



## Delek Group Announces Consolidated Fourth Quarter & Full Year 2018 Results

Tel Aviv, April 1, 2019, Delek Group Ltd. (TASE: DLEKG, US ADR: DGRLY), ("Delek Group" or "The Group") announced yesterday its results for the fourth quarter and full year ended December 31, 2018. The full financial statements will be available in English on Delek Group's website at: [www.Delek-Group.com](http://www.Delek-Group.com)

### FULL YEAR 2018 HIGHLIGHTS

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- **Net income for 2018 amounted to NIS 517 million, compared with NIS 1,216 million in 2017; the E&P sector contributed NIS 720 million to core profits with significantly better performance at Ithaca Energy**
- **The Leviathan project is now 80% complete, and remains on schedule for gas sales to begin by the end of 2019; technical inspections of the EMG pipeline continue, with first gas flows expected by 2Q19**
- **With Ithaca on a stable footing and the divestment of the Phoenix Insurance Company in progress, Delek Group is delivering on its strategy of becoming an international energy firm and continues to look for new investments in the North Sea and Gulf of Mexico**

**Group revenues** in 2018 totaled NIS 8.1 billion compared with NIS 6.8 billion in 2017, an increase of 19%. Driving the growth were higher sales volumes of gas from Tamar, and improved prices and volumes at Ithaca Energy. Fourth quarter revenues of NIS 2.0 billion were higher than NIS 1.9 billion in the same period last year.

**Group operating profit** in 2018 totaled NIS 1.6 billion, compared with NIS 2.5 billion 2017. Adjusting for one-time profits from the sale of a 9.25% interest in the Tamar field in 3Q17, the listing of a portion the Tamar field's royalties in 2Q18, and Ithaca's acquisition of Greater Stella assets in 4Q18, full year 2018 operating profit was unchanged at NIS 1.1 billion. Strong performance of the Israeli E&P sector (despite a lower working interest in Tamar) and significantly better profitability at Ithaca drove this result. Fourth quarter operating profit of NIS 450 million was higher than the NIS 159 million in the same period last year.

**Net income** attributed to shareholders for 2018 was NIS 517 million compared with NIS 1,216 million in 2017. In addition to the one-off items mentioned above, the Group's holdings in Delek Automotive and the Phoenix Insurance were revalued downwards to reflect the weak equity market conditions in December 2018. Fourth quarter net loss of NIS (219) million was in line with the loss of (208) million in the same period last year. The current **cash balance** as of December 30, 2018 was NIS 2.3 billion, including unutilized credit lines and marketable securities.

### MANAGEMENT COMMENT

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**Mr. Asaf Bartfeld, President and CEO of Delek Group, commented,** "We continued to progress with our strategy in 2018. This past year saw record E&P results; asset sales and delisting of subsidiaries; and development of investments in both the North Sea and the Gulf of Mexico. Looking ahead into 2019, we await the start of gas production from the Leviathan field in Israel along with further investments abroad, in order to reach Delek Group's goal of becoming an international energy firm."

## MAIN BUSINESS HIGHLIGHTS

### CONTRIBUTION OF PRINCIPAL OPERATIONS TO NET INCOME\* (NIS MILLIONS)

	4Q 2018	4Q 2017	FY 2018	FY 2017
Oil and Gas E&P Operations in Israel and its Surroundings	108	82	437	364
Oil and Gas E&P Operations in the North Sea	174	-78	283	20
Fuel Operations in Israel	-23	20	70	100
Automotive Operations	-14	13	9	63
<b>Contribution to continuing operations before discontinued operations and capital and other gains</b>	<b>245</b>	<b>37</b>	<b>799</b>	<b>547</b>
Profit from Oil and Gas assets sales	45	-123	125	859
Finance Expenses & Others	-509	-122	-407	-190
<b>Net Income (Loss) Attributed to Group's Shareholders</b>	<b>-219</b>	<b>-208</b>	<b>517</b>	<b>1216</b>

\*The full report, including full notes, is contained in financial reports that will be available on the Group's website at [www.delek-group.com](http://www.delek-group.com)

### OIL AND GAS EXPLORATION & PRODUCTION

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.

#### Tamar & Leviathan

Tamar's gas sales reached 10.36 BCM during 2018, up from 9.47 BCM the year prior. The development of the Leviathan project is approximately 80% complete. The production platform's legs have been mounted on the sea floor, and the project remains on schedule for first gas to be delivered by the end of 2019. An agreement was signed with Dolphinus in March 2018 for the export of gas to Egypt, and the acquisition of rights to use the EMG pipeline in October 2018 provided the logistics solution for the implementation of this sales contract. Technical inspections of the undersea pipeline connecting Israel and Egypt are still underway, with the initial gas flows planned for the end of 2Q19.

#### Ithaca Energy

Ithaca contributed NIS 510 million to Delek Group's operating income in 2018, compared with NIS 136 million in 2017. This result reflects Delek Group's important efforts to enhance value at our North Sea subsidiary on both financial and strategic levels during the year. Profits were driven by higher production volumes, which were achieved organically through a new connection to the Harrier field in 2Q18, as well as acquisition of new assets in the Greater Stella Area (GSA) during 4Q18. Ithaca benefited from high oil and gas prices during the middle of the year, and though energy prices have subsequently weakened, Ithaca is protected from the immediate impacts of this trend through hedges that cover approximately half of its 2019 production, at average levels of USD 64 per barrel of oil and USD 7.25 per mmbtu of gas.

Production during 2018 was 16,100 barrels of oil equivalent per day, significantly higher than the 13,900 boed seen during 2017. In total, Ithaca produced approximately 5.9m barrels of oil equivalent this year, 5% higher than budgeted. Production costs in 2018 were USD 18.6 per barrel, compared to USD 19.2 in 2017. The Vorlich field, with proven and probable reserves of 25 million boe, will be connected to the GSA production platform in the year 2020.

During 4Q18, Ithaca Energy completed a successful debt refinancing. The company's RBL framework was increased to USD 400 million, with maturity pushed out to December 2022. Ithaca arranged an additional 5 year loan of USD 300 million from an international consortium of lenders which was used for early repayment of existing bonds, resulting in a savings on interest payments.

## **Gulf of Mexico**

Exploration in the Gulf of Mexico continued during 4Q18 at the Tau prospect. The campaign has proven more complex than initially expected, with high pressures and loss of drilling liquids. As of early February 2019, the drilling had gone through 7,000 feet of salt to a general depth of 11,500 feet and is still ongoing. The Canoe prospect, explored in 3Q18, was temporarily abandoned pending further analysis of drilling data.

## **DOWNSTREAM ENERGY SECTOR**

**Delek – the Israel Fuel Company Ltd.** (fully held by Delek Group): Operating profit in 2018 amounted to NIS 128 million compared with NIS 168 million in 2017. Negative revaluation of inventory at year-end 2018 and charges for the closure of a marine refuelling unit led to lower year-on-year contribution from this subsidiary.

## **OTHER ASSETS**

**Continuing in efforts to divest non-core assets:** Delek Group is approaching full divestment of its non-core assets, allowing it to focus purely on the global E&P sector.

During 3Q18, the Company sold 16% of its Phoenix Insurance Company holdings through swap transactions with Israeli financial institutions. In February 2019, Delek Group reached a non-binding memorandum of principles with Centerbridge Partners and Gallatin Point Capital for the sale of its remaining 30% stake in the Phoenix for an overall consideration of NIS 1.6 billion. The deal is pending completion of due diligence, regulatory approvals, and suitable financing arrangements.

Delek Group also sold 30% of its IDE subsidiary for a total netback of NIS 530 million in January 2019. Finally, in an effort to simplify the holding structure, the Company delisted Delek Energy Systems (a subsidiary within the E&P sector) during 4Q18.

## **DIVIDEND**

On March 31, 2019, the Company's Board of Directors resolved to distribute a dividend of NIS 140, million to be paid during April 2019. Delek Group paid out NIS 490 million in dividends during calendar year 2018.

## **NET FINANCIAL DEBT\***

<b>As at 31 December, 2018</b>	<b>NIS Millions</b>
<b>Liabilities</b>	
Debentures	7,402
Bank and other loans	1,147
Other liabilities	156
<b>Total liabilities</b>	<b>8,705</b>
<b>Assets</b>	
Cash and deposits	835
Pledged deposits from swap transactions	220
Financial investments	179
Loans	863
Other assets	437
Treasury shares	130
<b>Total Assets</b>	<b>2,664</b>
<b>Net Financial Debt</b>	<b>6,041</b>

\*This table, including full notes, is contained in financial reports that will be available on the Group's website at [www.delek-group.com](http://www.delek-group.com)

## **CONFERENCE CALL DETAILS**

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The Company will be hosting a **conference call in English** today on Monday, April 1, 2019 at 3:30pm (Israel Time), 8:30am (ET), 1:30pm (UK). To participate in the conference call, please dial:

Israel: 03-918-0610  
The USA: 1-888-668-9141  
The UK: 0-800-917-5108  
International: +972-3-918-0610

A day following the conference calls, a recording of both the calls will be hosted on the Company's website at: <http://ir.delek-group.com>.

## **ABOUT THE DELEK GROUP**

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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.

For more information, please visit [www.delek-group.com](http://www.delek-group.com) or email: [investor@delek-group.com](mailto:investor@delek-group.com)

## **CONTACT INFORMATION**

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Yonah Weisz  
Head of Investor Relations  
Delek Group Ltd.  
Tel: +972 9 863 8443  
Email: [investor@delek-group.com](mailto:investor@delek-group.com)