

March 31, 2021

Delek Group has published its Q4 2020 reports -
Record Quarterly Profits of Approx. NIS 1.1 Billion,
Compared with a Loss of NIS 311 Million in Q4 2019;
Ithaca's Value Soared to \$1.875 Billion Compared with
\$1.2 Billion in the Last Estimate.

- **Solid performance of our core assets has led to an increase in the Group's Q4 revenues to NIS 1.63 billion, compared with NIS 1.4 billion in the corresponding period;**
- **Subsidiaries' performance and profit from the rise in value in the North Sea oil and gas assets led to an operating profit of NIS 1.5 billion in Q4 compared with a loss of NIS 372 million in the corresponding quarter and a net profit of close to NIS 1.1 billion compared with a loss of NIS 311 million in the corresponding quarter;**
- **In Q4 2020, the Company recorded a profit of NIS 871 million (post-tax) from Ithaca's North Sea assets revaluation, mainly attributed to an increase in reserves & resources;**
- **According to an updated evaluation conducted by Duff & Phelps, Ithaca's value surged to \$1.878 billion, an increase of approx. \$678 million compared with June 30, 2020;**
- **The significant actions led by management in the past year, have led to a reduction of approx. NIS 1.6 billion in the Company's and its staff companies' net debt compared with December 31, 2019, to NIS 4.343 billion as of December 31, 2020.**
- **As of December 31, 2020, shareholders' equity had risen by approx. NIS 530 million to NIS 2.02 billion compared with NIS 1.49 billion as of September 30, 2020;**
- **Company's management continues to promote a series of additional actions to strengthen liquidity and financial position.**

Idan Wallace, CEO Delek Group: “The financial statements we published this morning reflect the considerable positive change undergone by the Group in relation to the previous annual statements in almost every parameter: the increase in the value of our assets that is manifested, inter alia, in the value of Ithaca, the surge in the quarter's profits, the significant reduction in net debt, the increase in shareholders' equity and the improvement in the Group's financial flexibility. Throughout this period, management worked to implement the Group's strategy and to execute complex transactions, under good terms and in short timetables. These actions, alongside the strong performance of our core assets, Delek Drilling and Ithaca, which were also reflected in considerable dividends during the year, enabled us to strengthen Delek Group's capital and liquidity, to significantly reduce financial debt and of course, to meet all our commitments, despite the impact of the global pandemic on our business environment. Our results continue to indicate the quality of our core assets and the value they generate for us, notably the Leviathan field and Ithaca's North Sea oil and gas assets, the importance of which as a growth engine for Delek Group has been clearly reflected in the sharp rise in the scope of resources and the updated evaluation which was included in the reports. We believe the high quality of Ithaca's assets will continue to be reflected in future developments and that Ithaca will continue to be an important mainstay for the Group with considerable potential to unlock value.

We continue to act in accordance with our strategy and believe that the recovery we have witnessed recently in the global energy markets, especially the rise in oil prices, all of which is set against the background of the global vaccination campaign that is gaining momentum, will provide a tailwind to the business actions we are promoting at this time, as part of the actions to strengthen the Group's liquidity and capital."

Today, March 31, 2021, **Delek Group** published its financial statements for Q4 and FY 2020, according to which the Group's net profit in Q4 amounted to approx.

NIS 1.1 billion (NIS 1.069 billion), compared with a loss of NIS 311 million in the corresponding quarter last year. The continued solid performance of the Company's core oil and gas assets has led to a rise of 16% in revenues to NIS 1.634 billion. The operating profit rose to NIS 1.5 billion compared with a loss of NIS 372 million in the corresponding quarter last year. The increase in the net and operating profit is mainly attributed to the reversal of a part of the impairment recorded in Q1 2020 in respect of the Company's oil and gas assets in the North Sea. As may be recalled, in Q1 2020 a provision was recorded for asset and goodwill impairment of the North Sea oil and gas business amounting to an \$667 million (post tax). Following Ithaca's reserves and resources update, its efficiency measures and the rise in energy prices, in Q4 2020 an increase was recorded in the value of Ithaca's assets amounting to \$271 million post tax (about NIS 871 million). The contribution of the increased value of Ithaca's assets was slightly offset by a provision resulting from an impairment of the Tamar field amounting to NIS 94 million (the Company's share, post tax). The reduction was mainly the result of a deduction of 20% in the assessment of the recoverable amount of the reservoir by the appraisers, due to the need to sell the holding in the asset by 2021 year-end.

During the past year, the Company took a series of significant measures to improve liquidity and strengthen financial position including the realization of assets of more than NIS 3.4 billion (including assets of subsidiaries and securitization of the overriding royalties from Leviathan). In addition, during 2020, the Company raised capital in a series of offerings amounting to NIS 450 million and received dividends from subsidiaries amounting to NIS 900 million.

The improvement in the Group's financial position is reflected in a decrease of more than NIS 3 billion in the Company's and its staff companies' financial debt and of almost NIS 1.6 billion in their net financial debt compared with December 31, 2019, reaching a level of NIS 6.15 and 4.34 billion, respectively.

The measures carried out by the Group and the performance of its core business have been reflected in a sharp decline in the yields of its debentures, from

hundreds of percentage points a year ago, to a range of 8%-15% currently (depending on the series).

Delek Group continues to implement its strategy of focusing on its core activity, including expanding production capacity and the scope of the contracts in the gas reservoirs in Israel and its surrounding environment, promoting growth and measures to increase value in its North Sea oil and gas assets, the sale of non-core assets, improving liquidity and strengthening capital.

Energy Business in the North Sea

Ithaca, a wholly owned subsidiary of Delek Group, contributed revenue of \$285 million in Q4 2020, compared with \$315 million in the corresponding quarter last year. The decline was mainly due to the drop in energy prices that occurred over the last year and to a lesser extent, by the decrease in production due to the implications of the Covid-19 pandemic. Average daily production during the quarter was 61,000 BOE, and reached 66,000 BOE in 2020, within the range of Ithaca's forecast of 63,000 to 68,000 BOE.

As part of the financial reports, Delek Group published an updated Impairment Test Analysis of Ithaca assets, according to which Ithaca's recoverable value (net from debt) amounts to \$1.878 billion. This represents a sharp rise of \$667 million, or 55%, compared with a recoverable value of \$1.211 billion as of June 30, 2020. 80% of the rise is attributed the increase in the scope of Ithaca's reserves and resources. As may be recalled, on March 22, 2021, Delek Group published Ithaca's Updated Reserves Report, which indicated an increase of 39 million BOE in the scope of reserves and resources as of December 31, 2020, compared with the report as of June 30, 2020. Together with a scope of production of 11 million BOE during the second half of 2020, this amounts to an increase of 50 million BOE. The DCF value in respect of reserves and resources rose by \$800 million to \$3.85 billion (compared with \$3.05 billion, as of June 30, 2020).

Together with a pre-tax profit of \$452 million (USD 271 million net from tax), which was recorded from the increased value of Ithaca North Sea assets in Q4 2020, Delek Group's net profit from Ithaca's North Sea activity amounted to NIS 1.05

billion (\$326 million) compared with a loss of NIS 214 million (\$62 million) in Q4 2019, which included a pre-tax provision for asset impairment in the amount of \$199 million (post-tax amount of \$120 million).

Ithaca estimates that average annual production in 2021-2023 will amount to 60-65 thousand BOE/day, while the average cost of production, as a result of the Company's efficiency efforts, is expected to reach \$14/BOE.

Its strong cash flow enabled Ithaca to continue to reduce its financial debt and its RBL (Reserve Based Lending facility) utilization. As of December 31, 2020, the Company's net debt amounted to \$1.22 billion, a decline of \$330 million compared with December 31, 2019. Together with \$120 million of dividends paid out during 2020, this represents a reduction of \$450 million.

Delek Group continues to promote measures to unlock value in Ithaca, by listing Ithaca's shares on the Tel Aviv and the London Stock Exchanges. In parallel, options are being examined to replace some of Delek Group's debentures with Ithaca's shares and/or an IPO of Ithaca and/or the introduction of a partner.

Energy Business in Israel

The positive trend in the results of Delek Drilling, which is 54.7% owned, continued in Q4 2020, thanks to the launch of Leviathan and the sales to the export markets. The sales volumes in Q4 reached 4.4 BCM compared with 2.6 BCM in the corresponding quarter. A total of 7.3 BCM was sold from Leviathan during 2020, 52% of which to Egypt and Jordan.

Revenues in Q4 amounted to NIS 685 million, an increase of 114% compared with the corresponding quarter and the EBITDA grew by 72% to NIS 522 million. The net profit attributable to the Group's shareholders was NIS 43 million compared to NIS 176 million in the corresponding quarter, mainly due to the provision for the Tamar reservoir impairment in a post-tax amount of NIS 94 million, an increase in taxation expenditure and a 5% decrease in Delek Group holding of Delek Drilling during 2020.

Delek Drilling continues to focus on exploiting the economic potential of the fields in its possession. As such, the Partnership is examining various options for increasing the production capacity of the Leviathan field by 4-12 BCM per annum, while continuing to promote the development of the Aphrodite gas field. In addition, the Partnership is also proceeding with the sale of its holdings in the Tamar reservoir in accordance with the requirements of the Gas Framework. Delek Drilling is also acting to implement a possible plan, according to which its assets, apart from its rights in Tamar and Dalit and the Yam-Tethys project, will be transferred to a new English corporate by allocating shares that will be distributed to the owners of the participation units. Subsequently, the English corporate will issue shares to foreign investors that will then be listed both on the London and the Tel Aviv stock exchanges. As such, a prospectus was recently submitted for authorization by the British regulator (the FCA).

Fuel Marketing Business in Israel

In October 2020, Delek Group sold 70% of Delek Israel at a value of NIS 750 million (100%), with certain options granted to the buyers. As of today, Delek Group holds 30% in Delek Israel, and the buyers intend to acquire additional 5% for NIS 37.5 million by June 30, 2021. The profit accruing to the Company's shareholders from the sale of the control amounted to NIS 74 million. The Company assesses that the purchasers' plans to split Delek Israel into a real estate company and a retail company along with the improvement of the two companies, will generate additional value for Delek Group, in respect of the holding that remains in its possession. In view of the sale of control, Delek Group has ceased to consolidate the financial statements of Delek Israel, and it is represented in the Company statements according to the equity method.

The Financial Position

Over the course of the past year, the Company's management completed a series of significant actions of unprecedented scopes and within extremely short periods of time, all in accordance with its strategic plan. In conclusion, the Company has realized assets amounting to more than NIS 3.4 billion, it has raised capital via a series of offerings with a total scope of NIS 450 million and received NIS 900 million in dividends from its subsidiaries. Thanks to these actions, the Company finished 2020 with a significant decline in its (gross) financial debt of NIS 3 billion to a (gross) financial debt of NIS 6.2 billion (as of December 31, 2019). The net financial debt declined by NIS 1.6 billion to NIS 4.343 billion. During 2020, the Company repaid a debt to banks and others amounting to NIS 2.2 billion and in practice remained without any debt to the banking system (apart from a debt balance of USD 8 million to a foreign bank, which is secured with Ithaca shares and is due to be repaid in May this year). The Group has also repaid about NIS 1.6 billion debenture principal and interest during 2020 and up until the date of publication of the report.

The Company's management continues to promote additional measures to shore up liquidity and strengthen capital. As part of these measures, a binding detailed agreement was signed for the sale of its full holdings in a land in Acre, to a partnership headed by Tidhar and Harel, for NIS 200 million. Completion of the transaction is subject to terminating conditions detailed in the agreement and the receipt of requisite approvals within a (total) period of up to 90 days from the signature date. Moreover, the Company is conducting negotiations with a foreign financial entity to provide \$200 million of financing secured by its holdings in Ithaca's shares. These steps are in addition to further steps the Company promotes, above all undertaking capital action in Ithaca.

As of December 31, 2020, Delek Group's equity amounted to approx. NIS 2.02 billion, an increase of approx. NIS 530 million compared to its level on September 30, 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 capacity of more than 20 BCM. These reservoirs are major natural gas suppliers 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 approximately 300 million barrels of oil equivalent (boe) and producing about 22-24 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).

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