



Delek Group

Delek Group Announces Consolidated Results for the First Quarter of 2017

May 29, 2017

Tel Aviv, May 29, 2017, Delek Group Ltd. (TASE: DLEKG, US ADR: DGRLY) (hereinafter: "Delek Group" or "The Group") announced today its results for the three month period ending March 31, 2017. The full financial statements are available in English on Delek Group's website at: www.delek-group.com

Financial Highlights

- The acquisition of Ithaca was successful and is a significant step in the Group's strategy of expanding internationally;
- The E&P sector contributed a record NIS 127 million to the Group's net income in the first quarter of 2017 compared with NIS 110 million in the first quarter of last year;
- Drilling successfully began at the Leviathan 7 and 5 wells;
- The Tamar-8 production well was completed, including connection to the production system;
- Delek Group successfully completed the merger of its partnerships Avner and Delek Drilling enabling a simpler structure;
- First quarter net income amounted to NIS 220 million, compared with NIS 85 million last year;
- Delek Group declared a dividend of NIS 200 million for the first quarter.

Group revenues for the first quarter in 2017 totaled NIS 1.5 billion compared with NIS 1.3 billion in the same period last year. The reason for the higher level of revenue in the current quarter was the increased E&P activities and contribution of Delek Israel.

Group operating profit in the first quarter of 2017 totaled NIS 338 million, compared with NIS 277 million as reported in the same period last year. The increase was mainly due to higher sales of natural gas from the Tamar reservoir.

Net income for the first quarter of 2017 totaled NIS 220 million compared with NIS 85 million in the first quarter of 2016. The E&P segment contributed a record of NIS 127 million to the Company's net income in the first quarter.

Cash balance at the Delek Group as of May 28, 2017, stood at NIS 1.5 billion, including unutilized credit lines. It is noted that on February 22, 2017, Delek Group completed a successful debentures issuance through an expansion of Series B31, contributing NIS 1.0 billion to the balance sheet.

Mr. Asaf Bartfeld, President and CEO of Delek Group, commented "We have started off 2017 with strong financial results, and during the quarter we successfully completed a series of important strategic steps. Having acquired control of Ithaca, we intend to continue to strengthen the Group's international presence as part of our strategy to focus on the energy sector and become a key player in global markets".

Main Business Highlights

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

	Q1 2017	Q1 2016	FY 2016
Oil and Gas Exploration, and Gas Production Operations ¹	127	110	413
Fuel Operations in Israel	20	4	21
Automotive Operations	18	36	80
Contribution to continuing operations before discontinued operations and capital and other gains	165	150	514
Gains on the Sale of Gas and Oil Assets ¹	-	-	253
Finance Expenses & Others	55	(65)	(142)
Net Income (Loss) Attributed to Group's Shareholders	220	85	625

¹Following the sale of rights in the Tanin and Karish leases in December 2016, the Group recognized gains of NIS 253 million. 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). Tamar produced 2.4 BCM (~0.93 Bcf/d) of natural gas in the first quarter of 2017, an

increase of 9% compared with 2.2 BCM (~0.85 Bcf/d) in the same period last year. In addition, Tamar sold 114 thousand barrels of condensate in the quarter, compared with 104 thousand barrels in the same period last year.

Delek Group's (WI 17.68% of Tamar) average production for the quarter amounted to **~30.7k Boe/d**.

Tamar-8 development and production well: The drilling that began in October 2016 was completed in April 2017, including the completion of its connection to the production system.

Tamar Sale Process: As per the Natural Gas Outline Plan, with regard to the Tamar sale to a third party, Delek Group's partnership, Delek Drilling (the new merged entity), announced that it intends to set up a Special Purpose Corporation. Through this, it will sell up to 10% of its rights in the Tamar and Dalit fields (out of 100% WI), located in the areas of leases I/12 Tamar and I/13 Dalit, respectively.

This is subject to obtaining all the authorizations required in law as well as the various approvals and permits, and suitable market conditions. There can be no certainty that these conditions will all occur. According to the sale plan, the Special Purpose Corporation will offer securities to the public (equity and debentures) that will be registered for trading on the Tel Aviv Stock Exchange, and the Special Purpose Corporation will use the funds raised from the offering to purchase the rights in the fields that are sold by the Partnership. The profits from the above-mentioned sale, and profit from future sales of all the Partnership's holdings in the fields, are expected to be mainly used by the Partnership to distribute profits (including the distribution of advance tax payments), and for early repayment of debentures.

In parallel to advancing the offering, the Partnership is continuing to assess various alternatives for the sale of the balance of its holdings in the fields.

Leviathan, a 22 TCF natural gas discovery. On February 20, 2017, the Delek Group partnership signed a USD 1.75 billion limited recourse project financing agreement with a banking consortium for the development of Leviathan. On February 23, 2017, an FID for Phase 1A of the development plan for the Leviathan Reservoir was sanctioned, with capacity of 12 BCM per year (~1.2 Bcf/d), and budget of USD 3.75 billion (at 100% WI), targeting first gas by the end of 2019. In April 2017, the Atwood Advantage drilling rig moved from Tamar to Leviathan. Drilling began at the Leviathan-7 development and production well, and reached the planned depth of 2,900 meters below sea level. The Atwood Advantage rig subsequently moved to Leviathan-5 and is expected to drill to a final depth of 5,200 meters below sea level. Finally, the rig will return to Leviathan-7 well to drill further to 5,100 meters below sea level.

Financing Highlights: On May 12, 2017, all of the preconditions enabling initial withdrawal under the financing agreement were fulfilled. The Partnerships subsequently withdrew the first tranche. These first funds shall be used, inter alia, for payment to the operator, as well as for the costs of the financing.

Delek Group's Gas Partnerships' Merger. On May 17, 2017, all of the preconditions and necessary approvals were obtained, and the gas partnerships' subsidiaries were successfully merged, enabling a simpler structure for Delek Group. Avner ceased trading on May 18, 2017, and on May 21, 2017, Delek Drilling began trading as the new merged entity under the same name, Delek Drilling.

East Mediterranean E&P Summary. Net income from the sector for the first quarter of 2017 was NIS 119 million, an increase compared to a net income of NIS 101 million last year. The growth was mainly due to the increase in the quantities of natural gas and condensate sold from the Tamar project in the quarter.

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: On March 14, 2017, Delek Group offered to buy the remainder of all Ithaca's share capital not already held (80%), at a price of CAD 1.95 per share, following an agreement signed between the Group and Ithaca for issuing a friendly takeover offer. The offer was accepted by the holders of 318,833,909 ordinary shares and the Company bought these shares for a total consideration of CAD 622 million (NIS 1,710 million). Following this purchase, Delek Group held 500,699,334 ordinary shares in Ithaca, accounting for 94.2% of its ordinary share capital.

On May 12, 2017, Delek Group announced that it plans to perform a forced purchase of Ithaca's remaining ordinary shares not held by the Company, at the offer price (CAD 1.95 per share) for a total consideration of CAD 48 million (NIS 130 million). The forced purchase is expected to be completed by the end of June 2017, and Ithaca's shares will be delisted from the Toronto stock exchange and the AIM exchange in London.

As of the end of the quarter, Delek Group held 19.7% of the share capital of Ithaca Energy. For the first quarter of 2017, Ithaca's results are presented based on the equity method and contributed NIS 8 million to the Company's income statement. By the end of the second quarter of 2017, the Group is expected to hold 100% of Ithaca, and its results will be fully consolidated into Delek Group's income statement. Due to this purchase, the Group is expected to recognise a profit of NIS 150 million.

Operational Highlights: The start-up of the Great Stella Area commenced production in mid-February 2017, producing at constrained rates to minimise gas flaring until processing systems are fully available. Ithaca's average full year 2017 production is anticipated to be in the range of 18,000 to 19,000 Boep/d, reflecting the expected schedule for the step-up in Stella production rates.

Ithaca brings Delek Group significant international operational capabilities and firmly establishes the Company's operational arm. Together with Ithaca, Delek Group significantly increases its expected production for 2017 is indicated in the table below;

Delek Group's Average Expected Production for 2017	Boe/d
(Tamar (based on DCF published in Delek Group's annual report	30,800
(Ithaca Energy (based on production outlook	19,000
Total	49,800

Downstream Energy Sector Highlights

Delek – the Israel Fuel Company Ltd. (fully held by Delek Group); net income for the quarter amounted to NIS 20 million compared with a net income of NIS 4 million in the same period in 2016. The increase was primarily due to a global increase in distillate prices and greater sales volumes.

Insurance and Financial Services

On August 21, 2016, the Group entered into a binding agreement with Yango Investments for the sale of all the Company's holdings (52.3%) in **Phoenix Holdings Ltd.**

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. On April 5, 2017, the parties signed an amendment to the agreement, increasing the consideration to NIS 2,152 million. The deadline for completion has been set for June 4, 2017. After this date, each of the parties may inform the other party of its cancellation.

On May 1, 2017, Yango informed the Company that it has signed an agreement for the acquisition of shares and cooperation with a company controlled by Yonel

Cohen. Yango is expected to hold 50.1% of the share capital in The Phoenix at the end of the process and Yonel will hold 4% of the controlling shares.

Dividend Distribution

On May 28, 2017, the Board of Directors of Delek Group declared a cash dividend distribution for the first quarter of 2017 in the amount of approximately NIS 200 million (or NIS 16.6895 per share) to shareholders. The ex-date is on June 13, 2017 and the dividend will be paid on June 27, 2017.

Conference Call Details

The Company will be hosting a **conference call in English** on Monday, May 29, 2017 at 3.30 PM (Israel Time), 8:30 AM (ET), 1:30 PM (UK). Management will also be available to answer investor questions.

To participate, please call one of the following teleconferencing numbers:

From Israel on: 03-918-0691
 From the USA on: 1-888-668-9141
 From the UK on: 0-800-917-5108
 International: +972-3-918-0691

About The Delek Group

Delek Group is an independent E&P and the pioneering visionary behind the development of the East Med. With eight consecutive finds in the Levant Basin, Delek is leading the region's development into a major natural gas export hub. In addition, Delek has embarked on an international expansion with a focus on high-potential opportunities in the North Sea and North America. 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 (TASE:DLEKG) and are part of the TA 35 Index.

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)

	Q1 2017	Q1 2016		2016
Revenues	1,542	1,289		5,778
Cost of revenues	1,017	821		3,744
Gross profit	525	468		2,034
Sales, marketing and gas station operating expenses	141	141		567
General and administrative expenses	48	41		182
Other expenses, net	2	9		201
Operating profit	338	277		1,486
Finance income	88	85		391

Finance expenses	241	279		(828)
Profit after financing	185	83		1,049
Gains from disposal of investments in investees and others, net	2	-		-
The Group's share in the profits of associate companies and partnerships, net	31	46		50
Profit before income tax	218	129		1,099
Income tax (tax benefit)	49	(122)		(118)
Profit from continuing operations	169	251		1,217
Profit (loss) from discontinued operations, net	288	(14)		343
Net profit	457	237		1,560
Attributable to -				
Company shareholders	220	85		625
Non-controlling interest	237	152		935
	457	237		1,560