Delek Group Announces Consolidated Results for the Fourth Quarter and Full Year of 2008

March 31, 2009

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TEL AVIV, Israel, March 31, 2009 /PRNewswire-FirstCall via COMTEX/ -- Delek Group Ltd. (TASE: DLEKG) (hereinafter: "Delek Group" or "The Group") announced today its results for the three and twelve month period ending December 31, 2008. The full financial statements will be available in English on Delek Group's website on April 1, 2009 at: http://www.delek-group.com.

Full Year 2008 Highlights

- **Exiting Real Estate sector, distributing holding in Delek Real Estate as a Dividend in Kind; Exit will significantly reduce consolidated debt by 45% to NIS 17 billion**
- **Consolidated revenues up 13% year over year reaching NIS 47.9 billion**
- **Net loss, including non-cash write downs, totalled NIS 1.8 billion, NIS 1.45 billion of which in fourth quarter**
- **Macroeconomic crisis impacted the Group mainly through non-cash asset write-downs in both real-estate sectors as well as insurance and financial service holdings**

On March 31, 2009, the Board of Directors of the Company decided to distribute the shares of Delek Real Estate (TASE: DLKR) held by the Company to the Company's shareholders. This step will significantly reduce Delek Group's consolidated debt by NIS 14 billion. Delek Group shareholder's will receive 8.8 Delek Real Estate shares for each Delek share.

The Company announced that the record date for distribution is April 19, 2009, the ex-date is April 20, 2009 and the payment date is May 3, 2009 (full details included at the end of this press release).

Group revenues for the full year 2008 were NIS 47.9 billion, a 13% growth compared with NIS 42.3 billion in 2007. Revenues for the fourth quarter of 2008 decreased 43% reaching NIS 7.3 billion, compared to NIS 12.8 billion in the same period last year.

Results for Delek Group and its subsidiaries were negatively impacted by the sharp global macroeconomic slowdown and credit crisis, as well as the sharp exchange rate and oil price volatility throughout 2008, and in particular by the intensified financial upheaval in the fourth quarter.

This affected results across many of the Company's holdings. Furthermore, the Company's US based insurance holding (Republic Companies Inc.) was also affected by the three hurricanes which hit certain regions insured by Republic, during the summer months of 2008. These negative impacts throughout the year were partially offset by the strong performance of the energy and infrastructure sectors, and the automotive sector in the first 9 months of the year.

Net loss, which includes a number of one-time items, totaled NIS 1.8 billion for 2008, compared with a net profit of NIS 1.3 billion in 2007. Net loss for the fourth quarter of 2008 totaled NIS 1.4 billion and was the main contributor to the net loss for the year.

The net loss in 2008 and in the fourth quarter, were significantly impacted by a series of events, the majority of which were non-cash and one-time in nature. The one-time effects on the Company's operating profit are detailed in the table below:

	2008	Q4 2008
Real estate segment	1,267	827
Insurance segment	575	338
Impairment of fuel inventory	157	103
Impairment of financial assets	320	155
Write-off of investments in oil drillings found to be dry	74	28
Expenses in respect of reorganization at Delek Europe	80	80
Write-down of goodwill	40	40

Mr. Gabriel Last, Chairman of Delek Group, commented, "Our diversified portfolio over a variety of different sectors and regions, enables us to partially offset the unprecedented global economic and financial upheavals. Our energy and infrastructure sectors have shown strong performance, the most prominent being the recent very significant natural gas field discovery off the coast of Israel, with initial substantial revenue potential expected to already contribute in 2012. Furthermore, earlier this week, we received initial positive results on a second local drilling, showing the existence of additional natural gas. Our automotive sector also performed well throughout 2008, though suffered from the macro-environment towards the end of the year. This holding still has substantial untapped potential and remains the market leader in certain major vehicle categories. While our financial services and insurance business are being strongly affected by the slowdown, the Group's diversity, focus on efficiencies, as well as our robust financial basis, will enable us to emerge the crisis an improved company and primed for growth."

Mr. Asaf Bartfeld, CEO of Delek Group added, "In the short term, we are focusing on carefully managing our balance sheet, building up our cash levels, which now stand at approximately NIS 600 million with debt maturity well spread over a number of years, allowing us to continue to meet all of our financial obligations. Furthermore, we recently signed a refinancing agreement through two wholly owned subsidiaries; Delek Investments and Delek Petroleum for approximately NIS 300 million, shifting the debt maturity from 2009 to between 2010 and 2012."

Continued Mr. Bartfeld, "Looking ahead, in 2009 we already see some improvements in the business environment. Our long-tenured management teams, whom have successfully managed our globally diverse portfolio through prior cyclical economic troughs, serve as a key asset in the current crisis. We continue to adjust and refine our growth strategy as the macro-environment evolves to remain ahead of developments, while remaining steadfastly committed to building and maximizing long-term value for all our shareholders. Our stable financial standing, the recent natural gas finds, the diversity of our operation and our efficiency measures, will ensure we continue to grow and develop the Group."

Main Business Highlights for the Full Year and Fourth Quarter
Contribution of Principal Operations to Net Profit* (NIS millions)

	Q1/08	Q2/08	Q3/08	Q4/08	2008	2007
US Fuel Sector Operations	1	45	27	(73)	-	353
Israeli Fuel Sector Operations	23	31	31	(20)	65	138
Capital Gains on Sale of Amisragas	-	-	-	-	-	86
Delek Europe	11	42	10	(21)	42	31
Delek Europe Reorganization Expense	-	-	-	(81)	(81)	-
Oil and Gas Exploration	33	(14)	40	6	65	90
Oil Exploration Expenses	(26)	(13)	(7)	(28)	(74)	(58)
Automotive Operations	85	105	110	(12)	288	245
Insurance and Finance Operations	37	(76)	(198)	(326)	(563)	178
Reduction in value of financial derivatives	(13)	(20)	(95)	(67)	(195)	-
Capital Gains & Others	13	(11)	(102)	10	(89)	24
Net Income attributed to shareholders excluding Real Estate Operations	164	89	(184)	(612)	(542)	1,097
Real Estate Operations	30	(42)	(428)	(827)	(1,267)	210
Net Income	194	47	(612)	(1,439)	(1,809)	1,297

* This table has been extracted from Delek Group's Fourth Quarter 2008 Directors Report. Please review the full report available on the Group's website http://www.delek-group.com to view the notes for each of the items above. Please note that 2007 results are restated according to IFRS accounting principles.

Energy Sector

Delek US (NYSE: DK; Delek Group holds 73% end-Q4 2008): Net income for the year ending December 31, 2008 was NIS 3 million compared with NIS 456 million in the same period last year.

It should also be noted that for the purpose of Delek Group's financial statements, the income statements of Delek US are converted from US GAAP to IFRS accounting, and translated from US dollars into Israeli shekel at the average exchange rates for each period. The conversion and translation caused a negative impact on the Delek US results as it appears in the Delek Group income statement. The average exchange rate in the period ended December 31, 2008 was NIS/US$ of 3.5, significantly lower than the average exchange rate in 2007 of NIS/US$ of 4.1, constituting a decline of

Results were positively affected by a rise in profitability from retail sales of fuels during the year, which was partially offset by a decline in sales as a result of a shortage of fuels in the period after the hurricane season. In addition, the considerable decrease in refining margins in 2008 and an increase in the operating expenses due to a general rise in prices of natural gas, which is a source of energy for the refineries, negatively affected the results.

The Delek US Tyler refinery has been offline since a fire in November 2008, but is on target to resume operations in May 2009. It is important to note that Delek US is covered by business interruption insurance which went into effect on January 4, 2009. The proceeds received from the business interruption claim will recognize current market conditions, thereby allowing Delek US to benefit from the favourable contango crude oil market structure and improved Gulf Coast crack spread that the refinery would have enjoyed during January and February had the refinery been online. At the same time, Delek US intends to proceed with a series of capital projects at Tyler during the offline period, which will improve the refinery's ability to process crude at greater efficiency.

Delek - the Israel Fuel Company Ltd. (TASE: DLKIS; Delek Group holds 86% end-Q4 2008): Net income for 2008 was NIS 58 million compared with

NIS 265 million in the same period last year. In the third quarter of last year, Delek Israel had a non-recurring capital gain of approximately NIS 91 million from the sale of 39% in Amisragaz.

Revenue, gross and operating profit were higher in 2008 and were driven by improved operating efficiencies, an increase in volume of sales, an increase in the contribution of the convenience store chain and the inclusion of the production and storage operations acquired August 2007.

However, these increases were partially offset in the last quarter of 2008, due to a sharp decrease in fourth quarter fuel prices. This affected gross and operating margins due to steep inventory losses in the fourth quarter compared with an inventory profit last year.

Delek Benelux was established in August 2007 following the acquisition of 869 gas stations in the Benelux region. Net loss for 2008 was EUR9 million, compared with net profit of EUR5 million for 2007.

Delek Benelux's results were affected by the economic downturn that led to a reduction in sales, in addition to heavy inventory losses in the fourth quarter due to the sharp fall in oil prices.

The company also took the decision to streamline processes in the fourth quarter, and relocated offices from their present locations in Rotterdam and Brussels, merging them into one headquarter in the Dutch city of Breda. As a result, in the fourth quarter of 2008 the Company made a material provision of approximately EUR16 million.

The Oil and Gas Exploration, and Gas Production sector, generated a net loss of NIS 9 million in 2008, compared to a net income of NIS 32 million in 2007. The loss in the year was primarily due to the abandonment of drills in the North Sea and Vietnam. However, revenue increased 31% year-over-year from the sale of gas in Israel, amounting to NIS 460 million, selling 3.5 billion cubic meters of natural gas.

Delek Group is proud to announce that in early February 2009, it confirmed the discovery of a very large and commercially viable natural gas well called Tamar-1 in the Matan license area, off the Northern Coast of Israel. The Tamar natural gas discovery has potential gross mean resources of 142 billion cubic meters. Work on the Tamar development plan is currently in its initial stages, and is intended to bring first production to Israel in 2012.

In addition, natural gas was also discovered at the Dalit-1 well in the Michal license area, and production testing will soon commence to establish the commercial viability of the well, which is estimated at 20 billion cubic meters. The additional discovery at Dalit enhances the exploration potential which exists within the extensive offshore area owned by the company. Thus, the Company is currently contemplating further exploration activity in the area, including conduction of 3D seismic surveys.

Infrastructure

2008 was an eventful year for Delek Group's infrastructure strategy, with a focus on water desalination and power plant construction.

IDE, which is 50% (indirectly) held by Delek Group, is a world leading manufacturer and operator of desalination facilities, industrial evaporator centres and heat pumps, and operates. IDE won a tender in May to supply three desalination plants for an Asian customer and signed a contract to establish a desalination plant in July for an industrial client in Australia. In addition, IDE won a tender to extend its desalination project in Hadera (Northern Israel).

IPP Ashkelon, based in the South of Israel, is Israel's first independent power producer, that operates on natural gas. During 2008 the plant began working at full capacity and Delek signed two additional agreements to establish private cogeneration plants. Outside of Israel, Delek has expanded into the Brazilian power plant market.

Insurance and Financial Services

The activities of the finance segment are primarily conducted through two insurance companies; Israeli insurance company, Phoenix Holdings Ltd. (TASE: PHOE) of which Delek holds 55% and majority owned general US insurer, Republic Companies, Inc.

The insurance and financial services sector contributed a loss of NIS 563 million to the Group's net loss in 2008, compared to a net income of NIS 178 million in 2007. The results of the Israeli insurer Phoenix were negatively affected mainly by the volatile global and substantially weakening capital markets, particularly towards the end of the year. However, Phoenix results were positively affected by a 12% income growth in the health insurance operation. In the US insurance business three major hurricanes hit the region of Texas and Louisiana, in the third quarter, leading to a significant impact on the results of Republic that is based in the region.

Real Estate Operations

Delek Real Estate (TASE: DLKR; Delek Group holds 79% end-Q4). As mentioned, Delek Group's Board of Directors decided to distribute all or part of the Delek Real Estate's shares it shareholders.

Delek Real Estate's net loss for 2008 reached NIS 1.6 billion, compared with a net profit of NIS 308 million in 2007. A number of factors contributed to the net loss, but the main cause was a decrease in the value of the assets due to negative market conditions in real estate globally, as well as the decrease in value of financial derivatives, the increase in the Consumer Price Index in Israel compared with last year, and the write-down of goodwill.

Automotive Operations

Delek Automotive Systems Ltd. (TASE: DLEA; Delek Group holds 54% end-Q4): Delek Automotive maintains a 22% market share in the Israeli automobile market through the exclusive import and distribution of the Mazda and Ford brands.

Delek Automotive Systems' completed a record year with 2008 net income totalling NIS 504 million, a 19% increase compared with NIS 425 million in 2007. The increase in net income was driven mainly by the strong growth in sales of new cars in Israel through most of 2008.

In the fourth quarter, the number of cards sold dropped significantly due to a number of local factors, including a general belief that prices would fall in 2009 which delayed purchasing decisions. In addition, other external factors affecting Delek Automotives results included the strengthening of the Japanese Yen by 30% versus the Israeli shekel.

Details of Distribution of Delek Real Estate as Dividend in Kind

Following the immediate report published by the Company on 29 October 2008, with regard to distribution of part or all of the Company's holdings of Delek Real Estate Ltd. (hereinafter: "Delek Real Estate") to its shareholders (hereinafter: "the distribution") the Company announces, as follows:

1. The company will distribute its shares in Delek Real Estate to shareholders of the Company, in a manner that each owner shares in the company will receive approximately 8.8 Delek Real Estate Shares for each share of the Company held.

2. The record date is April 19, 2009; the ex-date is April 20, 2009; the date of payment (i.e., the actual distribution of the shares) is set for May 3, 2009.

3. The company will deduct tax at source from the shareholders of the Company which are liable for paying taxes on dividends as a result of the distribution (including individuals, partnerships and family owned Companies, as determined in section 64 A of the Income Tax code). The deduction at source will be executed by reducing the amount of shares distributed to those shareholders.

4. The level of earnings of the Company before the distribution, on December 31, 2008 is NIS 1,044 million and following the division will be approximately NIS 400 million (which will be adjusted based on shareholders' equity as of March 31, 2009).

Conference Call Details

The Company will be hosting a **conference call in English** on **Wednesday, April 1st, 2009** at **9:00am EDT, 2:00pm UK time and 4:00pm Israel time**. On the call, CEO Asaf Bartfeld, CFO Barak Mashraki and Head of Investor Relations, Dalia Black, will review and discuss the results, and will be available to answer your questions.

To participate, please call one of the following teleconferencing numbers: US: 1-888-723-3164, UK: 0-808-101-2717 and Israel: 03-918-0685.

About The Delek Group

The Delek Group is one of the leading and most prominent and dynamic investment groups in Israel. The Delek Group is diversified into the following three major subsidiaries:

- Delek Petroleum, with its two subsidiaries: Delek Israel, a gasoline and lubricants distributor in Israel, and Delek USA (NYSE), which operates gas stations and convenience stores and an oil refinery in Southern United States.
- Delek Investments and Properties, a holding company with subsidiaries in the energy, infrastructure, automotive, finance and media sectors.
- Delek Real Estate, through its subsidiaries Dankner and Delek Belron Investments, owns and manages prime global real-estate investments.

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