Delek Group Announces Consolidated Results for the Second Quarter of 2016

Tel Aviv, August 30, 2016, 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, 2016. The full financial statements are available in English on Delek Group’s website at: www.delek-group.com.

SECOND QUARTER OF 2016 HIGHLIGHTS

- **Second quarter net income of NIS 80 million, compared with NIS 22 million in the same period of last year;**
- **During the quarter, Delek Group’s management made some significant advances in its strategy and goal of streamlining its focus on its E&P assets; it entered into an agreement to sell its entire holdings of Phoenix Holdings, completed the sale of Republic and signed an agreement to sell IPP Ashkelon;**
- **The Petroleum Commissioner approved the revised Development Plan for the Leviathan Field of up to 21 BCM per year, and the FID is on track to be reached by year-end;**
- **The Tamar field produced a second quarter record of approximately 2.3 BCM, compared with 1.8 BCM last year;**
- **The East Med. E&P sector contributed NIS 85 million to the Group’s net income in the second quarter of 2016 versus a NIS 60 million in the same period last year;**
- **An agreement was signed to sell Karish and Tanin to Ocean Energean Oil and Gas;**
- **Declared a dividend of NIS 80 million in the second quarter.**

Group revenues for the second quarter of 2016 were approximately NIS 1.4 billion, compared to NIS 1.7 billion in the same period last year. The decrease was primarily due to lower revenues from Delek Israel due to lower distillate prices, balanced by an increase in revenues from the E&P sector, due to increased sales of natural gas and condensate from the Tamar field.

Operating profit in the second quarter of 2016 totaled NIS 299 million compared with NIS 274 million as reported in the same period last year, mainly due to an increase from the E&P sector which was slightly offset by a decrease in the Fuel Operations segment in Israel.

Net Income for the second quarter of 2016 totaled NIS 80 million, compared with NIS 22 million in the second quarter of 2015. The contributing factors to the net income were the increased contribution of the E&P segment.

Cash balance at the Delek Group as of June 30, 2016, stood at NIS 2.75 billion (including unutilized credit lines).

Following the balance sheet date, on July 28 2016, Delek Group completed a successful offering which was oversubscribed of two series of convertible debentures (series B32 and B33) to investors which added NIS 1.1 billion in cash to the balance sheet. The B32 series debenture is convertible to the Company’s shares at a conversion price of NIS 1,280.40 and has an annual interest rate of 1.72%. The B33 series debenture is convertible to the Company's shares at a conversion price of NIS 1,280.40 from the listing day and until July 10, 2019, while starting on July 11, 2019, and until December 31, 2021, the conversation price stands at NIS 1,600.00 with an annual interest rate of 2.8%.

Following on from Delek Group's Board of Directors approval in December last year to continue with the 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 85 million. In total, as of August 30, 2016, Delek Group has purchased 637,045 of its shares which represent approximately 5% of the Company's free float.

Commented Mr. Bartfeld, President and CEO of Delek Group; "The past few months were very active for Delek Group, and were marked by a number of very important and positive milestones for us. These started from the Natural Gas Framework approval in Israel, through the successful issuance of two series of convertible bonds that were overly subscribed at a record of NIS 2 billion, representing the confidence that the local capital markets have in our strategy. We signed the sale agreement of Karish and Tanin according to the approved Framework, and signed an agreement to sell our holdings in Phoenix to Yango Investments. Additionally, our strategy to expand operations into global markets is proceeding and developing."

Mr. Bartfeld continued, "The coming months will be marked by the advancement of the development plan of Leviathan according to Framework. In addition, we expect to spud Tamar 8 by November 2016."

MAIN BUSINESS HIGHLIGHTS

CONTRIBUTION OF PRINCIPAL OPERATIONS TO NET INCOME (NIS MILLIONS)

	Q2 2016	Q1 2016	6M 2016	Q2 2015	Q1 2015	6M 2015	FY 2015
Oil and Gas Exploration, and Gas Production Operations	72	111	183	60	67	127	254
Fuel Operations in Israel	4	4	8	40	15	55	87
Automotive Operations[2]	-	36	36	43	78	121	138
Contribution to continuing operations before sold-off operations, discontinued operations and capital and other gains	**76**	**151**	**227**	**143**	**160**	**303**	**479**
Finance expenses & Others[1]	4	(66)	(63)	(121)	50	(71)	(472)
Net Income Attributed Group's Shareholders	**80**	**85**	**165**	**22**	**210**	**232**	**7**

[1]It is noted that the Group's share in the earnings of the Avner Partnership are affected by the write-down of excess acquisition costs, as the investment in the Avner Partnership was previously revalued. Furthermore, data for the reporting period includes the Company's share in the results of Ithaca Energy ("Ithaca"), consisting of a loss of NIS 4 million (NIS 13 million in the second quarter).
[2]Data for the reporting period includes NIS 73 million in losses on impairment of investments in the Company's marketable securities portfolio. On the other hand, the Company included NIS 65 million in tax income as a result of a reduction in the tax rate in Israel (see also Notes 4 and 9 to the financial statements). In the reporting period, the item also includes gains of NIS 16 million on the disposal of the investment in Republic, and gains of NIS 21 million on the disposal of financial investments. Furthermore, the item also includes the results of other operations, unattributed finance expenses, other expenses, the results of discontinued operation and tax expenses.

Please review the full report available on the Group's website www.delek-group.com to view the notes for each of the items above.

OIL AND GAS EXPLORATION & PRODUCTION

EASTERN MEDITERRANEAN

Tamar Project, **11 TCF natural gas discoveries (Tamar and Tamar SW).** Tamar produced 2.3 BCM of natural gas in the second quarter of 2016 which is a second quarter record, compared with 1.8 BCM in the same period last year. In addition, Tamar sold 110 thousand barrels of condensate in the second quarter of 2016, compared with 85 thousand in the same period last year.

In light of the natural gas demand in the local market, as well as of the total production capabilities of Tamar, on June 30, 2016, the Tamar Partners decided to drill the *Tamar-8* development and production well, in order to increase the redundancy in the production system and enable maximum supply from the Tamar reservoir during peak demand.

The drilling is expected to begin in the fourth quarter of 2016 for four months, including the connection to the production system. Tamar-8 will also serve as an additional production well in the Tamar expansion project, if approved. The total budget (at 100%) is USD 265 million, which includes the cost of the well at USD 160 million and USD 105 million for construction of related infrastructures.

Leviathan, **a 22 TCF natural gas discovery.** On May 22, 2016, the Government approved the Natural Gas Framework and two weeks later, on June 7, 2016, the Israeli Petroleum Commissioner approved the development plan for the Leviathan field which can supply up to 21 BCM annually. The Commissioner also noted that after drilling the third appraisal well in the field, Leviathan 5, the government's recourse estimate may be re-evaluated to update export quote.

With regard to the development status, the Leviathan Partners have authorized Noble Energy to enter into an USD 120 million agreement to advance the Front End Engineering Design (FEED) for the production platform. The partners are continuing to work to complete the required actions in order to obtain a Final Investment Decision (FID) based on the development plan, anticipated by the end of 2016. Based on the planned timetable, receipt of the FID will allow commencement of gas production from the Leviathan project by the end of 2019.

In addition, on April 14, 2016, the national outline plan referring to the connection of the Leviathan pipeline to the national natural gas transmission system in the north of Israel was sanctioned as a government resolution.

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 approval of the Natural Gas Governmental Framework, on August 16, 2016, an agreement was signed between Delek Group's gas subsidiaries (Delek Drilling and Avner – together "the Sellers") and Ocean Energean Oil and Gas for the sale of all of the Sellers' and Noble's rights in the Tanin and Karish leases, for a total amount of USD 148.5 million, which is the amount invested so far. In addition, as stipulated in the agreement, the Sellers will be entitled to receive overriding royalties from production.

Dolphin. On July 21, 2016, the Petroleum Commissioner took the decision to not recognize the Dolphin natural gas field as a commercial discovery. However, the license partners are of the opinion that they have indeed made a discovery that entitles them to receive a lease in accordance with the provisions of the Petroleum Law. Delek Group gas subsidiaries reviewed the legal options available to them, and appealed against the Commissioner's decision to the Ministry of National Infrastructures, Energy and Water Resources.

Off the coast of Cyprus. On July 22, 2016, Delek Group's gas subsidiaries as part of a consortium, together with Capricorn Oil, a wholly owned subsidiary of Cairn Energy (the operator in the Consortium), submitted a bid for the purchase of exploration rights for oil and/or natural gas in the Exclusive Economic Zone of Cyprus. It is not expected that the results of the tender will be published no sooner than the latter part of 2016.

Delek Group's Gas Partnership's Restructuring. In order to simplify the holding structure of the gas partnerships, an independent committee appointed by Delek Drilling LP's and Avner Oil Exploration LP's Boards, recommended that Delek Drilling should be the acquiring partnership. And for each 5.32 participation units of Avner, Avner holders will receive one participation unit of Delek Drilling. This recommendation needs to be approved by the unit holders meeting.

East Mediterranean E&P Summary. Net income from the sector for the second quarter of 2016 was NIS 85 million, an increase of 42% compared to NIS 60 million in the same period in 2015. The increase was mainly due to greater revenues from natural gas and condensate sales to customers in the Tamar Project.

INTERNATIONAL

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.

Ithaca Energy, Inc. (19.9% owned by Delek Group). The Group's acquisition of 19.9% of the share capital of Ithaca Energy in October 2015, which is presented based on the equity method, contributed a loss of NIS 13 million to the Company's operating profit. On the operations side, the Great Stella Area is expected to start production in November of 2016.

On July 18, 2016, the Company announced that it is conducting negotiations with EnQuest PLC, for acquiring a 20% working interest in the exploration and production licenses in the **Kraken Field** located in the UK North Sea. The Company has signed a non-binding memorandum of understanding and currently is in advanced negotiations to sign a binding agreement.

DOWNSTREAM ENERGY SECTOR

Delek – the Israel Fuel Company Ltd. (fully held by Delek Group); Contribution to net income in the second quarter of 2016 amounted to NIS 4 million compared with a contribution of NIS 40 million in the same period last year.

INSURANCE AND FINANCIAL SERVICES

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 in **Phoenix Holdings Ltd** (52.3%). The consideration amounts to approximately NIS 1.9 billion and carries an annual interest rate of 4.75% from January 1, 2017, until the closing date. The consideration is to be paid in full in cash at the closing date. The parties are in the process of obtaining all the necessary regulatory approvals.

In September 2015, the Company signed an agreement with AmTrust Financial Services for selling all of Delek Finance's holdings in **Republic Companies** for USD 140 million. In April 2016, the transaction was completed and USD 35 million in cash was received. The remaining USD 105 million were provided as a seller's loan for a period of 4 years, payable in 4 equal installments and bearing 5.75% annual interest. The Company recognized gains of NIS 16 million during second quarter of 2016.

INFRASTRUCTURE

On August 16, 2016, Delek Group signed a binding agreement to sell IPP Ashkelon for NIS 200 million. Upon completion, the transaction is expected to yield the Group a profit of NIS 40 million.

DIVIDEND DISTRIBUTION

On August 29, 2016, the Board of Directors of Delek Group declared a cash dividend distribution for the second quarter of 2016 in the amount of approximately NIS 80 million (approximately NIS 6.6758 per share) to the shareholders on record as of September 12, 2016 and the dividend will be paid on September 28, 2016.

CONFERENCE CALL DETAILS

The Company will be hosting a **conference call in English** on Tuesday, August 30, 2016 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: +972-3-918 0685

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)

	6M 2016	6M 2015	Q2 2016	Q2 2015		2015
Revenues	2,726	3,222	1,437	1,677		6,356
Cost of revenues	1,756	2,348	935	1,221		4,592
Gross profit	**970**	**874**	**502**	**456**		**1,764**
Sales, marketing and gas station operating expenses	282	278	141	141		557
General and administrative expenses	80	91	39	48		180
Other income (expenses), net	(32)	1	(23)	7		(24)
Operating profit	**576**	**506**	**299**	**274**		**1,003**
Finance income	159	326	74	32		455
Finance expenses	488	510	209	302		1,244
Profit after finance expenses, net	**232**	**322**	**164**	**4**		**214**
Gains (loss) from disposal of investments in investees and others, net	-	(2)	-	2		2
Group's share in earnings (loss) of associate companies and partnerships, net	43	112	(3)	62		125
Profit before income tax	**290**	**432**	**161**	**68**		**341**
Income tax (tax benefit)	(97)	105	25	21		134
Profit from continuing operations	**387**	**327**	**136**	**47**		**207**
Profit from discontinued operations, net	61	73	75	77		254
Net profit	**448**	**400**	**211**	**124**		**461**
Attributable to -						
Company shareholders	165	232	80	22		7
Non-controlling interest	283	168	131	102		454
	448	**400**	**211**	**124**		**461**

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