Delek Group

Delek Group Announces Consolidated Results for the Third Quarter of 2016

Tel Aviv, November 29, 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 September 30, 2016. The full financial statements are available in English on Delek Group’s website at: www.delek-group.com.

THIRD QUARTER OF 2016 HIGHLIGHTS

- **Third quarter net income of NIS 85 million, a solid increase compared with NIS 22 million in the same period of last year;**
- **Delek Group leverages its strong balance sheet to win a new international license in Newfoundland, Canada;**
- **Financing finalized for Leviathan’s development with a limited recourse loan of up to $1.75bn, making solid progress towards sanctioning the Leviathan project and reaching the Financial Investment Decision (FID);**
- **Important milestone agreement worth an estimated $10bn signed with Jordan's National Electric Power Company (NEPCO);**
- **Additional agreement signed for the sale of natural gas from Leviathan to a local off taker;**
- **Tamar produced a third quarter record of ~2.6 BCM with peak production reaching ~1.0Bcf/d;**
- **Declared a dividend of NIS 200 million.**

Group revenues for the third quarter of 2016 were approximately NIS 1.6 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, partially balanced by an increase in revenues from the E&P sector.

Operating profit in the third quarter of 2016 totaled NIS 354 million compared with NIS 341 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 other non-core segment.

Net Income for the third quarter of 2016 totaled NIS 85 million, compared with a loss of NIS 261 million in the third quarter of 2015. The main contributing factor to the improvement in the net income was the increased contribution of the E&P segment, due to increased sales of natural gas and condensate from the Tamar field.

Cash balance at the Delek Group as of September 30, 2016, stood at NIS 2.6 billion (including unutilized credit lines), and as of November 28, 2016, at NIS 2.8 billion (including unutilized credit lines).

On July 28, 2016, Delek Group completed a successful convertible debenture offering which was oversubscribed. Two series of (series B32 and B33) added NIS 1.1 billion in cash to the balance sheet.

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 November 28, 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; "Delek Group concludes a successful third quarter from a financial and strategic standpoint. The third quarter results demonstrate financial strength of the Group, which enables us to build upon the Group's existing activities in the energy sector, whilst growing the Group in the international energy sector."

Continued Mr. Bartfeld, "Following the signing of our agreements with the Jordanian Electric Company as well as a number of other players in the domestic market, combined with the signing of the financing for the development of Leviathan, we see ourselves closer to the final investment decision to develop the Leviathan reservoir, based on our strategic plan."

MAIN BUSINESS HIGHLIGHTS

CONTRIBUTION OF PRINCIPAL OPERATIONS TO NET INCOME (NIS MILLIONS)

	Q3 2016	Q2 2016	Q1 2016	9M 2016	Q3 2015	Q2 2015	Q1 2015	9M 2015	FY 2015
Oil and Gas Exploration, and Gas Production Operations	111	72	111	294	87	60	67	214	272
Fuel Operations in Israel	37	4	4	45	21	40	15	76	87
Automotive Operations[2]	14	-	36	50	10	40	78	128	138
Contribution to continuing operations before sold-off operations, discontinued operations and capital and other gains	**162**	**76**	**151**	**389**	**118**	**140**	**160**	**418**	**497**
Finance expenses & Others[1]	(77)	4	(66)	(139)	(379)	(118)	50	(447)	(472)
Net profit attributable to equity holders of the parent	**85**	**80**	**85**	**250**	**(261)**	**22**	**210**	**(29)**	**25**

[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. For more information, see Section 6A below. Furthermore, data for the reporting period includes the Company's share in the results of Ithaca Energy ("Ithaca"), consisting of a loss of NIS 13 million (a loss of NIS 9 million in the third quarter).
[2]In the third quarter of 2016, the Company recognized net gains of NIS 12 million on its marketable securities portfolio (in the reporting period, the marketable securities portfolio did not materially affect the Company's results). On the other hand, in the reporting period the Company included NIS 65 million in tax income following 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. The item also includes the results of other operations, unattributed finance expenses, other expenses, expenses from discontinued operations, and tax expenses.
[3]Retrospectively adjusted, see Note 3C to the financial statements.

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

EAST MEDITERRANEAN

Tamar Project, **11 TCF natural gas discoveries (Tamar and Tamar South-West).** Tamar produced approx. 2.6 BCM of natural gas in the third quarter of 2016 which is a third quarter record (~1.0Bcf/d), compared with 2.5 BCM in the same period last year. In addition, Tamar sold 126 thousand barrels of condensate in the third quarter of 2016, compared with 117 thousand in the same period last year.

In October, drilling began on the *Tamar-8* development and production well, along with construction work on the accompanying infrastructure in the Tamar Field. The drilling is expected to continue for four months, including completion and connection to the production systems. The drilling is intended to enable optimal production from the Tamar Reservoir. The total budget (at 100%), including completion and development of the subsea system and connecting of Tamar-8 to existing Tamar infrastructure, amounts to US$ 265 million, of which US$ 37 million is for equipment purchased for the Tamar SW Reservoir.

***Leviathan,* a 22 TCF natural gas discovery.** September 26, 2016, marked an important milestone. A natural gas supply agreement was signed with Jordan's National Electric Power Company (NEPCO). NEPCO is to be supplied with natural gas for 15 years from either the start of commercial supply or once overall supply volumes reach 45 BCM. Supply under the Export Agreement is expected to begin with the start of supply from the Leviathan Reservoir and completion of the pipelines needed to pump the natural gas to NEPCO in Israel and in Jordan. Expected cumulative revenues from this agreement, is estimated at $10 billion (at 100% of the rights in Leviathan). The Leviathan partners are continuing with the marketing of the natural gas. On November 24, 2016, an additional agreement was signed by Leviathan and a local off-taker, Paz Ashdod Refinery Ltd. for the provision of 3.12BCM of natural gas (over 15 years Take-or-Pay) for their facilities in Ashdod. The price will be partially linked to the price of Brent, and partially to the manufacturing cost of electricity, including a floor price. The aggregate revenues are estimated at approximate US$700 million (in relation to 100% of the rights in the Leviathan project).

In addition, on November 3, 2016, Delek Group published Leviathan's discounted cash flow figures relating to phase I(A) which is the first stage of the Development Plan with annual capacity of 12 BCM/Y (1.2Bcf/d) which includes the domestic market, Jordan and PA.

On November 26, the Delek Group partnerships announced that a Commitment Letter was signed with HSBC Bank Plc and J.P. Morgan Ltd banks for a limited recourse project financing for their share of the development of the Leviathan project, in an amount of US$ 1.5 - 1.75 billion (100%) for 48 months after the date of signing. Each of the Partnerships will be entitled to enter into the Financing Agreement up until February 20, 2017. Closing of the financing agreement brings Delek Group and its partners closer to taking the final investment decision (FID) to develop the Leviathan field.

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 US$ 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.

Delek Group's Gas Partnerships' Restructuring. In order to simplify the holding structure of the gas partnerships, an independent committee appointed recommended that Delek Drilling should be the acquiring partnership exchanging 5.32 participation units of Avner for one participation unit of Delek Drilling. This recommendation needs to be approved by the unit holders meeting, scheduled for December 22, 2016.

East Mediterranean E&P Summary. Net income from the sector for the third quarter of 2016 was NIS 120 million, an increase of 38% compared to NIS 87 million for the same period in 2015. The increase was mainly due to greater revenues from natural gas and condensate sales to customers of 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 with operational capabilities.

Ithaca Energy, Inc. (19.9% owned by Delek Group). The Group's acquisition of Ithaca Energy in October 2015, which is presented based on the equity method, contributed a loss of NIS 9 million to the Company's operating profit of the third quarter of 2016. On the operations side, start-up of the Great Stella Area is expected to start production in early January 2017.

Block 7, West Orphan Geological Basin of Newfoundland, Canada. As part of the Company's strategy to expand its international energy operations, the Company submitted a bid to participate in the rights to offshore exploration licenses in Eastern Newfoundland, Canada. On November 9, 2016, the Company won the rights to a license in Block 7, covering an area of 2,000 square kilometres with an estimated target depth of 4,500 meters below sea-level (sea depth being 1,400 meters). According to the Provincial Government of Newfoundland and Labrador, it is estimated that the in-place resource potential of the entire West Orphan geological basin, within which Block 7 is located, is for 25.5 billion barrels of oil and 20.6 trillion cubic feet of gas.

Delek Group, holding 70% of the rights, participated in the tender together with Navitas Petroleum Limited. The Partners' bid totalled CAD 48 million (US$ 36 million).

On November 28, the Company announced that is has signed agreement with Ratio Petroleum Energy Limited Partnership ("Ratio"), a sister company to Ratio Oil Exploration Limited Partnership, is a partner in the Leviathan field. Delek Group will be allocated debentures including securities of Ratio. The number of participatory units included will reflect a holding of 17.5% of all Ratio's participation units. Ratio operates in the exploration, development and production of hydrocarbons outside of Israel. According to the Draft Prospectus, the petroleum rights that Ratio will have an interest in are Guyana, Malta, Ireland and the Philippines.

DOWNSTREAM ENERGY SECTOR

Delek – the Israel Fuel Company Ltd. (fully held by Delek Group); Contribution to net income in the third quarter of 2016 amounted to NIS 37 million compared with a contribution of NIS 21 million in the same period last year. The improvement, despite a lower level of sales, was due to lower sales cost.

Delek Europe BV. As part of a deal to sell the shares of Delek Europe, carried out in 2014, a loan of EUR 175 million was extended to Delek Europe's buyer. In November 2016 the loan was repaid ahead of the original repayment date of 2020), in the sum of EUR 195 million (NIS 800 million). As a result, the Company is expected to recognize EUR 28 million (NIS 115 million) in gains in the fourth quarter.

OTHER

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 (52.3%) in **Phoenix Holdings Ltd**. The consideration is NIS 1.9 billion and carries an annual interest rate of 4.75% from January 1, 2017, until the closing date. The parties are continuing the process of obtaining all the necessary regulatory approvals towards completion of the transaction.

DIVIDEND DISTRIBUTION

On November 28, 2016, the Board of Directors of Delek Group declared a cash dividend distribution for the third quarter of 2016 in the amount of approximately NIS 200 million (approximately NIS 16.6895 per share) to the shareholders on record as of December 12, 2016 and the dividend will be paid on December 27, 2016.

CONFERENCE CALL DETAILS

The Company will be hosting a **conference call in English** on Tuesday, November 29, 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: 03-9180644
From the USA on: 1-888-407-2553

From the UK on: 0-800-917-9141
International: +972-3-918 0644

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)

	9M 2016	9M 2015	Q3 2016	Q3 2015	2015
Revenues	4,280	4,924	1,554	1,702	6,356
Cost of revenues	2,742	3,516	986	1,168	4,592
Gross profit	**1,538**	**1,408**	**568**	**534**	**1,764**
Sales, marketing and gas station operating expenses	427	418	145	140	557
General and administrative expenses	142	134	62	43	180
Other expenses, net	(39)	(9)	(7)	(10)	(24)
Operating profit	**930**	**847**	**354**	**341**	**1,003**
Finance income	212	348	53	22	455
Finance expenses	(694)	1,051	(206)	541	1,244
Profit after finance expenses, net	**448**	**144**	**201**	**(178)**	**214**
Gains (loss) from disposal of investments in investees and others, net	-	(2)	-	-	2
Group's share in earnings (loss) of associate companies and partnerships, net	58	118	15	6	143 *)
Profit before income tax	**506**	**260**	**216**	**(172)**	**359 *)**
Income tax (tax benefit)	(48)	129	49	24	134
Profit from continuing operations	**554**	**131**	**167**	**(196)**	**225 *)**
Profit from discontinued operations, net	196	154	135	81	254
Net profit (loss)	**750**	**285**	**302**	**(115)**	**479 *)**
Attributable to -					
Company shareholders	**250**	**(29)**	**85**	**(261)**	**25 *)**
Non-controlling interest	500	314	217	146	454
	750	**285**	**302**	**(115)**	**479 *)**

* Retrospectively adjusted, see Note 3C.

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