



Delek Group Announces Consolidated Full Year & Fourth Quarter 2017 Results

Tel Aviv, March 28, 2017, Delek Group Ltd. (TASE: DLEKG, US ADR: DGRLY) (hereinafter: "Delek Group" or "The Group") announced today its results for the fourth quarter and full year period ended December 31, 2017.

The full financial statements will be available in English on Delek Group's website at: www.delek-Group.com

2017 HIGHLIGHTS

- **Record net income amounting to NIS 1.2 billion in 2017, compared with NIS 625 million in 2016;**
- **The E&P sector contributed over a billion shekels to the 2017 net income;**
- **Further to achieving FID in Leviathan, the development of Leviathan continued on time and on budget, with first production scheduled for 2019;**
- **Further progress in the Group's strategy towards becoming a pure E&P player achieved through: agreement to sell Phoenix on one hand, and on the other hand, completion of Ithaca's acquisition and investment in Gulf of Mexico oil and gas assets;**

Group revenues in 2017 totaled NIS 6.8 billion compared with NIS 5.8 billion in 2016, the growth due to a number of factors. These include the consolidation of Ithaca's revenue following completion of the full company acquisition, and an increase in Delek Israel's revenue, which was offset by the decrease in the Group's Eastern Mediterranean revenue following the sale of 9.25% of the Group's working interest (WI) holdings in the Tamar project.

Group operating profit in 2017 totaled NIS 2.5 billion, compared with NIS 1.5 billion in 2016. The increase was due to an increased operating profit contribution from the E&P sector, an increase in Delek Israel's operating profit and the consolidation of Ithaca's profit.

Net income in 2017 totaled NIS 1.2 billion compared with NIS 0.6 billion in 2016. The main contributing factor to the improvement was the increased contribution of the E&P segment, including a capital gain for sale from the Group's 9.25% WI in the Tamar project based on a sale valuation of \$12 billion. The Group still holds indirectly 22% of rights which are exercisable until 2021.

The balance sheet continued to strengthen and current **cash balance** as of December 31, 2017 was NIS 2.0 billion, including unutilized credit lines and marketable securities. In 2017, the Company issued debentures by way of expansion of Series 31 and subsequent to the balance sheet date, in February 2018, Series 34. The total proceeds received (after issuance expenses) in respect of the debentures amounted to NIS 1.5 billion, strengthening the Group's financial position and extending the duration of the company debt.

MANAGEMENT COMMENT

Mr. Asaf Bartfeld, President and CEO of Delek Group, commented, "2017 was an excellent year for the Delek Group, which ended with the important announcements we made recently about the signing of a historic export agreement between Israel and Egypt, totaling \$15 billion for a period of ten years as well as the fulfillment of the preconditions for the export agreement with Jordan. In 2018, among other activities, we will push forward with the development of the Leviathan reservoir in preparation for the commencement of the supply of natural gas from the reservoir as early as 2019; we will move forward with the negotiations for the export of gas from the Tamar, Leviathan and Aphrodite reservoirs; and continue with our international energy activity based on existing investments in the North Sea and the Gulf of Mexico."

MAIN BUSINESS HIGHLIGHTS

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

	FY 2017	FY 2016	Q4 2017	Q4 2016
Oil and Gas E&P Operations in Israel and its Surroundings	384	415	109	109
Oil and Gas E&P Operations in the North Sea	20	(3)	(79)	10
Fuel Operations in Israel	100	21	20	(24)
Automotive Operations	63	80	13	30
Contribution to continuing operations before discontinued operations and capital and other gains	567	514	56	125
Profit from Oil and Gas assets sales	839	253	(142)	253
Finance Expenses & Others	(190)	(142)	(122)	(3)
Net Income (Loss) Attributed to Group's Shareholders	1,216	625	(208)	375

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 intention of becoming a key international player in the energy industry with operational capabilities.

Tamar

During 2017, Tamar produced record sales of 9.9 BCM of natural gas, an increase of 5% compared with 9.4 BCM in 2016. In addition, Tamar sold 455 thousand barrels of condensate in 2017, compared with 448 thousand barrels in 2016.

In July 2017, the sale of 9.25% of the Group's holdings in the Tamar reservoir to Tamar Petroleum was completed, resulting in a net profit of NIS 873 million. After the sale of the rights, approximately 22% of the rights in the Tamar reservoir will remain exercisable.

Leviathan Project

In February 2017, the Leviathan partners took a final investment decision (FID) for the development of phase IA, consisting of a production capacity of 1.2 Bcf/d under a total budget of US\$ 3.75 billion, and enabling the start of production by the end of 2019.

Subsequent to the balance sheet date, the Leviathan partners signed a gas export agreement for the sale of 32 BCM for a period of 10 years (amounting to approximately 3.5 BCM per year). The agreement is estimated at \$7.5 billion, joining the large export contract signed by the Leviathan Partners with the Jordanian Electricity Company (NEPCO) in September 2016, as well as additional agreements for the sale of gas to customers in the Israeli economy.

Upon the signing of the agreement, the scope of contracts signed for the supply of gas from the Leviathan reservoir is approaching total production capacity based on Stage 1A of the development plan of the reservoir.

Ithaca Energy

In June 2017, Delek Group completed the acquisition of Ithaca. Ithaca brings Delek Group significant international operational capabilities and firmly establishes the Company's operational arm. Starting from the second quarter of 2017, Ithaca's results were fully consolidated into Delek Group's. Ithaca contributed NIS 20 million to the Company's net income in 2017.

In terms of operational highlights, the start-up of the production from the Great Stella Area hub, commenced in mid-February 2017. Full year 2017 average production for Ithaca was 13,909 Boep/d, compared with 9,310 in 2016, reflecting the Stella ramp up period in the first half of 2017.

Faroe Investment

Delek Group has a ~15% holding in the drilling operator in the North Sea, Faroe Petroleum, a UK company traded on the AIM stock exchange in London under the symbol FPM.L. Since the investment by the Group in 2017, Faroe's share value has risen which reflects, as of today's date, an estimated capital gain relative to the cost of the original investment, of NIS 67 million.

Gulf of Mexico

On January 8, 2018, a fully owned subsidiary of Delek Group finalized an agreement to acquire oil and gas rights with GulfSlope Energy and Texas South Energy, both US OTC listed companies. The oil and gas assets include 12 federal exploration and production rights in the offshore United States portion of the Gulf of Mexico. 9 of these are exploratory prospects, of which 7 are in deeper waters and 2 of which are in shallow waters. The agreement requires for financing 90% of the cost of the 2 initial drillings in the Tau and Canoe prospects for a total amount of up to \$50 million, with addition options to acquire rights in future prospects.

Financial Highlights

The Group's activities in the oil and gas exploration and production sector in Israel and worldwide amounted to a net profit of NIS 404 million in 2017, compared with NIS 413 million in 2016.

The Group announced that it intends to realize its overriding royalties from the Tamar and Dalit reservoirs, in the near future. The royalty rate of the Delek Group and Delek Energy from the Tamar reservoir is currently 6.5%. The realization of the overriding royalty is expected to be done either by transferring the right to royalties from the Company to a special-purpose company, and the listing of that special-purpose company on the Tel Aviv Stock Exchange or alternatively by way of sale to a third party, or by direct sale.

Subsequent to the financial position statement date, on March 13, 2018, the Group issued a specification or a full purchase offer, which is valid subject to purchasing all of the shares proposed for sale, pursuant to Section 336 to the Companies Law, for buying 605,428 ordinary shares in Delek Energy Systems Ltd. ("DES").

Should the purchase offer be completed and the shares be purchased in full, the Group, post-purchase, will hold all voting rights and all of the issued and paid-up share capital in DES, and DES will become a private company which is a debenture company as defined in the Companies Law, in accordance with the terms of the specification. According to the purchase offer specification, the Group has proposed to buy from the offerrees 605,428 ordinary shares in the company in consideration for 605,428 units, each of which is comprised of: (a) 45 registered participation units of NIS 1 par value each, granting a right to participate in the limited partner's rights in Delek Drilling Limited Partnership; (b) 0.85 ordinary shares in the Group; and (c) NIS 636.4 in cash. The deadline for subscribing to the purchase offer is April 10, 2018.

DOWNSTREAM ENERGY SECTOR

Delek – the Israel Fuel Company Ltd. (fully held by Delek Group); net income in 2017 amounted to NIS 100 million compared with a net income of NIS 21 million in 2016. This increase was mainly due to an improvement in gross profit in all Delek Israel's segments in addition to one-time expenses of NIS 80 million in 2016.

OTHER ASSETS

In September 2017, Delek Group and international insurance company Sirius, which operates in the insurance and finance sector in the United States, England, Australia and Hong Kong, signed an agreement regarding the sale of all the Group's holdings in The Phoenix for a total cash consideration of NIS 2.5 billion, plus interest. In the first stage, Sirius acquired 4.9% of Phoenix's share capital from the Group for NIS 208 million in cash.

Sirius completed the Phoenix due diligence examination and informed the Group that it was exercising its option to acquire the balance of the Group's holdings in Phoenix (approximately 47%) for an additional NIS 2.3 billion plus interest, in accordance with the provisions of the agreement of the binding sale between the parties.

CONFERENCE CALL DETAILS

The Company will be hosting a **conference call in English** on Wednesday, March 28, 2017 at 3.30 PM (Israel Time), 8:30 AM (ET), 1:30 PM (UK). To participate in the conference call, please dial:

Israel:	03-918-0664
The USA:	1-888-407-2553
The UK:	0-800-917-5108
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 other assets including downstream energy, water desalination, and finance.

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

CONTACT INFORMATION

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