



Delek Group Announces Consolidated Second Quarter 2018 Results

Tel Aviv, August 30, 2018, Delek Group Ltd. (TASE: DLEKG, US ADR: DGRLY) (hereinafter: "Delek Group" or "The Group") announced today its results for the second quarter period ended June 30, 2018. The full financial statements will be available in English on Delek Group's website at: www.Delek-Group.com

SECOND QUARTER 2018 HIGHLIGHTS

- **Net income amounting to NIS 170 million, compared with NIS 180 million in Q2 2017; the E&P sector contributed NIS 447 million to operating income**
- **The Leviathan project is now 60% complete, and remains on schedule for first gas sales to begin by the end of 2019**
- **Delek Group continues to expand its North Sea presence with Ithaca Energy's full purchase of its partner's stakes in reserves and production platform, while continuing to divest non-core assets such as IDE**

Group revenues in the second quarter of 2018 totaled NIS 2.1 billion compared with NIS 1.6 billion in the second quarter of 2017, and increase approximately 30%. Full consolidation and higher revenues at Ithaca Energy as well as an increase in Delek Israel's revenue contributed to the growth. This was offset by the decrease in the Group's Eastern Mediterranean revenue following the sale of 9.25% of the Group's working interest holdings in the Tamar project.

Group operating profit in the second quarter of 2018 totaled NIS 459 million, compared with NIS 427 million in the second quarter of 2017, reflecting overall operational stability at the various segments of Delek Group operations.

Net income in the second quarter was NIS 170 million compared with NIS 180 million in the second quarter of 2017. The balance sheet continued to strengthen and current **cash balance** as of June 30, 2018 was NIS 2.0 billion, including unutilized credit lines and marketable securities, compared to NIS 1.4 billion at the end of 2017.

MANAGEMENT COMMENT

Mr. Asaf Bartfeld, President and CEO of Delek Group, commented, "Delek Group continued to implement its strategy in expanding the energy business both in Israel and abroad. We look forward to acquiring rights to the EMG pipeline in the near term, which would allow the implementation of the gas export agreement with Egypt, covering volumes of up to 64BCM."

MAIN BUSINESS HIGHLIGHTS

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

	FY 2017	Q2 2017	Q2 2018
Oil and Gas E&P Operations in Israel and its Surroundings	342	119	106
Oil and Gas E&P Operations in the North Sea	20	47	(32)
Fuel Operations in Israel	100	26	27
Automotive Operations	63	18	9
Contribution to continuing operations before discontinued operations and capital and other gains	525	210	110
Profit from Oil and Gas assets sales	881	112	(3)
Finance Expenses & Others	(190)	(142)	63
Net Income (Loss) Attributed to Group's Shareholders	1,216	180	170

*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 & Leviathan

Tamar's gas sales reached a new quarterly record of 2.6BCM during 2Q18, while the development of the Leviathan project is approximately 60% complete. Construction of the production platform continues to progress, and the project remains on budget and on schedule with first gas sales anticipated by the end of 2019. The Ensco DS-7 rig completed drilling the bottom part of the Leviathan 3 well to its final depth, and is currently drilling the bottom part of the Leviathan 7 well to its final depth. Negotiations on the purchase of the EMG pipeline continue; acquisition and reactivation of this pipeline would provide an effective logistics solution for the implementation of the Dolfinus sales agreement to export natural gas to Egypt.

Ithaca Energy

In June 2017, Delek Group completed the acquisition of Ithaca, which is a core component of the Group's strategy to grow its international E&P business. Delek Group began fully consolidating Ithaca's results starting from mid second quarter of 2017, when ownership rose to 100% from 20%. Ithaca contributed NIS 336 million to Delek Group's operating income in the quarter, compared with a NIS 100 million contribution in the second quarter of 2017.

Production during the quarter was 12,800 barrels of oil equivalent per day, lower than the 13,800 bboed seen in the second quarter of 2017. This was caused by almost a month of operational standstill required to connect the Stella floating production facility (FPF) to the Harrier gas field during June 2018. For 1H18, production stood at 15,500 bboed compared to 11,600 bboed in the similar period last year. Fewer days of production as well as the non-cash accounting impact of hedges led to a loss for the quarter.

Ithaca plans to increase exposure to the Greater Stella Area (GSA) in the years to come, connecting new assets to its existing platform. Vorlich is the next field planned to be attached in 2020, with proven and probable reserves of 25 million bboe.

A more immediate implementation of this strategy took place after the end of 2Q18. On August 24, 2018, Ithaca Energy purchased its partners' shares in the Stella FPF and surrounding energy reserves. The deal should close by the end of 2018. With an initial price of USD 190 million, the rescheduling of debt and adjustments for annual cash flow generation result in an upfront cost of USD 130 million, with additional performance-linked payments of USD 28 million. On a pro-forma basis, this acquisition will increase Ithaca's annual 2018 production to 22,000 bboe from 15,000, reduce annual 2018 operating costs to USD18/bboe from USD19/bboe, and add 20 million bboe in reserves.

Gulf of Mexico

Delek Group finalized an agreement in January 2018 to acquire oil and gas assets in the Gulf of Mexico along with GulfSlope Energy and Texas South Energy. Exploration began during August 2018 at the Canoe prospect, at a cost of USD 7.5 million. Initial information from the drilling shows layers of sand have been found with oil, but there has been no announcement of a discovery. The site will be temporarily abandoned pending further analysis of the data, with the platform moving to start drilling at Tau prospect in September 2018.

DOWNSTREAM ENERGY SECTOR

Delek – the Israel Fuel Company Ltd. (fully held by Delek Group); operating profit contribution in the second quarter of 2018 amounted to NIS 42 million compared with NIS 39 million in the second quarter of 2017. On August 22, 2018, Delek Israel purchased the Ashkelon and Sorek electric power stations (fully owned by another Group subsidiary) for NIS 474 million.

OTHER ASSETS

Continuing in efforts to divest non-core assets, Delek Group reached a non-binding agreement on August 21, 2018 to sell 60% of its stake in IDE, implying a valuation of USD 412 million (100%) of this firm.

In addition, the Group has written NIS 103 million off the value of its 22.5% stake in Delek Automotive (TASE: DLEA.TA) during 1H18 due to declines in the share price and profitability of this firm. Finally, following a successful legal appeal, the Group reversed a NIS 170 million reserve taken in 2012-2014 related to the tax treatment of the sale of Delek US shares during that period.

DIVIDEND

On June 28, 2018, the Company's Board of Directors resolved to distribute a dividend of NIS 120 million that was paid to shareholders on July 24, 2018.

CONFERENCE CALL DETAILS

The Company will be hosting a **conference call in English** today on Thursday, August 30, 2018 at 3:30pm (Israel Time), 8:30am (ET), 1:30pm (UK). To participate in the conference call, please dial:

Israel:	03-918-0610
The USA:	1-888-668-9141
The UK:	0-800-917-5108
International:	+972-3-918-0610

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

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 insurance.

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

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