Delek Group Announces Consolidated Full Year Results 2016

March 30, 2017

Tel Aviv, March 30, 2017, Delek Group Ltd. (TASE: DLEKG, US ADR: DGRLY) (hereinafter: "Delek Group" or “The Group”) announced today its results for the fourth quarter and full year period ended December 31, 2016. The full financial statements are available in English on Delek Group’s website at: www.delek-Group.com

Financial Highlights

- **Following four years of successful on going production, the Tamar field reached peak production – natural gas sold was at a record of 9.4 BCM in 2016 (~0.9 Bcf/d);**
- **The E&P sector contributed a record NIS 413 million to the 2016 net income versus NIS 272 million in 2015;**
- **A Final Investment Decision (FID) for Phase 1A of the development plan for Leviathan was sanctioned by the partners at a capacity of 12 BCM per year (~1.2 Bcf/d);**
- **Delek Group advances its international strategy: makes an offer to purchase remaining share capital of Ithaca Energy;**
- **Completed sales of Karish and Tanin, generating net profit for the Group of NIS 253 million;**
- **Record net income amounting to NIS 625 million in 2016, compared with NIS 25 million in 2015;**
- **Dividend of NIS 200 million declared for the fourth quarter; a total of NIS 560 million distributed for 2016.**

Group revenues in 2016 totaled NIS 5.8 billion compared with NIS 6.3 billion in 2015, mainly due to a decrease in distillate prices in 2016 compared to 2015 affecting the fuel marketing business.

Group operating profit in 2016 totaled NIS 1.5 billion, compared with NIS 1.0 billion in 2015. The increase was due to an increased operating profit contribution from the E&P sector.

Net income in 2016 totaled a record NIS 625 million compared with NIS 25 million in 2015. The main contributing factor to the improvement was the increased contribution of the E&P segment as well as a profit recorded from the sale of the Karish and Tanin leases, and lower finance expenses and others.

Balance sheet continued to strengthen and current **cash balance** as of March 29, 2017 was NIS 3.5 billion, including unutilized credit lines.

On February 22, 2017, Delek Group completed a successful debentures issuance through an expansion of Series B31, which was oversubscribed. The issuance contributed an additional NIS 1.0 billion in cash to the balance sheet.

The Company’s Board of Directors approved a dividend distribution of NIS 200 million for the fourth quarter of 2016, contributing to a total of NIS 560 million distributed in 2016, representing a dividend yield of 5.4%.

Mr. Asaf Bartfeld, President and CEO of Delek Group, commented “Delek Group has had a very good year and excellent fourth quarter. Over the past year, we successfully met most of the goals we had set ourselves for 2016; first and foremost, we reached a final investment decision to develop the Leviathan field. We also further implemented our strategy towards focusing the Group’s activity in the energy arena, particularly expanding our international operations."

Continued Mr. Bartfeld, “All this has been made possible due our exceptional financial strength and the high level of confidence placed in us by the investment community. Looking forward, 2017 will be marked by furthering the Group's international presence, by executing on our strategy to focus on the energy sector, with a goal of becoming a key player in global energy markets.”

Main Business Highlights

Contribution of Principal Operations to Net Income* (NIS millions)

	FY 2016	FY 2015	Q4 2016	Q4 2016
Oil and Gas Exploration, and Gas Production Operations	413	272	119	58
Fuel Operations in Israel	21	87	(24)	11

Automotive Operations	80	138	31	10
Contribution to continuing operations before discontinued operations and capital and other gains	**514**	**497**	**126**	**79**
Profit from Oil and Gas assets sales1	253	-	253	-
Finance expenses & Others	(142)	(472)	(4)	(25)
Net Income (Loss) Attributed to Group's Shareholders	**625**	**25**	**375**	**54**

(1)After selling the rights of the Tanin and Karish gas leases in December 2016, the Group recognized gains of NIS 253 million (see also Note 12G to the financial statements).
The full report, including the full notes for the above items, is available on the Group's website at www.delek-Group.com

Oil and Gas Exploration & Production

East Mediterranean E&P

***Tamar Project,* 11 TCF natural gas discoveries (Tamar and Tamar SW).** The trend of increasing production continued, reaching 9.4 BCM of natural gas in 2016 (~0.9 Bcf/d), an increase of 13% compared with 8.3 BCM in 2015 (~0.8 Bcf/d). At various times during 2016, Tamar reached peak production of over ~1.0 Bcf/d. In addition, Tamar sold 448 thousand barrels of condensate in 2016, compared with 395 thousand barrels in 2015. The increase in demand was due to the gradual replacement of coal by natural gas as the main energy source for domestic electricity production. According to the Israel Electric Corporation (IEC), 49.9% of domestic electricity production in 2016 was from natural gas and Independent Power Plants using natural gas contributed 25% of total domestic production, an increase from 21% in 2015.

An updated Discounted Cash Flow of the Tamar Project has been published in the Company's full year 2016 report.

Tamar-8 development and production well: Drilling that began in October is due to be completed during the second quarter of 2017, including the completion of its connection to the production system.

***Leviathan,* a 22 TCF natural gas discovery.**On February 23, 2017, an FID for Phase 1A of the development plan for the Leviathan Reservoir was sanctioned by the partners, at a capacity of 12 BCM per year (~1.2 Bcf/d), with a budget of $3.75 billion (at 100% WI), targeting first gas by the end of 2019.
Following the FID, an updated Discounted Cash Flow of the Leviathan Project has been published in the Company's full year 2016 report. It is important to note that even though the total amount of the resources in the reservoir remained unchanged, some of the resources were reclassified to reserves. The classification of 2P reserves currently amount to 12.5 TCF, and 2C resources amount to 9.4 TCF, totalling 21.9 TCF.

Financing Highlights: On February 20, 2017, the Delek Group partnerships signed a financing agreement with a banking consortium led by HSBC Bank and J.P. Morgan for a limited recourse project financing, totalling USD 1.75 billion for the development of the Leviathan project for their share in the project.

Operational Highlights: On March 14, 2017, the Leviathan partners decided to drill the Leviathan-7 development and production well, in the area of the I/14 Leviathan South lease together with the Leviathan-5 appraisal and production well, located in the area of the I/15 Leviathan North lease. This will enable more efficient spending and will reduce the overall cost of the two wells.

The wells will be drilled as follows: initially, the Leviathan-7 well will be drilled to a depth of 2,900 meters below sea level; subsequently, the Leviathan-5 well will be drilled to a final depth of 5,200 meters below sea level; and at the third stage, the Leviathan-7 well will be drilled further to 5,100 meters below sea level.
The Leviathan drillings are expected to commence after completion of the Tamar-8 well, and will take seven months, excluding their completion and connection to the production system. The total drilling budget (at 100% WI) is USD 71 million.

Commercial Highlights: On November 30, 2016, a natural gas supply agreement was signed between the Leviathan Partners and Or Power Energies (Dalia), to operate a power station that it intends to set up. Or Power will be supplied with natural gas for 20 years, from either the start of commercial supply or once overall supply volumes reach 8.8 BCM (Total Contractual Quantity). Expected cumulative revenues from this agreement are estimated at USD 2 billion (at 100% WI).

On January 16, 2017, a non-binding LOI was signed between the Leviathan Partners and Edeltech regarding a potential Take-or-Pay agreement for the supply of natural gas from Leviathan. The estimated scope is for 14.8 BCM for a period of 17 years. The price of the gas will be linked to the electricity production tariff determined by the Electricity Authority. If signed, it will be in addition to the supply agreement that was already signed between Edeltech and the Leviathan Partners back in January, 2016 (for 6 BCM over 18 years).

***Karish*, a 1.8 TCF (Contingent & Prospective), and *Tanin*, a 1.2 TCF (Contingent & Prospective) natural gas discoveries off the coast of Israel.** The closing of the sale of the rights in the Tanin and Karish leases for a total amount of USD 148.5 million occurred in December 2016. As stipulated in the agreement, the Delek Group partnerships will be entitled to receive overriding royalties from production. The sale generated a profit of NIS 253 million to the Group.

Delek Group's Gas Partnerships' Merger. On December 22, 2016, the General Meetings of Unit Holders approved the merger of Partnerships, Delek Drilling and Avner, with the aim of simplifying the holding structure. Completion is expected during the second quarter of 2017.

East Mediterranean E&P Summary. Net income from the sector for 2016 was NIS 413 million, an increase of 52% compared to a net income of NIS 272 million in 2015. The growth was mainly due to the increase in the quantities of natural gas, as well as condensate, sold from the Tamar project in 2016. The average natural gas price in Israel in 2016 amounted to USD $5.2/MMBtu.

International E&P

Delek Group's strategy is to focus on the development of its core assets in the Eastern Mediterranean E&P and expand its activities in global E&P markets, with the intention of becoming a key international player in the energy industry with operational capabilities.

Ithaca Energy, Inc. (19.7% owned by Delek Group). Delek Group is currently Ithaca's largest shareholder with 19.7% of the currently issued and outstanding common shares of Ithaca. As part of the Company's strategy to expand its international energy operations, on March 14, 2017, the Company made an offer to acquire all of the common shares of Ithaca Energy not currently owned by Delek Group or any of its affiliates for CAD 1.95 per share. The price reflects a premium of 12% on the closing price of Ithaca shares on February 3. The offer will close on April 20, 2017, unless extended or withdrawn. Ithaca's Board of Directors unanimously recommended that the Ithaca shareholders accept the Offer.

Completion of the offer is subject, among other things, to acceptance by more than 50% of the shares offered for purchase, that is, the remaining 40% of Ithaca's share capital, as well as various additional conditions.

On March 24, 2017, Ithaca bondholder's owning USD 300 million in bonds, approved the waiver of the immediate repayment clause as a result of a change in control at Ithaca. In addition, Ithaca received a waiver for its reserve based lending (RBL).
On the operations side, the start-up of the Great Stella Area commenced production in mid February 2017. Ithaca's 2017 production is anticipated to be in the range of 19,000 to 22,000 boepd, reflecting the updated start-up schedule at Stella.

Faroe Petroleum PLC (13.18% owned by Delek Group). As part of the Company's strategy to expand its international energy operations, on December 22, 2016 the Company acquired 13.18% of the share capital of Faroe Petroleum from Dana Petroleum, totalling GBP 42.77 million (approx. NIS 200 million). Faroe is an oil and natural gas exploration and production company operating in the North Sea, and is traded on the AIM stock exchange in London under the symbol FPM.

***Ratio Petroleum Energy Limited Partnership (17.5% of the participation units owned by Delek Group)*:** The units began trading on the Tel Aviv Stock Exchange in January 2017. Ratio operates in the exploration, development and production of hydrocarbons with rights in Guyana, Matla, Ireland and the Philippines.

Downstream Energy Sector

Delek – the Israel Fuel Company Ltd. (fully held by Delek Group); net income in 2016 amounted to NIS 21 million compared with a net income of NIS 87 million in 2015. This decrease was mainly due to capital losses as opposed to capital gains in the prior year, as well as a one-time impairment of a gas compression facility.

Other

On August 21, 2016, the Group entered into a binding agreement with Yango Investment PTE. Ltd. for the sale of all the Company's holdings (52.3%) in **Phoenix Holdings Ltd**. The consideration is NIS 1.9 billion and carries an annual interest rate of 4.75% from January 1, 2017, until the closing date. The parties are continuing the process of obtaining all the necessary regulatory approvals towards completion of the transaction. On February 16, 2017, the parties signed an amendment to the agreement, extending the period for meeting the stipulated pre-conditions until March 31, 2017, so that if by that date the conditions for the transaction had not been met, either party to the agreement may notify the other of termination of the agreement.

Dividend Distribution

On March 29, 2017, the Board of Directors of Delek Group declared a cash dividend distribution for the fourth quarter of 2016 in the amount of approximately NIS 200 million (or NIS 16.6895 per share) to shareholders. The ex-date is on April 20, 2017 and the dividend will be paid on May 4, 2017.

The total declared dividend for 2016 of the Group amounted to NIS 560 million.

Conference Call Details

The Company will be hosting a **conference call in English** on Thursday, March 30, 2017 at 3.30 PM (Israel Time), 8:30 AM (ET), 1:30 PM (UK). To participate in the conference call, please dial:

Israel:	03-918-0664
The USA:	1-866-860-9642
The UK:	0-800-917-5108
International:	+972-3-918-0644

About The Delek Group

The Delek Group, Israel's dominant integrated energy company, is the pioneering leader of the natural gas exploration and production activities that are transforming the Eastern Mediterranean's Levant Basin into one of the energy industry's most promising emerging regions. Having discovered Tamar and Leviathan, two of the world's largest natural gas finds since 2000, Delek and its partners are now developing a balanced, world-class portfolio of exploration, development and production assets with total gross natural gas resources discovered since 2009 of approximately 40 TCF.

In addition, Delek Group has a number of assets in downstream energy, water desalination, and in the finance sector.

For more information on Delek Group please visit www.delek-Group.com or email: investor@delek-Group.com

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Delek Group Income Statement (NIS Millions)

	2016	2015		Q4 2016	Q4 2015
Revenues	5,778	6,356		1,498	1,432
Cost of revenues	3,744	4,592		1,002	1,076
Gross profit	**2,034**	**1,764**		**496**	**356**
Sales, marketing and gas station operating expenses	567	557		140	139
General and administrative expenses	182	180		51	46
Other income (expenses), net	201	(24)		251	(15)
Operating profit	**1,486**	**1,003**		**556**	**156**
Finance income	391	455		179	107
Finance expenses	(828)	(1,244)		(134)	(193)
Profit (loss) after financing	**1,049**	**214**		**601**	**70**
Gain from disposal of investments in investees and others, net	-	2		-	4
Group's share in earnings (loss) of associate companies and partnerships, net	50	143		(8)	25
Profit (loss) before income tax	**1,099**	**359**		**593**	**99**
Income tax (tax benefit)	(118)	134		(70)	5
Profit (loss) from continuing operations	**1,217**	**225**		**663**	**94**
Profit (loss) from discontinued operations, net	343	254		147	100

Net profit (loss)	**1,560**	**479**		**810**	**194**
Attributable to -					
Company shareholders	625	25		375	54
Non-controlling interest	935	454		435	140
	1,560	**479**		**810**	**194**