048816) ("Plan to Reinforce the Collateral"), and subject to the said approval of the meeting.

1. The Deed of Consent shall apply in relation to the credits secured by Lien on the Participation Units and/or collateral and/or pledge for negative Lien that were put up or given by the Company and/or Delek Energy in favor of the Banks ("the Credit").
2. According to the Deed of Consent, the Company, through a subsidiary which is holding the entire share capital of Delek, The Israel Fuel Corporation Ltd ("Delek Israel"), shall pledge by way of a permanent first degree Lien in favor of the Banks all of the Delek Israel shares it owns, and that shall be until the full repayment of the Credit. In addition, the Company, via the subsidiary, shall take action to exercise its full holdings in Delek Israel, whereby the consideration to be received from the said sale shall be used for repayment of the Credit, pro-rata, pursuant to the relative portion of each Bank in the Credit balance. In order to conduct the abovementioned, it has been determined that an agreed trust company shall be appointed that is common to all of the Banks and Companies, ("the Collateral Trustee").
3. Subject to what is stated in the Deed of Consent, the Company and the subsidiary undertake to sell the Delek Israel shares that are to be pledged in favor of the Banks during the Stand Still Period (as defined above). The sale and its terms shall be determined and executed according to the Company's discretion and without the need to gain consent of the Banks, and provided that the consideration shall be deposited with the Collateral Trustee and shall be of an amount that shall enable, after deduction of tax, the repayment of the Credit balance at the time of the execution of the sale.

It was made clear in the Deed of Consent that Delek Israel may sell Pi-Gililot or the power plants held by it or the gas stations held by it, provided that the consideration from the sale shall be used only for the repayment of Credit given for the acquisition of the said assets or to reduce the debt to financial institutions in Delek Israel or for the distribution of a dividend to the Company that shall be used for the repayment of the Credit.

4. A time was determined for the Stand Still period until September 30, 2020 (which might be extended as detailed below) ("the Stand Still Period"). During the Stand Still Period, and despite all that is stated in the documents signed between any of the Companies and the Banks (or any one of them) ("the Credit Documents"): (a) the Companies shall not be required to supplement additional collaterals for any of the Banks, and this applies even in the event of a decline in the value of the outstanding collaterals; (b) no legal proceedings shall be taken by the Banks against the Companies in respect of the Credit Documents; (c) the loans shall not be put up for immediate repayment, the credit facilities shall remain valid at the level of the amount of Credit used up in practice, and no additional interest of any form shall be charged for them; (d) the Banks shall not act to realize the collaterals; and (e) release of the Participation Units shall be carried out pursuant to the mechanism stipulated in the Deed of Consent (it was clarified that Participation Units shall not be released only in respect of an increase in the price of the Participation Units, even if there is cause to release the Participation Units pursuant to the Credit Documents).
5. During the Stand Still Period, the Companies shall continue to engage in current repayments of interest to the Banks pursuant to what was stipulated in the agreements signed with them. Moreover, the Companies declared that pursuant to the Credit Documents signed between the Companies and the Banks, no other payments to the Banks are expected nor indeed shall they be made – until the end of the Stand Still Period – apart from interest payments and early repayments of the Credit principal that shall be made to all of the Banks pro-rata, pursuant to the stipulated ratio.
6. It was determined that the Company shall transfer to the Collateral Trustee for repayment of the Credit to the Banks up to 75% but no less than 50% of the amounts received and/or that shall be received by it as a result of the capital raising effort conducted by the Company in May 2020 and the additional capital raising efforts to be carried out during the Stand Still Period (insofar as they shall be conducted). In addition, it was stipulated that the Company shall ensure that up to 75% but no less than 50% of the amounts that shall be received by it for the sale of the royalties in the Karish and Tanin

gas fields (insofar as the transaction is completed) shall be transferred to the Collateral Trustee for repayment of the Credit to the Banks.

7. Specific events were determined, which if they were to occur then each of the Banks would be entitled to rescind the Stand Still, and adopt all the means at its disposal, including putting up all the Companies' debts and liabilities to it for immediate repayment and to take immediate action to exercise the Lien and realize the Participation Units. The specific events include the following: if the Companies fail to pay to any of the Banks any sum whose repayment date has arrived and/or which they are bound to pay within a stipulated remedy period; if the Companies (and/or any one of them) are in breach of any of their obligations pursuant to the Deed of Consent and/or pursuant to the Plan to Reinforce the Collateral, and the said breach has not been remedied within the stipulated remedy period; if a decision was reached at a meeting of the holders of any series of the Company debentures to put the debt owed to them, or any part of it, for immediate repayment or if the Plan to Reinforce the Collateral was rescinded by the Debenture holders; if the price of a Participation Unit is lower than the level determined in the Deed of Consent and the Collateral Ratio has declined below a ratio defined in the Deed of Consent; as well as a number of additional specific causes that were stipulated in the Deed of Consent.
8. It was determined that the Stand Still Period shall be extended until October 30, 2020 subject to the existence of a number of conditions laid down within the framework of the Deed of Consent, including, the signing of a binding agreement by a specific date for the sale of Delek Israel and repayment to the Banks, by a specific date, at the expense of the Credit, sums amounting to at least 50% of the amount of the Credit at the time of signing the Deed of Consent.
9. At the end of the Stand Still Period, insofar as by then the Delek Israel shares have not been sold or the Collateral Trustee has not received the full consideration for the shares that would enable the full repayment of the Credit to the Banks, as well as in the case of an event occurring that would allow the Banks to terminate the Stand Still Period, then, the Banks may take action to exercise the Lien on Delek Israel pursuant to the provisions that have been stipulated. Without derogating from the rights of the Banks to take action in order to exercise the Lien as stated above, at the end of the Stand Still Period the provisions of the Credit Documents shall continue to apply, and both the Companies and the Banks shall act in accordance with them.
10. It was also stipulated as part of the Deed of Consent that the Banks would not present the Credit for immediate repayment based on causes that constitute breach events mentioned in the Credit Documents and which have occurred prior to the end of the Stand Still Period, nor shall they cancel the credit facilities prior to the final repayment date of the Credit as stipulated in the original Credit Documents, and this is subject to the existence of all the accumulated conditions listed below: (1) by the end of the Stand Still Period, funds amounting to a sum of at least 60% of the Credit amount at the time of signing the Deed of Consent have been repaid to the Banks at the expense of the Credit; (2) the Companies adhere to the financial ratios (LTV ratio) stipulated in the Credit Documents with each of the Banks, and insofar as they have not adhered to them, then they have remedied (insofar as they are entitled to do so) the ratios in accordance with the mechanisms that have been laid out in the relevant agreements.
11. On repayment of the Credit to the Banks, the Banks shall release and transfer to the Collateral Trustee a number of Participation Units that shall be calculated so that immediately after the release, the existing Collateral Ratio shall be as stipulated in the Stand Still Agreement. Pursuant to the irrevocable instructions that the Companies shall convey to the Collateral Trustee, and pursuant to the provisions of the Plan to Reinforce the Collateral, the Collateral Trustee shall transfer the Participation Units released from the Banks to the Debenture Holders' Trustee, and they shall be pledged in favor of the holders.

B. In addition to the abovementioned, and as part of the summary of the provisions of amendment to the Deed of Trust and its publication for voting by the Debenture holders, the Company hereby announces that it continues to hold discussions in order to reach understandings regarding the Stand Still and the arrangement of loan repayment terms in respect of: 1) an agreement entered into by the Company to back Credit granted to the purchaser of Phoenix Holdings Ltd. shares, as part of which the Company undertook to pay and/or deposit certain payments to financial institutions that put up the Credit in the event that they were not paid by the purchaser certain payments and/or if certain financial covenants were to exist; 2) a funding agreement with a financial corporation that granted a loan backed by a lien on a real estate asset; and 3) a foreign banking corporation that granted a loan to DKL Investments Limited with a partial guarantee of the Company. As part of the Deed of Trust amendment documents, which the Company intends to publish for voting by the Debenture holders, it shall also provide a response to the agreements to be agreed, insofar as they shall be agreed, with the said entities in respect of the loans detailed in Sections 1-3 above.

This is a convenience translation of the original HEBREW immediate report issued to the Tel Aviv Stock Exchange by the Company on June 4, 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

Contact

Investors

Limor Gruber

Head of Investor Relations

Delek Group Ltd.

Tel: +972 9 8638443

Limorg@delek-group.com