



## Delek Group Announces Consolidated Results for the Second Quarter of 2015

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

### SECOND QUARTER OF 2015 HIGHLIGHTS

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- **Second quarter net income of NIS 22 million, compared with a net loss of NIS 600 million in the same period of last year;**
- **Delek Group entered a binding agreement to sell control at Phoenix Holdings Ltd., a successful realization of the Groups' ongoing strategy to focus on its E&P assets;**
- **The E&P sector contributed NIS 60 million to the Group's net income in the second quarter of 2015 versus a NIS 13 million loss in the same period last year;**
- **The Tamar field continued production of natural gas, selling approximately 1.8 BCM in the second quarter of 2015, compared with 1.6 BCM last year;**
- **The partners in the Aphrodite Reservoir Partners submitted a proposed outline for the development plan to the Government of Cyprus;**
- **Declared a dividend of NIS 120 million in the second quarter.**

**Group revenues** for the second quarter of 2015 were approximately NIS 1.7 billion, compared to NIS 1.9 billion in the same period last year. The decrease was due to primarily due to lower revenues from Delek Israel due to lower distillate prices, balanced by an increase in revenues from the E&P sector.

**Operating profit** in the second quarter of 2015 totaled NIS 274 million compared with NIS 162 million as reported in the same period last year, mainly due to an increase in the E&P sector as well as the Fuel Operations segment in Israel.

**Net Income** for second quarter of 2015 totaled NIS 22 million, compared with a net loss of NIS 600 million in the second quarter of 2014. The contributing factors to the net income were the increased contribution of Oil and Gas Exploration, and Gas Production Operations from sales of gas from the Tamar field.

**Cash balance** at the Delek Group correct as of June 30<sup>th</sup>, 2015 stood at NIS 3.4 billion (including unutilized credit lines). On June 3, 2015, Delek Group completed a successful exchange tender offer of Series B15 Debentures to Series B31, which has an extended maturity.

The Company announced the appointment of Mr. Idan Wallace to serve as deputy CEO of Delek Group.

**Commented Mr. Bartfeld, President and CEO of Delek Group;** "Our quarterly results once again demonstrate the financial strength and stability of the Group that places it at the forefront of companies in the Israeli economy. During the quarter, we entered into a binding agreement to sell Phoenix to Fosun International, at a premium of 38% above the market price which is expected to contribute to the Group's cash balance by NIS 1.8 billion."

**Mr. Bartfeld continued,** "As part of the announced strategy of the Group in the energy sector, and in light of our strong cash balances, we are working towards exploiting the opportunities that exist in the international market today. In the near future, we are looking to make a strategic investment that will be synergistic with the Group's existing operations. Should such a deal indeed occur, together with the Group's existing activities in the energy sector, including the ongoing and growing activities in Cyprus, it will increasingly solidify our position as a major player in the international energy sector."

## MAIN BUSINESS HIGHLIGHTS

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

	6M 2015	6M 2014	Q2 2015	Q2 2014	FY 2014
Oil and Gas Exploration, and Gas Production Operations	127	25	60	(13)	93
Fuel Operations in Israel	55	29	40	1	18
Automotive Operations <sup>2</sup>	121	51	43	21	107
<b>Contribution to continuing operations before sold-off operations, discontinued operations and capital and other gains</b>	<b>303</b>	<b>105</b>	<b>143</b>	<b>9</b>	<b>218</b>
Insurance and finance operations in Israel (pending sale)	17	116	41	22	255
Sold-off operations	-	(12)	-	(1)	21
Capital Losses & Others <sup>1</sup>	(88)	(1,004)	(162)	(630)	(1,259)
<b>Net Income Attributed Group's Shareholders</b>	<b>232</b>	<b>(795)</b>	<b>22</b>	<b>(600)</b>	<b>(765)</b>

<sup>1</sup>Data for the first six month of 2015 includes gains of NIS 96 million on the sale of Delek USA shares and revaluation of the balance of the investment in Delek USA, as well as NIS 55 million in gains on reversal of the impairment of the investment in The Phoenix. This item also includes the results of other operations, unattributed finance expenses, other expenses, and tax expenses.

<sup>2</sup>Includes recognized gains on the sale of Mobileye shares, see Section 6 below and Note 3 to the financial statements. Parts of the above table have been extracted from Delek Group's First Six months 2015 Directors Report.

Please review the full report available on the Group's website [www.delek-group.com](http://www.delek-group.com) to view the notes for each of the items above.

## ENERGY & INFRASTRUCTURE

### OIL AND GAS EXPLORATION & PRODUCTION SECTOR HIGHLIGHTS

**Tamar Project, 11 TCF natural gas discoveries (Tamar and Tamar SW).** Tamar produced 1.8 BCM of natural gas in the second quarter of 2015, compared with 1.6 BCM (including Yam Tethys) in the same period last year. In addition, Tamar sold 85 thousands of barrels of condensate in the second quarter of 2015, compared with 82 thousands of barrels in the previous year.

**Aphrodite, a 4.5 TCF (Contingent & Prospective) natural gas discovery located in the Block 12 license, off the coast of Cyprus.** On June 5, 2015, Delek Group's gas subsidiaries together with Noble Energy submitted to the Government of Cyprus a Declaration of Commerciality of the Aphrodite natural gas Reservoir, located in the area of Block 12 in Cyprus. On June 10, 2015, the Aphrodite Reservoir Partners submitted a proposed outline for development plan of the Aphrodite Reservoir to the Government of Cyprus.

**With regard to developments on the regulatory front:** following both the decision by the Ministerial Committee for National Security (decision B/6 of June 25, 2015) on increasing natural gas production at the Tamar field and for accelerated development of the Leviathan, Karish, and additional natural gas fields (June 30, 2015), a draft framework was formulated by the Ministry of National Infrastructures, together with the Delek Group and its partners.

The draft framework was issued for public comment by July 21, 2015 and on August 16, 2015, the Israeli Government approved the framework obtaining an exemption under Section 52 to the Antitrust Law.

The approved new framework provides a mechanism for regulatory stability for at least 10 years, does not reopen existing contracts and agreements, and allows Delek Group to retain its current ownership in Leviathan. It covers the following elements, amongst others:

- Ownership in Leviathan to remain unchanged;
- A chapter on structural changes in the natural gas market, mainly concerning the sale of all of the Limited Partnerships and Nobel's rights in licenses Karish (366/Alon C) and Tanin (364/Alon A) within 14 months; the sale of all of the Limited Partnerships' rights in the Tamar and Dalit leases; and sale of Nobel's rights in the Tamar and Dalit leases so that they not exceed 25% within an interim period of 6 years from the exemption date;
- Setting prices and additional conditions in new contracts for selling natural gas from Tamar and Leviathan for the interim period, until competition is introduced into the local energy sector;
- Clarifications and amendments to the Government decision 442 (of June 23, 2013), concerning exportation and taxation conditions for natural gas export agreements.

A convenience translation of the Government's approved framework is available on the Delek Group's website.

**Gas Production Summary.** Net income from the sector for the second quarter of 2015 was NIS 60 million, an increase compared to a net loss of NIS 13 million in the same period in 2014. This year-over-year increase in was due, among other things, to greater revenues from natural gas sales to customers in the Tamar Project and lower finance expenses.

## **DOWNSTREAM ENERGY SECTOR HIGHLIGHTS**

**Delek – the Israel Fuel Company Ltd.** (fully held by Delek Group); Contribution to net income in the second quarter of 2015 amounted to NIS 40 million compared with a contribution of NIS 1 million in the same period last year. The increase was partly seasonal and also due gains on inventory versus an inventory loss in the same quarter of last year.

## **INSURANCE AND FINANCIAL SERVICES**

On June 21, 2015, the Group entered into a binding agreement with Fosun International Limited for the sale of all the Company's holdings in Phoenix Holdings Ltd (52.3%). The consideration set in the binding agreement dated June 21, 2015 was approximately NIS 1,823 million. The parties are in the process of obtaining all the necessary regulatory approvals required.

## **DIVIDEND DISTRIBUTION**

On August 30, 2015, the Board of Directors of Delek Group declared a cash dividend distribution for the second quarter of 2015 in the amount of approximately NIS 120 million (approximately NIS 10.2209 per share) to the shareholders on record as of September 8, 2015 and the dividend will be paid on September 24, 2015.

## **CONFERENCE CALL DETAILS**

The Company will be hosting a **conference call in English** on Monday, August 31, 2015. Management will also be available to answer investor questions.

To participate, please call one of the following teleconferencing numbers. Please begin placing your calls at least 5 minutes before the conference call commences. If you are unable to connect using the toll-free numbers, please try the international dial-in number.

US Dial-in Number: 1-866-407-2553

UK Dial-in Number: 0-800-051-8913

ISRAEL Dial-in Number: 03- 9180687

INTERNATIONAL Dial-in Number: +972-3-9180687

At:

9:30am Eastern Time, 2:30pm UK Time, 4:30pm Israel Time

On the call, Mr. Gabi Last, Chairman of the Board of Directors, Mr. Asi Bartfeld, CEO, Mr. Barak Mashraki, CFO, and Mrs. Leora Pratt Levin, the Chief Legal Counsel will review and discuss the results, and will be available to answer your questions.

### **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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**Delek Group Income Statement (NIS Millions)**

	<b>1-6/2015</b>	<b>1-6/2014*)</b>	<b>4-6/2015</b>	<b>4-6/2014*)</b>	<b>2014</b>
Revenues	3,217	3,846	1,669	1,924	7,832
Cost of revenues	2,343	3,061	1,213	1,566	6,227
<b>Gross profit</b>	<b>874</b>	<b>785</b>	<b>456</b>	<b>358</b>	<b>1,605</b>
Sales, marketing and gas station operating expenses	278	283	141	142	569
General and administrative expenses	91	99	48	50	196
Other income (expenses), net	1	(10)	7	(4)	(80)
<b>Operating profit</b>	<b>506</b>	<b>393</b>	<b>274</b>	<b>162</b>	<b>760</b>
Finance income	326	119	32	47	244
Finance expenses	510	644	302	408	1,122
<b>Profit (loss) after financing</b>	<b>322</b>	<b>(132)</b>	<b>4</b>	<b>(199)</b>	<b>(118)</b>
Loss from disposal of investments in investees and others, net	(2)	-	2	-	-
The Group's share in the profits of associate companies and partnerships, net	112	65	62	41	159
<b>Profit (loss) before income tax</b>	<b>432</b>	<b>(67)</b>	<b>68</b>	<b>(158)</b>	<b>41</b>
Income tax (tax benefit)	105	(83)	21	(114)	(10)
<b>Profit (loss) from continuing operations</b>	<b>327</b>	<b>16</b>	<b>47</b>	<b>(44)</b>	<b>51</b>
Profit (loss) from discontinued operations, net	73	(654)	77	(522)	(400)
<b>Net profit (loss)</b>	<b>400</b>	<b>(638)</b>	<b>124</b>	<b>(566)</b>	<b>(349)</b>
<b>Attributable to -</b>					
Company shareholders	232	(795)	22	(600)	(765)
Non-controlling interest	168	157	102	34	416
	<b>400</b>	<b>(638)</b>	<b>124</b>	<b>(566)</b>	<b>(349)</b>

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

The notes are an integral part of the financial statement and can be found at [www.delek-group.com](http://www.delek-group.com)