



## Delek Group Announces Consolidated Results for the First Quarter of 2016

Tel Aviv, May 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 March 31, 2016. 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

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- **The E&P sector contributed a record NIS 110 million to the Group's net income in the first quarter of 2016 compared with NIS 67 million in the first quarter of last year;**
- **The Israeli Government readopted its decision on the Outline Plan including a regulatory stability clause;**
- **First quarter net income amounted to NIS 85 million in the first quarter of 2016, compared with NIS 210 million;**
- **Delek Group declared a dividend of NIS 80 million for the first quarter.**

**Group revenues** for the first quarter in 2016 totaled NIS 1.3 billion compared with NIS 1.5 billion in the same period last year.

**Group operating profit** in the first quarter of 2016 totaled NIS 277 million, compared with NIS 232 million as reported in the same period last year. The increase was due to higher sales of natural gas from the Tamar reservoir despite the minor offset of other segments' operating profit.

**Net income** for the first quarter of 2016 totaled NIS 85 million compared with NIS 210 million in the first quarter of 2015. The E&P segment contributed a record NIS 110 million to the Company's net income in the first quarter. This was offset by lower contribution from some of the non-core operations of the Group as well as increased Finance and Other expenses.

**Cash balance** at the Delek Group as of May 30, 2016, stood at NIS 1.4 billion, including unutilized credit lines.

Following on 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 69 million, and in total, as of May 30, 2016, Delek Group owns 104,088 of its shares.

**Mr. Bartfeld, President and CEO of Delek Group, commented** "The ratification a few days ago, of the Natural Gas Outline by the Israeli Government, is a significant milestone for moving forward in the development of the Leviathan reservoir and the expansion of the Tamar reservoir, which will be accelerated in the very near future. We are working diligently with our partners in the various projects to implement the Outline and carry out the necessary actions accordingly. The coming months will be marked by the completion of the development plans of the reservoirs, as well as the acceleration of negotiations with the countries of the region to sign long-term natural gas supply agreements."

**Continued Mr. Bartfeld,** "We are currently completing the process of moving our headquarters to a new home in the industrial area of Herzliya, and in August we will move this new building, together with the headquarters of our gas partners Delek Drilling and Avner."

## MAIN BUSINESS HIGHLIGHTS

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

	Q1 2016	Q1 2015	FY 2015
Oil and Gas Exploration, and Gas Production Operations	110	67	254
Fuel Operations in Israel	4	15	87
Automotive Operations <sup>2</sup>	36	78	138
<b>Contribution to continuing operations before sold-off operations, discontinued operations and capital and other gains</b>	<b>150</b>	<b>160</b>	<b>479</b>
Insurance and finance operations in Israel (pending sale)	(23)	15	86
Finance expenses & Others <sup>1</sup>	(42)	35	(558)
<b>Net Income (Loss) Attributed to Group's Shareholders</b>	<b>85</b>	<b>210</b>	<b>7</b>

<sup>1</sup>It is noted that the Group's share in the earnings of the Avner Partnership is fully-adjusted, as the investment in the Avner Partnership was previously revalued. Without this adjustment, net profit attributable to Company shareholders would have grown by NIS 18 million. For more information, see Section 6(a) of the financial report. Furthermore, data for the first quarter of 2016 includes the Company's share in the results of Ithaca Energy ("Ithaca"), to the amount of NIS 9 million.

<sup>2</sup>Data for the first quarter of 2016 includes NIS 68 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). The item also includes the results of other operations, unattributed finance expenses, other expenses and tax expenses.

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 2.2 BCM of natural gas in the first quarter of 2016, compared with 2.0 BCM in the same period last year. In addition, Tamar sold 104 thousand barrels of condensate in the first quarter of 2016, compared with 93 thousand in the same period last year.

**Leviathan, a 22 TCF natural gas discovery.** On May 22, 2016, the Israeli Government re-affirmed its decision concerning the Natural Gas Outline, and established an alternative arrangement for a 'stable regulatory regime' to guarantee a regulatory regime that would encourage investment in the natural gas exploration and production sector. In light of this decision, Delek Group Partnerships will continue, together with their partners in the various projects, to implement the Natural Gas Outline (as amended), pursuant to its terms and the terms of the leases. In particular, they will act to continue making the necessary investments and taking the necessary actions for securing rapid development of the Leviathan reservoir and for planning an additional expansion of the production facilities of the Tamar Project.

**Gas Production Summary;** net income from the sector for the first quarter of 2016 was NIS 101 million, an increase compared to a net income of NIS 67 million in the same period in 2015. The growth was mainly due to the increase in the quantities of natural gas as well as condensate, sold from the Tamar project in the quarter, as well as lower amortization costs for the Yam Tethys project.

**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 2016, which is presented based on the equity method, contributed NIS 9 million to the Company's P&L. On the Operations side, Great Stella Area remains on track to start production in September 2016.

## **Downstream Energy Sector Highlights**

**Delek – the Israel Fuel Company Ltd.** (fully held by Delek Group); net income in the first quarter of 2016 amounted to NIS 4 million compared with a net income of NIS 15 million in the same period in 2015. The decrease was due to a decrease in distillate prices, which was partially offset by an increase in sales volumes in the containerization and distribution segments.

## **INSURANCE AND FINANCIAL SERVICES**

The Company is continuing to evaluate options for the sale of its holdings in **Phoenix Holdings Ltd.** Since the beginning of the year, non-binding offers were received from several different entities interested in buying The Phoenix. The Company is studying these offers.

On April 19, 2016, the Group completed the transaction for the sale of its entire holdings (66%) in Republic **Companies Inc.** for NIS 532 million (approximately USD 140 million) to AmTrust Financial Services Inc, after all the approvals were received for completion including the regulatory approvals.

## **DIVIDEND DISTRIBUTION**

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On May 29, 2016, the Board of Directors of Delek Group declared a cash dividend distribution for the first quarter of 2016 in the amount of approximately NIS 80 million (or NIS 6.6758 per share) to shareholders. The ex-date is on June 6, 2016 and the dividend will be paid on June 20, 2016.

## **CONFERENCE CALL DETAILS**

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The Company will be hosting a **conference call in English** on Tuesday, May 31, 2016 at 4.00 PM (Israel Time), 9:00 AM (ET), 2:00 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**

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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)

	1-3/2016	1-3/2015 *)		2015
Revenues	1,289	1,548		6,356
Cost of revenues	821	1,130		4,592
<b>Gross profit</b>	<b>468</b>	<b>418</b>		<b>1,764</b>
Sales, marketing and gas station operating expenses	141	137		557
General and administrative expenses	41	43		180
Other expenses, net	(9)	(6)		(24)
<b>Operating profit</b>	<b>277</b>	<b>232</b>		<b>1,003</b>
Finance income	85	294		455
Finance expenses	261	208		1,244
<b>Profit after financing</b>	<b>101</b>	<b>318</b>		<b>214</b>
Loss from disposal of investments in investees and others, net	-	(4)		2
The Group's share in the profits of associate companies and partnerships, net	46	50		125
<b>Profit before income tax</b>	<b>147</b>	<b>364</b>		<b>341</b>
Income tax (tax benefit)	(122)	84		134
<b>Profit from continuing operations</b>	<b>269</b>	<b>280</b>		<b>207</b>
Loss from discontinued operations, net	(32)	(4)		254
<b>Net profit (loss)</b>	<b>237</b>	<b>276</b>		<b>461</b>
Attributable to -				
Company shareholders	85	210		7
Non-controlling interest	152	66		454
	<b>237</b>	<b>276</b>		<b>461</b>

(\*) Re-classified, see Note 2A1 to the financial statements.