



DELEK GROUP ANNOUNCES CONSOLIDATED SECOND QUARTER 2019 RESULTS

August 29, 2019

Tel Aviv, August 29, 2019, Delek Group Ltd. (TASE: DLEKG, US ADR: DGRLY), ("Delek Group" or "The Group") this morning reported its results for the second quarter ending June 30, 2019. The full financial statements will be available in English on Delek Group's website at: www.delek-group.com

2Q 2019 Highlights

- Net income for 2Q19 amounted to NIS 190 million, up 12% compared with NIS 170 million in 2Q18; the E&P sector contributed NIS 85 million to net income
- The Leviathan project is 90% complete, and remains on schedule for gas sales to begin during 4Q19; completion of the EMG pipeline transaction is scheduled for the end of September 2019
- The acquisition of Chevron's North Sea assets is expected to close during 4Q19, marking a significant step in Delek Group's strategy of becoming a pure-play international energy firm

Group revenues in 2Q19 totaled NIS 2,103 million compared with NIS 2,074 million in the same period last year, an increase of 19%. Revenues from Tamar were slightly lower year-on-year, while fuel retail sales demonstrated greater strength.

Group operating profit in 2Q19 totaled NIS 246 million, compared with NIS 459 million in 2Q18, a decrease of 46%. A number of one-off expenses related to Tamar and planned maintenance at Ithaca contributed the drop in profits, which was in part offset by a stronger performance in the downstream sector.

Net income for 2Q19 was NIS 190 million compared with NIS 170 million in the same period last year. The current **cash balance** as of June 30, 2019 was NIS 1.4 billion, including unutilized credit lines and marketable securities.

Management Comment

Mr. Asaf Bartfeld, President and CEO of Delek Group, commented, "In the coming months, Delek Group will achieve a number of significant and positive milestones. This includes the completion of the sale of the Phoenix Insurance Company for approximately ILS 1.64 billion, the commencement of gas production at the Leviathan field, and the acquisition of Chevron's North Sea assets. These will strengthen the Group's financial position and cash flow, and increase the potential for returns to shareholders."

Main Business Highlights

Contribution of Principal Operations to Net Income* (NIS millions)

| | 2Q 2019 | 2Q 2018 | FY 2018 |
|---|------------|------------|------------|
| Oil and Gas E&P Operations in Israel and its Surroundings | 58 | 106 | 437 |
| Oil and Gas E&P Operations in the North Sea | 27 | (32) | 283 |
| Fuel Operations in Israel | 39 | 27 | 70 |
| Contribution to continuing operations before discontinued operations and capital and other gains | 124 | 101 | 790 |
| Finance Expenses, Asset Sales, and Others | 66 | 69 | (273) |

*The full report, including the full notes for the above items, will be available on the Group's website at 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 goal of becoming a key international player in the energy industry with full operational capabilities.

Tamar & Leviathan

Tamar's gas sales reached 2.4 BCM during 2Q19, slightly lower than 2.6 BCM in the prior period. A number of one-off expenses reduced Tamar's profits during the second quarter of 2019. These include charges for planned maintenance, higher depreciation, and the loss of an arbitration case with a customer.

The development of the Leviathan project is approximately 90% complete, with the platform and all undersea infrastructure in place. The project remains on schedule for first gas to be delivered by the end of 2019. Inspections of the undersea EMG pipeline connecting Israel and Egypt have been completed successfully, and the Israeli Competition Authority has authorized gas exports to Egypt. Efforts are still ongoing to complete the transfer of ownership in EMG shares to the partnership taking control of the infrastructure, and the acquisition is expected to complete by the end of September 2019. Once concluded, gas exports to Egypt within the context of the Dolphin sales agreement are set to begin in tandem with the commissioning of Leviathan, expected during 4Q19.

Ithaca Energy

Ithaca, a wholly-owned subsidiary of Delek Group, contributed NIS 49 million to Delek Group's operating income in 2Q19, compared with NIS 78 million in the similar period last year. Profits were lower due to a four week period of planned maintenance during the quarter. Production during 2Q19 was 15,200 barrels of oil equivalent per day (boepd), 19% higher than the 12,800 boepd seen during 1Q18; production for 1H19 was 18,100 boepd compared to 15,500 in 1H18. In total, Ithaca produced approximately 1.4m barrels of oil equivalent this quarter, and 3.3m boe in 1H19.

Following the consolidation of 100% of assets in the Greater Stella Area (GSA) purchased during 4Q18, Ithaca's fixed costs increased, escalating the financial impact of the shutdown for planned maintenance. Per barrel production costs this quarter were USD 27 due to lower output; costs were USD 23 per barrel in 2Q18.

Delek Group and Ithaca continue to secure financing for the acquisition Chevron's North Sea assets. The transaction has an effective date of January 1, 2019 and is expected to close during 4Q19. Accounting for cashflows generated over this period, a net price of approximately USD 1.65 billion is anticipated, along with a payment of USD150m for working capital in place. In addition to this amount, Ithaca will be refinancing its existing debt of approximately USD 550 million. RBLs and bonds with a total value of USD 1.55 billion have already been arranged. Delek Group is negotiating an additional equity inflow of approximately USD 300 million through the issuance of preferred Ithaca shares, and is also seeking a USD150 million advance payment from commodity traders as part of a long-term offtake agreement for Ithaca's oil production. Taking into account a USD200 million deposit already paid to Chevron on the date of signing, Delek Group and Ithaca expect to allocate an additional USD200 million of their own funds to complete the transaction.

Gulf of Mexico

Drilling at the Tau prospect concluded during 1Q19. No discovery of hydrocarbons was made, though the presence of exploitable hydrocarbons was detected. Due to the complex geology of the prospect and the need for specialized drilling equipment, the Group is assessing the conditions for proceeding further at this location.

Downstream Energy Sector

Delek – the Israel Fuel Company Ltd. (fully held by Delek Group): Operating profit in 2Q19 amounted to NIS 67 million compared with NIS 42 million in the same period last year. The improvement was due to the implementation of efficiency measures, as well as a positive revaluation of inventory made during the quarter.

Other Assets

Delek Group's transformation into a global energy firm shifts into high gear. During 2019, Delek Group has made significant strides in disposing non-core operations. During 1Q19, the Group sold 30% of its share in IDE for NIS 530 million. In addition, Delek Group reached an agreement during 2Q19 for the sale of a 32.5% stake in the Phoenix Insurance Company for NIS 1.64 billion, with good progress being made on completion of this transaction. With the acquisition of Chevron's North Sea assets, the Group is delivering on its strategy of becoming a pure-play energy firm in the global E&P sector.

Net Financial Debt*

As at 30 June, 2019

NIS Millions

Liabilities

Debentures

7,242

| | |
|--------------------------|--------------|
| Bank and other loans | 948 |
| Other liabilities | 181 |
| Total liabilities | 8,371 |

Assets

| | |
|--|--------------|
| Cash and deposits | 370 |
| Pledged deposits from swap transactions | 168 |
| Financial investments | 328 |
| Loans | 1,023 |
| Deposit for acquisition of Chevron North Sea | 535 |
| Other assets | 104 |
| Treasury shares | 155 |
| Total Assets | 2,683 |

Net Financial Debt **5,688**

*This table, including full notes, is contained in financial reports that will be available on the Group's website at www.delek-group.com

Conference Call Details

The Company will be hosting a **conference call in English** today on Thursday, August 29, 2019 at 3:30pm (Israel Time), 8:30am (ET), 1:30pm (UK). To participate in the conference call, please dial:

| | |
|----------------|-----------------|
| Israel: | 03-918-0601 |
| The USA: | 1-888-668-9141 |
| The UK: | 0-800-917-5108 |
| International: | +972-3-918-0601 |

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

Delek Group is an independent E&P and the pioneering visionary behind the development of the East Med. With eight consecutive finds in the Levant Basin, Delek is leading the region's development into a major natural gas export hub. In addition, Delek has embarked on an international expansion with a focus on high-potential opportunities in the North Sea and North America. Delek Group is one of Israel's largest and most prominent companies with a consistent track record of growth. Its shares are traded on the Tel Aviv Stock Exchange (TASE:DLEKG) and are part of the TA 35 Index.

For more information, please visit www.delek-group.com or email: investor@delek-group.com

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