

Delek Royalties (2012) Ltd.

Summary of the Stipulations in the Issue

Further to the Draft Trust Deed for the bonds (Series A) dated May 17, 2018, the following is a summary of the stipulations in the issue.

- This document provides an abbreviated a purely general description of some of the terms of the issuance documents. It is not exhaustive and is not a replacement for reading all of the binding documents.¹
- In this document, "**The Circular**" means Chapter 4 of Part 2 (The management of investment assets and the making available of credit) in Heading 5 (Principles for the management of business in the consolidated circular (The Commissioner of the Capital Market, Insurance and Savings in the Ministry of Finance's regulatory codex), which deals with provisions regarding investment by institutional bodies in non-government bonds.

The status of the bonds

- The bonds are secured by collateral.

Abbreviated details of the collateral:² As collateral for the full, final and exact repayment of the debt pursuant to the terms of the bonds, and for the fulfilment of all of the Company's other commitments vis-à-vis the holders of the bonds, the Company will charge the assets and the rights that are set forth below (as detailed in Section 5.8 of the trust deed) in support of the trustee (as trust for the holders of the bonds) under a single first ranking lien in an unlimited amount:

1. All of the Company's rights in rights being acquired that relate to royalties that may be received from the Tamar Holding.
2. The Company's rights, of any sort and type whatsoever, those existing at present and those that may exist in the future, in the operating account (as defined in the trust deed), including in monies, in deposits and in securities that may be therein, and all of the fruits that may derive from those monies or those rights. These rights have been charged in addition to the sole first ranking floating lien.
3. The Company's rights, of any sort and type whatsoever, those existing at present and those that may exist in the future, in the security cushion account (as defined in the trust deed), for the payment of the principal including in the said monies, in deposits and in securities, and all of the fruits that may derive from those monies or those rights. These rights have been charged in addition to the sole first ranking floating lien.
4. All of the Company's rights in the insurance policy that is detailed in Appendix E to the trust deed.

¹ In each of the following sections, in addition to the abbreviated description that is required, the relevant sections in the issuance documents are to be mentioned.

² The substance of the assets that are charged and the level of the lien are to be mentioned in brief and in general terms.

If no lien is registered on right to royalties, as stated in sub-section (1) above within 120 days from the time of the listing of the bonds for trading, this shall not constitute a breach of the trust deed, however, in such a case, the holders of the bonds will be entitled to additional interest, as set forth in Section 5.8.3 of the trust deed.

If there is a "preferential" rating in the Company between series:

- The bonds include provisions that afford them a preferential status relative to the other series of the Company's bonds:

Preference relative to: _____.

Summary of the preferential provisions: _____.³

- The bonds include provisions that afford them a subordinate status relative to the other series of the Company's bonds:

Subordination relative to: _____.

Summary of the subordination provisions: _____

- The bonds are not secured and their terms do not include provisions that generate a "preferential" level between the series.

Listing for trading

- There is an explicit determination in connection with the listing of the bonds for trading on the Stock Exchange or in the trading system for institutional bodies, which is operated by the Stock Exchange ("Continuous institutionals").⁴

Restrictions on "dilutionary" transactions

- There is a restriction on the taking up of additional financial debt: The Company has undertaken to comply with certain conditions regarding the expansion of a series of bonds, the issuance of bonds of an additional series or the creation of other additional financial commitments. See sections 2.2 and 5.8.7 of the trust deed for additional details.⁵

³ If possible, the substance of the preferential status, is to be mentioned in brief and in general terms (for example: a delay in payments to holders of subordinated bonds in the event of a breach of the preferential bonds).

⁴ In accordance with the consolidated circular it is mandatory for this commitment to be included in the terms of the bonds.

⁵ The substance of the restriction is to be noted. If exceptions have been determined, they are to be mentioned in outline.

- ☒ There are various restrictions on the creation of additional liens and the transfer of assets other than within the bounds of the assets that are charged pursuant to the deed (see Section 5.9 of the deed)⁶ – The Company cannot charge the assets that are included within the framework of the assets that are charged in support of third parties (there is nothing in the aforesaid that prevents the expansion of Series A in respect of which liens have been provided subject to other restrictions that have been set in connection therewith). Regarding the sale of the charged assets, there is no restriction on sale and solely that the consideration for the sale, in whole or in part, as the case may be, as determined in the trust deed, is to be used for the purpose of the early repayment of the bonds. Apart from the aforesaid, there is no restriction on a sale or lien on the Company's assets that do not form part of the charged assets.

Financial covenants

- ☒ There are commitments to comply with financial covenants, as set forth in Section 5.10 of the trust deed:⁷

A. The expected and historical debt service cover ratio

The Company has undertaken that so long as the bonds have not been repaid, the debt service ratio that is expected in the check period may not be less than a ratio of 1: 1.05.

See Section 5.10.1 of the deed regarding various definitions in connection with the abovementioned financial covenants and regarding the manner of the check.

B. Economic share capital

The Company has undertaken that the Company's economic shareholders' equity will not be less than 51 million Dollars (hereinafter: "**The minimal economic shareholders' equity**") throughout two consecutive quarters. If throughout two consecutive quarters and up to the time of the decision to make the bonds repayable immediately, if one is made, the Company has not improved the economic shareholders' equity, such that it will not be less than the minimal economic shareholders' equity, including and without detracting from any other way, by publishing discounted cash flows in accordance with which the Company's economic shareholders' equity will be equal to or will exceed the minimal economic shareholders' equity, this will constitute a ground for making the bonds repayable immediately.

See Section 5.10.2 of the deed regarding various definitions in connection with the abovementioned financial covenant.

⁶ The substance of the restriction is to be noted. If exceptions have been determined, they are to be mentioned in outline.

⁷ The type of financial covenants are to be noted in outline.

Restrictions on "a distribution"

- There is an explicit determination whether restrictions exist for the Company in relation to the distribution of a dividend or the self-purchase of shares.⁸
- There is a restriction on a "distribution" as set forth in sections 5.6 and 5.10.2 of the trust deed".⁹
- Restrictions exist on the repayment of shareholders' loans: _____.¹⁰

Restrictions on "transactions involving controlling interests"

- There are restrictions on "transactions involving controlling interests": see the tables on grounds for making repayable immediately which follows.¹¹

Structural change

- There are restrictions on a change in control: There are no restrictions on a change in control¹²
- Restrictions on "transactions involving controlling interests" exist: see the tables on grounds for making repayable immediately which follows.¹³

Rating

- The bonds are rated: Midroog Ltd. has announces the granting of an additional conditional rating of (P)Aa3.il.
- There is a commitment to maintain continuity of ratings.
- There adjustment provisions for the terms of the bonds where there is a lowering of the rating.¹⁴
- There is an explicit determination if the Company undertakes not to replace the rating company, and if it has changed it, it undertakes to publish the reason for the replacement: As set forth in Section 5.7.¹⁵

⁸ In accordance with the circular, it is mandatory for such a determination to be included in the terms of the bonds.

⁹ The substance of the restriction is to be noted. If exceptions have been determined, they are to be mentioned in outline.

¹⁰ The substance of the restriction is to be noted. If exceptions have been determined, they are to be mentioned in outline.

¹¹ The substance of the restriction is to be noted. If exceptions have been determined, they are to be mentioned in outline.

¹² The substance of the restriction is to be noted. If exceptions have been determined, they are to be mentioned in outline.

¹³ The substance of the restriction is to be noted. If exceptions have been determined, they are to be mentioned in outline.

¹⁴ The substance of the provision is to be mentioned in brief.

¹⁵ Pursuant to the circular, it is compulsory that this commitment be included in the terms of the bonds.

Grounds for making repayable immediately

Comment: All of the grounds appear in Section 10.1 of the trust deed.

<u>The ground</u>	<u>Exists (section No./ does not exist</u>	<u>Comments¹⁶</u>
Non-payment	10.1.1	If the breach is not repaired within 7 business days from the time at which the Company became aware of the breach.
Fundamental breach or breach of a significant commitment	10.1.1, 10.1.13	If this is a breach that is repairable, subject to a repair period of 10 business days following the trustee's notification.
Incorrect representations	10.1.13	If this is a breach that is repairable, subject to a repair period of 10 business days following the trustee's notification.
A breach of specific commitments - restrictions on the recruitment of additional debt, including restrictions on the expansion of a series	10.1.14	
A breach of a specific commitment – the non-creation of liens (a negative pledge)	10.1.18	
A breach of a specific commitment – restrictions on a distribution	10.1.16	
A breach of a specific commitment – restrictions on transactions involving controlling interests	10.1.30	Only applies if the Company is in breach of financial covenants (without repair periods) and only if this is an exceptional transaction involving a controlling interest as defined in the trust deed. Additional exceptions have been defined, as set forth in the trust deed.
A breach of a specific commitment – the non-publication of financial statements at the time required	10.1.6	Within thirty (30) days from the last time at which they had to be published.

¹⁶ It should be mentioned in brief whether the provision has not been phrased fully, or if exceptions have been added to it.

<u>The ground</u>	<u>Exists (section No./ does not exist</u>	<u>Comments</u>
A breach of a specific commitment – the financial covenants	10.1.19, 10.1.20	There are repair periods of two quarters for the financial covenants.
A decision on liquidation, a fixed and final liquidation order	10.1.28	Except for a liquidation for the purpose of a merger with another company, subject to the provisions of Section 10.1.23 of the deed.
A temporary liquidation order, the appointment of a temporary receiver or any judicial ruling having a similar nature.	10.1.2	Including a ruling in which validity is given to the liquidation of the Company, and solely that the order or the ruling has not been cancelled within 45 days from the time of the appointment, the handing down of the order or the ruling, as the case may be. The Company will not be given such a repair period, in the event that the order or the ruling has been handed down at the Company's request or with the agreement.
The placement of an attachment or the execution of activity by the Enforcement and Collection Authority	10.1.3	In respect of the Company's main assets (as defined in the trust deed), and solely that the attachment has not been removed or the activity has not been cancelled, as the case may be, within 45 days from the time of the imposition or the execution, as the case may be. Despite the aforesaid, the Company will not be given such a repair period in relation to petitions or orders that have been submitted or given, as the case may be, by the Company or with its agreement.

<u>The ground</u>	<u>Exists (section No./ does not exist</u>	<u>Comments</u>
<p>Petitions for receivership or the appointment of a temporary receiver, an order appointing a permanent receiver</p>	<p>10.1.5</p>	<p>In respect of the Company's main assets (as defined in the trust deed), and solely that such order or ruling has not be deferred or cancelled within 45 days from the time of its submission or handing down, as the case may be. Regarding an order for the appointment of a permanent receiver for the Company's main assets, no repair period has been set. Despite the aforesaid, the Company will not be given such a repair period in relation to petitions or orders that have been submitted or given, as the case may be, by the Company or with its agreement.</p>
<p>A petition for a stay of proceedings; a stay of proceedings order; the Company's petition for a compromise or arrangement with its creditors pursuant to Section 350 of the Companies Law.</p>	<p>10.1.4</p>	<p>Regarding an arrangement pursuant to Section 350 of the Companies Law – except for the purpose of a merger with another company and/or a structural change in the Company, including a split (which are not prohibited pursuant to the terms of the trust deed) or if the Company makes an offer of such a compromise or arrangement to its creditors in some other way, against the background of the absence of ability on the Company's part to meet its commitments on time. Furthermore, a ground will arise for immediate repayment if a petition is submitted pursuant to Section 350 of the Companies Law against the Company (and without its agreement), which has not been deferred or cancelled within 45 days from the time of its submission.</p>
<p>The Company had ceased or announced its intention to cease managing its business, the Company has discontinued or has announced its intention to discontinue its payments</p>	<p>10.1.9, 10.1.15</p>	

<u>The ground</u>	<u>Exists (section No./ does not exist</u>	<u>Comments</u>
There has been a significant worsening in the Company's business, and there is real concern that the Company cannot settle its debts to the bondholders.	10.1.11	A significant worsening in the Company's business compared to its state on the day of the issuance.
Real concern that the Company cannot meet its significant commitments vis-à-vis the bondholders	10.1.12	
The suspension of or delisting from trading on the Stock Exchange	10.1.8	Regarding suspension – except for a suspension on the grounds of the occurrence of uncertainty, as stated in the Fourth Part of the Stock Exchange Regulations and the suspension has not been cancelled within 60 days.
Cross default/ cross acceleration: A cross default (in the event of the non-payment of other debts or in cases in which other debts are made repayable immediately	10.1.27	If another series of bonds that has been issued by the Company, which is listed for trading on the Stock Exchange (hereinafter, in this Section: " The other series ") is made repayable immediately, other than at the Company's initiative, or of some other debt of the Company is made available immediately, other than at the Company's initiative, including a number of cumulative debts (and solely that if these are cumulative debts – then that they have been made repayable immediately in tandem or shortly after each other), which have been taken up from banks or financial institutions, the liability value of which or of which cumulatively at the time of the making available immediately, exceeds and/or exceed an amount constituting 15% of the Company's liabilities (as consolidated) in accordance with its last consolidated financial statements, which have been published close to that time, and the demand for immediate repayment in....

<u>The ground</u>	<u>Exists (section No./ does not exist</u>	<u>Comments</u>
		<p>...respect of the other debt (except insofar as relates to a series of bonds) has not been removed and/or the Company has not settled the other debt within 30 days of the time at which it was made payable immediately (except insofar as relates to a series of bonds). It should be clarified that what is stated in this section will not apply in respect of debts, which are limited recourse debts (i.e. where the owner of the debt's right is to be repaid from the charged asset alone without the ability to have recourse to the Company beyond the realization of the asset), which will not be counted as a debt that has been made repayable immediately for the purpose of this section.</p>
The discontinuation of rating	10.1.17	The discontinuation of the rating for a period exceeding 60 consecutive days, except as a result of circumstances that are not under the Company's control.
The lowering of the rating	10.1.25	If the bonds' rating is updated by the rating company for the bonds (and not as a result of a change in methodology and/or in the rating company's rating scales), such that the rating that is determined for the bonds will be lower than a rating of Baa3. If the bonds have been rated by more than one rating company, the determining rating for the purposes of this section will be the lowest of the ratings.
A change in control	-	-

<u>The ground</u>	<u>Exists (section No./ does not exist</u>	<u>Comments</u>
A breach of a commitment in connection with a structural change, mergers and acquisitions	10.1.23	A ground for immediate repayment will arise if a merger has been executed of the Company with another company, without the receipt of the approval of the bondholders (Series A) in advance, unless the absorbing company has declared to the bondholders, including through the trustee, at least 10 business days before the time of the merger, that no reasonable concern exists as a result of the merger that the absorbing company will not be able to comply with the commitments to the holders.
Additional grounds – the liquidation or deletion of the Company; if the Company has ceased to be a reporting corporation	10.1.24, 10.1.10	

Urgent representation:

- Provisions exist that arrange the appointment of urgent representation. Comments: As detailed in **the third addition** to the trust deed.

A non-reporting corporation:¹⁷ - **Not relevant**

A. Statements and reports¹⁸

- The issuance memorandum includes the information that is detailed in Section 4 of Appendix 5.2.4.3 of the circular. Comments: _____ .
- There is a commitment to deliver the annual, quarterly and immediate reports, which are detailed in Appendices 5.2.4.8, 5.2.4.9 and 5.2.4.10 of the circular. Comments: _____ .

B. Additional requirements in a non-reporting corporation: - **Not relevant**

- The Company has undertaken to bear all of the issuance expenses as stated in Section 5(D) of the circular.
- The Company has appointed a trustee for the bonds, as stated in Section 5(E)(1) of the circular.
- The Company has undertaken to deliver a report to the trustee in accordance with his demand, as stated in Section 5(E)(2) of the circular.
- The Company has made an undertaking in writing in connection with the signing on agreements, as stated in Section 5(F) of the circular.

The law that applies and judicial authority¹⁹

- It has been determined that the law that applies is: The Israeli Law – Section 34.1 of the trust deed.
- It has been determined that the judicial authority that applies is: The Courts in the city of Tel-Aviv-Jaffa - Section 34.2 of the trust deed.

¹⁷ As defined in the circular.

¹⁸ In accordance with the circular, it is mandatory that the information that is detailed below is to be included in the terms of the bonds.

¹⁹ In accordance with the circular, it is mandatory that the provisions on this matter are to be included in the terms of the bonds.

Bonds Series A

(The financial data are in NIS thousands, unless otherwise stated)

Is the series significant	Yes
Time of issue	May 30, 2018
Par value at the time of the issue	425,498
Par value as of December 31, 2019	334,106
Indexed par value as of December 31, 2019	323,982
Carrying value in the Company's accounting records as of December 31, 2019	320,720
Amount of the accumulated interest as of December 31, 2019	5,969
Stock exchange value as of December 31, 2019	331,867
Fixed annual interest rate	5.48%
Timing of the payment of the principal	See Appendix A to this report
Timing of the payment of the interest	Semi-annual payments, on February 28 and on August 30 in each of the years 2018 to 2028. As from August 30, 2018 and until August 30, 2028.
Linkage basis, base exchange rate (principal and interest)	Linked to the US Dollar, base rate NIS 3.564 to 1 Dollar
Conversion right	None
Right to early repayment	Regarding early repayment at the Stock Exchange's initiative, see Section 9.1 of the trust deed, which is attached as Appendix D to the supplementary notification, which was published by the Company on May 28, 2018 (Document No. 2018-01-043917) (hereinafter: " The Trust Deed ") See Section 9.2 of the trust deed regarding the matter of the right to full or partial early redemption at the Company's initiative.
Guarantee for the payment of the liability	None
Trustee's name	Strauss Lazar, Trust Company (1992) Ltd.
Name of the person responsible in the trust company	Ori Lazar CPA. Adv.
Trustee's address and e-mail	Nip Tower, 17 Yitzhak Sadeh Street, Tel-Aviv, 67775 ori@slcpa.co.il
Name of the company that rated the bonds	Midroog Ltd.
Rating at the time of the issue	(P) Aa3.il (in accordance with the rating report that was published on May 14, 2018).
Rating at the time of the report	Aa3.il (in accordance with the rating report that was published on June 25, 2019).
Compliance with all of the terms and commitments in the Trust Deed as of December 31, 2019 and in the reporting period (March 30, 2020)	Yes
Have the terms that give ground for making the bonds repayable immediately or the exercise of the collateral that has been provided in support of the holders of the bonds been complied with	No

<p>Liens to collateralize the bonds</p>	<p>The only first ranking fixed lien and without limit on the amount of the following assets:</p> <ol style="list-style-type: none"> 1. All of the Company's rights in rights being acquired that relate to royalties that may be received from the Tamar Holding. 2. The Company's rights, of any sort and type whatsoever, those existing at present and those that may exist in the future, in the operating account (as defined in the trust deed), including in monies, in deposits and in securities that may be therein, and all of the fruits that may derive from those monies or those rights. These rights have been charged in addition to the sole first ranking floating lien. 3. The Company's rights, of any sort and type whatsoever, those existing at present and those that may exist in the future, in the security cushion account (as defined in the trust deed), for the payment of the principal including in the said monies, in deposits and in securities, and all of the fruits that may derive from those monies or those rights. These rights have been charged in addition to the sole first ranking floating lien. 4. All of the Company's rights in the insurance policy that is detailed in Appendix E to the trust deed. <p>See Section 5.8 of the trust deed for additional details.</p>
<p>Financial covenants as of December 31, 2019</p>	<ol style="list-style-type: none"> 1. The debt service cover ratio that is expected (as defined in Section 5.10.1 of the trust deed), which is calculated for a check period of 12 months commencing on January 1, 2020 – is 1.30 (in accordance with the trust deed, the said ratio may not be less than 1.05 and with respect to the dividend distribution limitation, the ratio may not be less than 1.20 or 1.27, as applicable). In accordance with the provisions of the trust deed, the Company periodically deposits additional amounts in the security cushion account (as defined in Section 1 of the trust deed). 2. The historical debt service cover ratio that is expected (as defined in Section 5.10.1(f) of the trust deed), which is calculated for a check period of 12 months ended on December 31, 2019 – is 1.37 (The said ratio related only to the dividend distribution limitation and in accordance with the trust deed, the said ratio may not be less than 1.20). 3. The economic shareholders' equity (as defined in Section 5.10.3 of the trust deed), which is calculated as of December 31, 2019 – is 108.9 million Dollars (in accordance with the

	trust deed, the economic shareholders' equity may not be less than 51 million Dollars throughout two consecutive quarters).
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Repayment times of the bonds (Series A)

Timing of the repayment	% of the principal repaid
*August 30, 2018	5.08%
*February 28, 2019	5.80%
*August 30, 2019	6.16%
*February 28, 2020	6.31%
August 30, 2020	5.34%
February 28, 2021	5.46%
August 30, 2021	3.38%
February 28, 2022	3.45%
August 30, 2022	2.99%
February 28, 2023	3.06%
August 30, 2023	2.73%
February 28, 2024	2.79%
August 30, 2024	2.67%
February 28, 2025	2.73%
August 30, 2025	2.83%
February 28, 2026	2.90%
August 30, 2026	3.00%
February 28, 2027	3.07%
August 30, 2027	3.18%
February 28, 2028	3.26%
August 30, 2028	23.82%
	100.00%

*Fully repaid on time