Delek Group Announces Consolidated Results for the Second Quarter of 2017

August 30, 2017

Tel Aviv, August 30, 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 June 30, 2017. The full financial statements are available in English on Delek Group’s website at: www.delek-group.com

Highlights of the Second Quarter

- **Group net income amounted to NIS 180 million, up 125% year-over-year;**
- **As per the Natural Gas Outline Plan, 9.25% of WI in Tamar was spun out into a SPV publicly traded company, Tamar Petroleum; approximately 6% was sold and as a result the Group is expected to record a profit of NIS 800 million in the third quarter 2017;**
- **The E&P sector (East Med and International) contributed a NIS 130 million to the Group’s net income, up 81% year-over-year;**
- **Delek Group declared a dividend of NIS 260 million; a total of NIS 860 million has been distributed in the past twelve months, representing a dividend yield of ~9%[1];**
- **The merger of the Group’s partnerships Avner and Delek Drilling was completed enabling a simpler structure;**
- **Delek Group’s strategy of focusing on its E&P activities, including its international expansion, took a significant step forward following the successful completion of the Ithaca acquisition;**
- **Drilling was completed at Leviathan 5 well and a new rig will drill at Leviathan 7;**
- **Delek Group has received new offers for the sale of Phoenix and is currently in negotiations to execute a sale transaction.**

Group revenues for the second quarter in 2017 totaled NIS 1.6 billion compared with NIS 1.4 billion in the same period last year. The reason for the higher level of revenue was the increased E&P activities and additional contribution from Delek Israel.

Group operating profit in the second quarter of 2017 totaled NIS 278 million, compared with NIS 299 million as reported in the same period last year. The decrease was mainly due increased finance and other expenses.

Net income for the second quarter of 2017 totaled NIS 180 million compared with NIS 80 million in the second quarter of 2016. The E&P segment contributed a record of NIS 130 million to the Company’s net income in the second quarter, compared with NIS 72 million in the same period last year.

Cash balance at the Delek Group as of August 29, 2017, stood at NIS 1.7 billion, including unutilized credit lines.

In August, the Company announced that that it is assessing the possibility of an offering of a non-dilutive debt instrument, structured as preferred shares to the public, and registering them for trading. This is a new financial vehicle in Israel which has been made possible by the Tel Aviv Stock Exchange, allowing companies to strengthen their equity without dilution of existing shareholders and without granting additional voting rights. The Company is undergoing an initial assessment and carrying out the offering, as well as its structure, scale and terms have not yet been determined. An offering will not occur in the current year.

[1] Dividend yield calculated by taking dividend issued over the past 4 quarters, divided by the average market capitalisation over the period from June 30, 2016 to June 30, 2017.

Mr. Asaf Bartfeld, President and CEO of Delek Group, commented “The continued improvement in Delek Group’s profits in the first half of 2017 coincides with the implementation of our strategy of focusing on E&P operations as well as our expansion into international markets. In the past quarter, we completed the acquisition of control in the international energy company Ithaca, and we successfully concluded the sale of 6% of the Tamar license. This latter move will provide the Group with gains of approximately NIS 800 million in the third quarter of the year.”

Continued Mr. Bartfeld, “Furthermore, we have received several offers for the sale of our holdings in The Phoenix, at prices above The Phoenix’s market price. We believe that an agreement to sell control of the company may be executed in the near future.”

Business Highlights

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

	Q2 2017	Q1 2017	6M 2017	Q2 2016	Q1 2016	6M 2016	FY 2016

Oil and Gas E&P operations1	130	127	257	72	111	183	413
Fuel Operations in Israel	26	20	46	4	4	8	21
Automotive Operations	18	18	36	-	36	36	80
Contribution to continuing operations before sold-off operations, discontinued operations, and capital and other gains	174	165	339	76	151	227	514
Gains from the sale of oil and gas assets	-	-	-	-	-	-	253
Finance expenses & others2	6	55	61	4	(66)	(62)	(142)
Net Income attributed to Group's Shareholders	**180**	**220**	**400**	**80**	**85**	**165**	**625**

[1] Also includes the Company's share in the results of development and production of gas and oil assets in the North Sea.
[2] In the period of the report, a gain of NIS 137 million was included in respect of the revaluation of the balance of the investment in Ithaca held by the Delek Group prior to the acquisition of the control in Ithaca.

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 2.5 BCM (~0.97 Bcf/d) of natural gas in the second quarter of 2017, an increase of 9% compared with 2.3 BCM (~0.89 Bcf/d) in the same period last year. In addition, Tamar sold 112 thousand barrels of condensate in the quarter, compared with 110 thousand barrels in the same period last year.

Delek Group's (economic interest of 14.44% of Tamar post sale of 5.55%) average production for the quarteramounted to **~24.1k Boe/d.**

Tamar Sale Process: As per the Natural Gas Outline Plan, in July, a special purpose company was established by Delek Group's partnership Delek Drilling LP, called Tamar Petroleum. Tamar Petroleum commenced trading on the Tel Aviv Stock Exchange, following a successful IPO, under the ticker 'TMRP' from July 24, 2017. Delek Drilling transferred its working interest of 9.25% in the Tamar and Dalit Leases to Tamar Petroleum. In exchange, Delek Drilling received approximately NIS 3 billion (approximately $850 million) as well as a shareholding in Tamar Petroleum amounting to 40%. As a result, Delek Group will recognise an after-tax profit attributed to the Company's shareholders of approximately NIS 800 million in the third quarter. This amount also includes the estimate of the fair value of the Group's entitlement to receive future production-based royalties for the rights sold to Tamar Petroleum.

The Partnership is continuing to assess various alternatives for the sale of the balance of its remaining 25.7% holdings in the Tamar and Dalit fields.

On July 3, 2017, Delek Group published a NSAI reserve report of Tamar, revising the reserve data and updating it as of June 30, 2017. The report indicated a 13% increase in the volume of the Tamar 2P reserves, revising it up to 11.23 TCF (318 BCM).

Leviathan, **a 22 TCF natural gas discovery**

On July 19, the Operator, Noble Energy, informed the Partnership that it has verified the existence of natural gas in three layers of the reservoir, according to a preliminary appraisal by the Operator. On July 30, the Leviathan 5 well was completed.

Following this completion, and based the operators recommendation, the Leviathan partners made a decision to end the contract with Atwood Advantage and advance a contract with a lower cost drilling rig, which will drill the lower part of both Leviathan 7 well and Leviathan 3 well to their final depth, from the first quarter of 2018, and then to complete the production drilling in the Leviathan project. It is noted that the drilling rig will be capable of drilling to deep targets, if deep target drilling in the Leviathan leases is approved by the Partners.

The stage 1A development plan of the Leviathan reservoir is progressing on schedule and according to the budget approved by the Partners. The target is for natural gas from the reservoir to start by the end of 2019.

The cost of the Leviathan 5 well and drilling the upper part of Leviathan 7 well is expected to amount to USD 106 million (at 100% WI), out of the total budget for these wells, as approved in the past by the Partners, of USD 148 million (100%) .

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.

Alon D Update

The Alon D licenses located adjacent to the Karish lease, parallel to the Northern coast of Israel. On August 21, 2017 the Ministry of Energy informed the Partners in the license that it would continue to be valid for an additional 32 months, subject to terms.

Working Interest in Alon D: Noble Energy 47.059% and Delek Drilling 52.941%; Delek Group economic interest 29.75%.

East Mediterranean E&P Financial Summary
Net income from the sector for the second quarter of 2017 was NIS 83 million, compared to a net income of NIS 85 million last year. The amount of natural gas sold from Tamar was higher in the second quarter of 2017, however, it was offset by a onetime write off related to drilling at Dolphin in the amount of NIS 40 million.

International E&P

Delek Group's ongoing strategy is to focus on the development of its core assets in the Eastern Mediterranean E&P while at the same time expanding 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 June 5, 2017, the compulsory acquisition of the remaining ordinary shares of Ithaca was completed. Ithaca's shares were subsequently delisted from trading. Delek Group now owns 100% of Ithaca's shares.

Starting from the second quarter of 2017, Ithaca's results are fully consolidated into the Group's and contributed USD 13 million to the Company's income statement. Due to the acquisition of the control in Ithaca, the Group recognised a profit of NIS 137 million.

Operational Highlights: The start-up of the production from the Great Stella Area hub, commenced in mid-February 2017. During the second quarter, Ithaca's average production amounted to 13,844 Boep/d. Full year 2017 average production is anticipated to be approximately 15,000 Boep/d, reflecting the Stella ramp up period in the first half of 2017 and revised production forecast including planned maintenance across the portfolio.

On July 5, 2017, Delek Group submitted a reserves report and updated discounted cash flow of Ithaca's oil assets. Ithaca's producing oil and gas assets were divided into three groups: (1) Stella reservoir (part of the GSA project); (2) the other GSA project reservoirs (which also includes oil and gas assets in development); and (3) Ithaca's other producing oil and gas assets. The full report is available on Delek Group's website.

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 (post sale 5.55% of Tamar, Delek Group EI of 14.44%	25,392
(Ithaca Energy (based on revised production outlook	15,000
Total	40,392

Other Activities

Downstream Energy Sector Highlights

Delek – the Israel Fuel Company (fully held by Delek Group); net income for the quarter amounted to NIS 26 million compared with a net income of NIS 4 million in the same period in 2016.

Insurance and Financial Services

On June 26, 2017, Delek Group announced that in view of the delay for receipt of approval to transfer control in The Phoenix Holdings to Yango, the parties agreed to cease the agreement for the sale of all of the Company's holdings (52.3%) in Phoenix. As a reminder, the agreed consideration for Delek Group's stake in Phoenix was NIS 2,152 million (~USD 600 million).

The Company has received further new offers from both Israeli and foreign entities for its holdings Phoenix. Delek Group is in advanced negotiations to complete a sale transaction for the sale of its holdings in Phoenix during the coming period.

Dividend Distribution

On August 29, 2017, the Board of Directors of Delek Group declared a cash dividend distribution for the second quarter of 2017 in the amount of approximately NIS 260 million (or NIS 21.6963 per share) to shareholders, representing a dividend yield of ~9%. The ex-date is on September 12, 2017 and the dividend will be paid on September 26, 2017.

Conference Call Details

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

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

From Israel on:	03-918-0644
From the USA on:	1-888-407-2553
From the UK on:	0-800-917-9141
International:	+972-3-918-0644

About 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 visitwww.delek-group.com or email: investor@delek-group.com

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Highlights from the Company's consolidated income statements (NIS millions):

	H1 2017	H1 2016	Q2 2017	Q2 2016		FY 2016
Revenues	3,160	2,726	1,618	1,437		5,778
Cost of revenues	2,163	1,756	1,146	935		3,744
Gross profit	**997**	**970**	**472**	**502**		**2,034**
Sales, marketing and gas station operating expenses	282	282	141	141		567
General and administrative expenses	89	80	41	39		182
Other income (expenses), net	(10)	(32)	(12)	(23)		201
Operating profit	**616**	**576**	**278**	**299**		**1,486**
Finance income	202	159	114	74		391

Finance expenses	(571)	(488)	(330)	(209)		(828)
Profit after finance expenses, net	**247**	**247**	**62**	**164**		**1,049**
Gains (loss) from disposal of investments in investees and others, net	150	-	148	-		-
Group's share in earnings (loss) of associate companies and partnerships, net	51	43	20	(3)		50
Profit before income tax	**448**	**290**	**230**	**161**		**1,099**
Income tax (tax benefit)	57	(97)	8	25		(118)
Profit from continuing operations	**391**	**387**	**222**	**136**		**1,217**
Profit from discontinued operations, net	**431**	**61**	**143**	**75**		**343**
Net profit	**822**	**448**	**365**	**211**		**1,560**
Attributable to -						
Company shareholders	400	165	180	80		625
Non-controlling interest	422	283	185	131		935
	822	**448**	**365**	**211**		**1,560**