



## Delek Group Announces Consolidated Full Year Results 2015

Tel Aviv, March 31, 2016, 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, 2015. The full financial statements are available in English on Delek Group's website at: [www.delek-group.com](http://www.delek-group.com)

### FINANCIAL HIGHLIGHTS

- **As of March 31, 2016, on its third anniversary, the Tamar field reached peak production; natural gas sales were a record of 8.3 BCM in 2015;**
- **The E&P sector contributed a record NIS 254 million to the Group's net income in 2015 versus NIS 93 million in 2014;**
- **The Leviathan partners submitted a revised development plan with increased maximum capacity of 21 BCM/Y and signed a first agreement with a local off-taker for the supply of natural gas for power plants;**
- **Net income amounted to NIS 7 million in 2015, compared with a loss of NIS 765 million;**
- **Delek Group declared a dividend of NIS 100 million for the fourth quarter; a total of NIS 450 million was distributed for 2015.**

**Group revenues** in 2015 totaled NIS 6.4 billion compared with NIS 7.8 billion in 2014.

**Group operating profit** in 2015 totaled NIS 1.0 billion, compared with NIS 0.76 billion in 2014.

**Net income** in 2015 totaled NIS 7 million compared with a net loss of NIS 765 million in 2014. The improvement was due to a higher contribution from all sectors, which was offset by finance expenses and others.

**Cash balance** at year-end was NIS 1.7 billion, including unutilized credit lines. The Company's Board of Directors approved a dividend distribution of NIS 100 million for the Q4 2015, contributing to a total of NIS 450 million distributed in 2015, representing a yield of 6.1%.

On December 22, 2015, Delek Group's Board of Directors approved a further share buyback plan of up to NIS 100 million until December 22, 2016. To date, the Company has purchased Delek Group shares in the amount of NIS 52 million, and in total, as of March 31, 2016, Delek Group owns 611,112 of its shares.

**Mr. Bartfeld, President and CEO of Delek Group, commented** "2016 will be marked by the advancement of the development plan of Leviathan, as well as continuing to identify opportunities and making strategic investments in the international energy market. We continue to look for synergistic and complementary investments to the Group's activities."

**Continued Mr. Bartfeld,** "With regard to the recent Israeli High Court of Justice decision on the Natural Gas Outline, most of the Outline's sections were upheld with the exception of the stability clause. One of our main goals in 2016 is to progress with the development of Leviathan. The latest plan, submitted to the Petroleum Commissioner, enables an accelerated schedule that will allow for first gas flow to the Israeli market in 2019, with maximum production capacity at the final stage of the first development phase at approximately BCM 21 per year. This represents an increase versus the 16 BCM per year under the previous plan, and was due to the growing demand for natural gas in our end-markets. We have already started discussions with the government ministries in order to reach a solution with regard to the stability clause, while implementing the Outline in accordance with the original plan."

## MAIN BUSINESS HIGHLIGHTS

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

	FY 2015	FY 2014	Q4 2015	Q4 2014
Oil and Gas Exploration, and Gas Production Operations <sup>3</sup>	254	93	40	30
Fuel Operations in Israel	87	4	11	(35)
Automotive Operations <sup>2</sup>	138	107	10	12
<b>Contribution to continuing operations before sold-off operations, discontinued operations and capital and other gains</b>	<b>479</b>	<b>204</b>	<b>61</b>	<b>7</b>
Insurance and finance operations in Israel (pending sale)	86	(253)	(3)	10
Finance expenses & Others <sup>1</sup>	(558)	(716)	(22)	(137)
<b>Net Income (Loss) Attributed to Group's Shareholders</b>	<b>7</b>	<b>(765)</b>	<b>36</b>	<b>(120)</b>

<sup>(1)</sup> As of December 31, 2015, the Group recognized the cumulative impairment on some of the investments marketable securities in profit or loss, in light of their significant and/or continued impairment. The total loss recognized in profit or loss in 2015 amounted to NIS 338 million. It is noted that, as of December 31, 2015, dividend income of NIS 45 million was recognized on these investments.

<sup>(2)</sup> Includes recognized gains on the sale of Mobileye shares, see Section 6d in the Directors Report and Note 14K to the Financial Statements.

\*Portions of the above tables have been extracted from Delek Group's Annual 2015 Directors Report.

<sup>(3)</sup> It should be noted that the Group's equity in the profits of the Avner Partnership have been netted out, on account of previous work that assessed the investment in the Avner Partnership. Without the said netting out, the net profit ascribed to the Company's shareholders increased by NIS 101 million. For further information, see section 6A 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](http://www.delek-group.com)

## ENERGY & INFRASTRUCTURE

### OIL AND GAS EXPLORATION SECTOR HIGHLIGHTS

**Tamar Project, 11 TCF natural gas discoveries (Tamar and Tamar SW).** Tamar produced 8.3 BCM of natural gas in 2015, compared with 7.5 BCM in 2014. In addition, Tamar sold 395 thousand barrels of condensate in 2015, compared with 348 thousand in 2014. An updated Discounted Cash Flow of the Tamar Project has been published in the Company's full year 2015 report.

**Leviathan, a 22 TCF natural gas discovery.** On December 17, 2015, the Israeli Government approved the Outline Plan to increase the amount of natural gas produced from the Tamar natural gas field and the rapid development of the Leviathan, Karish, Tanin and other natural gas fields.

In order to implement the Government Gas Outline Plan, Delek Group's gas subsidiaries, have been conducting negotiations together with their partners in the Leviathan project to market natural gas from the Leviathan project to potential consumers in the local market, including private electricity producers and industrial consumers, in accordance with the prices for natural gas and agreement periods as set out in the Gas Outline Plan.

On March 27, 2016, a ruling was handed down by the Israeli High Court of Justice concerning a set of petitions which were consolidated into a single hearing, before an expanded bench of five justices with regard to the Natural Gas Outline. The main points were as follows:

1. The validity of the entire Outline Plan (apart from the stability section) is not conditional on being anchored in primary legislation;
2. The use of Section 52 of the Anti-Trust Law, exempting the provisions of this law from foreign policy and security considerations, has been done with due authority;
3. The stability section in its wording in the Gas Outline Plan, as determined in Government Decision 476 and whose purpose is "the existence of a stable regulatory environment" cannot stand and the

Government has been given a period of one year to reorganize the stability section. At the end of a year from the date of the ruling, if there will not be an arrangement, the Gas Outline Plan will be canceled.

The Partnerships intend, in coordination with the relevant government bodies, to reorganize the terms of stability section in order to comply with the objectives of the Outline Plan.

On January 30, 2016, a first agreement was signed by Leviathan and a local off-taker, Edeltech Ltd. for the provision of 6BCM of natural gas (over 18 years) for power plants which it intends to build, together with its Turkish partner Zorlu, in Ashdod and Mishor Rotem. The gas price is linked to the electricity production tariff, and includes a floor price. The aggregate revenues are estimated at approximate U.S. \$1.3 billion (in relation to 100% of the rights in the Leviathan project).

On February 25, 2016, the Leviathan partners submitted a revised development plan with a capacity of 21 BCM per annum. Eight production wells (two of which have already been drilled and will be completed for production) will be connected by a subsea pipeline to a single platform to be built 10km offshore. According to preliminary estimates, the cost of the plan until first flow of gas, is approximately US\$5-6 billion (at 100% working interest), lower than the estimated US\$ 6-7 billion cost in the original development plan.

**Karish, a 1.8 TCF (Contingent & Prospective), and Tanin, a 1.2 TCF (Contingent & Prospective) natural gas discoveries off the coast of Israel.** Following the announcement of the subsidiaries acquisition of Nobel Energy's right to sell its rights contained in the Licenses of Tanin and Karish, on December 24, 2015 the Petroleum Commissioner at the Ministry for National Infrastructures, Energy and Water granted the partners in the Licenses, two leases instead of the licenses. The Delek Group Partnerships are in negotiations with various operators in relation to the sale of the partnerships' rights in the Leases as part of what is stipulated in the Natural Gas Outline.

**Gas Production Summary;** Net income from the sector for 2015 was NIS 254 million, an increase compared to a net income of NIS 93 million in 2014. The growth was mainly due to the increase in the quantities of natural gas, as well as condensate, sold from the Tamar project in 2015, and lower finance expenses.

**Ithaca Energy, Inc. (19.9% owned by Delek Group);** in the Group's financial statement, Ithaca is included for the first time and presented based on the equity method. The Group's acquisition of 19.9% of the share capital of Ithaca Energy did not have impact on the Company's P&L. On the Operations side, Great Stella Area remains on track to start production in Q3 2016.

### **Downstream Energy Sector Highlights**

**Delek – the Israel Fuel Company Ltd.** (fully held by Delek Group); net income in 2015 amounted to NIS 87 million compared with a net income of NIS 4 million in 2014. The increase was due to greater fuel and convenience store sales, as well as sales growth in the containerization and distribution segment.

### **INSURANCE AND FINANCIAL SERVICES**

On February 17, 2016, since the pre-conditions stipulated in the Phoenix sale agreement was not met, the parties agreed to cancel the agreement according to the agreed mechanism, and each party irrevocably and unconditionally waived any claim in connection with the agreement. The Company is evaluating other options for the sale of its holdings in Phoenix and will report any significant developments as required.

On September 29, 2015, the Group signed an agreement with AmTrust Financial Services Inc. to sell its remaining 66% holdings in **Republic** for US\$ 140 million.

### **DIVIDEND DISTRIBUTION**

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On March 30, 2016, the Board of Directors of Delek Group declared a cash dividend distribution for the fourth quarter of 2015 in the amount of approximately NIS 100 million (or NIS 8.3447 per share) to shareholders. The ex-date is on April 7, 2016 and the dividend will be paid on April 21, 2016.

The total declared dividend for 2015 of the Group amounted to NIS 450 million.

## **CONFERENCE CALL DETAILS**

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The Company will be hosting a **conference call in English** on Thursday, March 31, 2015 at 4.30 PM (Israel Time), 9:30 AM (ET), 2:30 PM (UK). Management will also be available to answer investor questions.

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

From Israel on:	03-9180685
From the USA on:	1-888-407-2553
From the UK on:	0-800-917-9141
International:	+972-3-9180685

## **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.

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](http://www.delek-group.com) or Email: [investor@delek-group.com](mailto:investor@delek-group.com)

## **Contact**

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### **International Investor Relations**

Dina Vince

Tel: +972 9 863 8443

Email: [dinav@delek-group.com](mailto:dinav@delek-group.com)

## Delek Group Income Statement (NIS Millions)

	2015	2014 *)		10-12/2015	10-12/2014 *)
Revenues	6,356	7,831		1,437	1,944
Cost of revenues	4,592	6,226		1,081	1,557
<b>Gross profit</b>	<b>1,764</b>	<b>1,605</b>		<b>356</b>	<b>387</b>
Sales, marketing and gas station operating expenses	557	569		139	142
General and administrative expenses	180	196		46	37
Other income (expenses), net	(24)	(80)		(15)	(81)
<b>Operating profit</b>	<b>1,003</b>	<b>760</b>		<b>156</b>	<b>127</b>
Finance income	455	244		119	52
Finance expenses	1,244	1,122		205	256
<b>Profit (loss) after financing</b>	<b>214</b>	<b>(118)</b>		<b>70</b>	<b>(77)</b>
Gain from disposal of investments in investees and others, net	2	-		4	-
The Group's share in the profits of associate companies and partnerships, net	125	159		7	28
<b>Profit (loss) before income tax</b>	<b>341</b>	<b>41</b>		<b>81</b>	<b>(49)</b>
Income tax (tax benefit)	134	(10)		5	31
<b>Profit (loss) from continuing operations</b>	<b>207</b>	<b>51</b>		<b>76</b>	<b>(80)</b>
Profit (loss) from discontinued operations, net	254	(400)		100	100
<b>Net profit (loss)</b>	<b>461</b>	<b>(349)</b>		<b>176</b>	<b>20</b>
<b>Attributable to -</b>					
Company shareholders	7	(765)		36	(120)
Non-controlling interest	454	416		140	140
	<b>461</b>	<b>(349)</b>		<b>176</b>	<b>20</b>

(\*) Re-classified, see Note 2AI to the financial statements.