



Delek Group

## Delek Group Announces Consolidated Results for 2006

March 28, 2007

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Tel Aviv, March 28, 2007 - Delek Group Ltd. (TASE: DLEKG) (hereinafter: "Delek Group" or "The Group") today reported its results for the year ended December 31, 2006. The financial statements are available on Delek Group's website at: [www.delek-group.com](http://www.delek-group.com)

### 2006 Main Highlights

- **143% increase in net income, reaching NIS 1.5 billion**
- **Annual Return on Equity (RoE) of 66%**
- **Capital gains of approx. NIS 700 million due to Initial Public Offerings and private placements in portfolio companies**
- **Expanded Group focus into Financial Services acquiring control of two insurance companies - Phoenix Holdings Ltd., based in Israel and Republic Companies Group Inc. based in USA**
- **Dividend payment of NIS 100 million declared for Q4 2006, totalling NIS 586 million for the year**

**Mr. Asaf Bartfeld, CEO of Delek Group commented,** "2006 was a tremendous year for the company in terms of enhancing and creating value within the Group, both in the domestic and international capital markets. During 2006, Delek USA went public on the NYSE in a successful IPO, and our subsidiaries Delek Real Estate, Delek Automotive and Phoenix Holdings completed private placements. In addition, nearly all of our assets generated healthy financial performance in 2006 and showed strong growth in profit over 2005."

**Mr. Alan Gelman, CFO and Deputy CEO of Delek Group added,** "This year we leveraged our strong business and financial performance to raise NIS 1.6 billion from the local capital market. These funds further increase our financial strength and will go towards enhancing the group and identifying complementary growth drivers in 2007 and beyond."

**Mr. Bartfeld concluded,** "We entered 2007 with strong growth prospects in our three strategic areas of activities; Energy, Real Estate, and Financial Services for which 2007 will be our first full year of operation. Looking ahead, we will continue to work closely with our Group companies to further promote business and shareholder value, while seeking new directions for growth, leveraging on our strong experience and underlying assets."

### Financial results

Net income for the year increased 143% totalling NIS 1,513 million, compared to NIS 622 million in 2005.

The strong increase in net income resulted primarily from substantial capital gains amounting to approximately NIS 700 million recorded in 2006, compared to NIS 130 million in 2005. The majority of capital gains were from the Initial Public Offering of Delek USA on the New York Stock Exchange, which contributed a capital gain of NIS 443 million.

Other major contributors to the increase in Group net income include the Oil and Gas Exploration and Production, Real Estate and Insurance operations'.

### Contribution of Principal Operations to Net Profit\* (NIS millions)

	2004	2005	2006
Delek USA Operations	20	310	337
Israeli Fuel Sector Operations	-11	-15	25

Oil and Gas Exploration and Production Operations	35	-1	108
Automotive Operations	163	189	151
Real Estate Operations	119	100	235
Biochemical Operations	60	31	21
Insurance Operations	-	4	109
Telecommunications Operations	-26	-57	-43
Capital Gains & Others*	43	61	570
<b>Net Income</b>	<b>403</b>	<b>622</b>	<b>1,513</b>

\* This item includes in addition to capital gains, unallocated financing expenses and results of other infrastructure and investments operations.

This table has been extracted from Delek Group's full year 2006 Directors Report. Please review the full report is available on the Group's website [www.delek-group.com](http://www.delek-group.com) to view the notes for each of the items above.

#### Capital Raising Activities

During 2006, the Delek Group (not including its subsidiaries) raised NIS 1,568 million in debentures issued to local institutional investors. The long-term debentures have maturities between the years 2015 - 2018. During 2006, NIS 270 million of convertible debentures and options were converted into the Group's shares leading to an increase in Shareholder's Equity and a reduction in consolidated net debt.

#### Main Business Highlights

##### Energy & Infrastructure

**Delek USA:** On May 9, 2006, Delek USA (NYSE: DK) completed a public offering and listed its shares for trading on the New York Stock Exchange. Net proceeds of the IPO amounted to \$172 million and, following the offering, the Group's holdings in Delek USA totalled 77.4%.

During the year 2006, Delek USA established a new wholesale marketing business segment and completed two significant capital projects at the Texas oil refinery. In addition during the fourth quarter of 2006, Delek USA expanded its retail business through the acquisition of 43 gas stations and convenience stores in South-Eastern Tennessee and Northern Georgia from Fast Petroleum. Net income for 2006 totalled NIS 418 million, a 35% increase compared to NIS 310 million in 2005. The increase in net income follows a 47% increase in revenues and a 10% increase in Delek USA's operating margins. Taking into consideration the reduction in the Group's holding during Q2 2006 to 77.4%, Delek USA contributed NIS 337 million to the net profits of the Group in 2006 as compared to NIS 310 million in 2005.

**Israeli Fuel Sector Operations:** Delek – the Israel Fuel Company Ltd., a wholly owned subsidiary of the Delek Group, contributed NIS 25 million to the net profits of the Group in 2006, compared with a net loss of NIS 15 million in 2005. This increase in contribution resulted primarily from improved profitability on fuel sales, and lower operating expenses.

**Oil and Gas Exploration and Production Operations:** The Oil and Gas Exploration and Production sector contributed NIS 108 million to the net profits of the Group in 2006, compared to a net loss of NIS 1 million in 2005. This was mainly due to the increase in supply of natural gas from the Yam Tethys reservoir, based off the Israeli coast, to the Israeli Electricity Company and revenue from the additional SPOT contract signed with the Israeli Electricity Company.

##### Real Estate Operations

The Group holds 67.9% of Delek Real Estate (TASE: DLKR). In January 2006, Delek Real Estate completed a private placement in Israel to a wholly owned subsidiary of Bank Hapoalim, raising NIS 260 million for 11% of the company. In December 2006, Delek Real Estate raised an additional NIS 216 million from other investors for 5% of the company. The Group recorded a total capital gain of NIS 185 million on the two transactions. Delek Real Estate's net income for 2006 totalled NIS 330 million, a 73% increase compared to NIS 121 million in the previous year. 2006 results include a revaluation of several of the investee company's properties to NIS 425 million amounting to an increase of NIS 352 million compared to NIS 73 million in 2005. The real estate sector contributed NIS 235 million to the net profits of the Group in 2006, a 135% increase compared to NIS 100 million in 2005.

##### Insurance and Financial Services

The Group conducts its Financial Services segment through two insurance companies; the Israeli insurance company, Phoenix Holdings Ltd. (TASE: PHOE), and the general US insurer, Republic Companies Group Inc. The insurance sector contributed NIS 109 million to the Group's net income in

2006, compared to NIS 4 million in 2005. The increase in net income contribution primarily from the broadening of the Group's investment in the insurance sector in 2006 with the acquisition of 100% of Republic Companies Group and acquisition of control in Phoenix Holdings (55.5%) in December 2006.

#### **Automotive Operations**

The Group holds 55.5% of Delek Automotive Systems Ltd. (TASE: DLEA). In January, 2006, Delek Automotive sold 10% of the company's outstanding shares to its CEO for NIS 255 million. The Group recorded a capital gain of NIS 59 million on the sale. Delek Automotive Systems' net income for 2006 totalled NIS 273 million, compared to NIS 309 million in 2005 (included a one off capital gain from the sale of an equity investment in the amount of NIS 46 million). The Automotive Sector contributed NIS 151 million to the net profits of the Group in 2006, compared to NIS 189 million in 2005.

#### **Biochemical Operations**

The Group holds 64.1% of Gadot Biochemical Industries Ltd. (TASE: GDBC). Gadot's net income for 2006 totalled NIS 32 million, compared to NIS 47 million in 2005. The Biochemical sector contributed NIS 21 million to the Group's net income in 2006, compared to NIS 31 million in 2005. The reduction in net income is attributed to a slow down in sales in the fourth quarter, an increase in the cost of raw materials and an increase in financial expenses.

#### **HOT – Cable Communication Systems Ltd. (formerly Matav)**

On December 31, 2006 the three way merger between Israel's three cable operators came into effect. Following the merger, the Group holds 16% in the newly merged entity. The sector contributed a loss of NIS 43 million to the Group's net income in 2006, compared to approximately NIS 57 million net loss in 2005. This improvement stems from an increase in gross profit to NIS 84 million in 2006 from NIS 48 million in 2005 that was driven mainly by the increase in revenues from content on demand.

Other Investments; **Water Desalination** - The Group holds 50% of IDE Technologies Ltd., that engineers and sells water desalination equipment. IDE's net income for 2006 increased by 67% to NIS 40 million compared to NIS 24 million in 2005.

#### **Dividend Distribution**

On March 28th, 2007, the Board of Directors of Delek Group declared a cash dividend distribution for the fourth quarter of 2006 to the amount of NIS 100 million (NIS 8.57 per share). This sum is in addition to the NIS 486 million declared for the first three quarters of 2006, bringing the total amount for 2006 to NIS 586 million.

The dividend record date is April 16, 2007 and the ex-date is April 17, 2006. The dividend will be paid on May 1, 2007.

#### **Community Contribution**

**Mr. Gabriel Last, Chairman of Board of Directors** of Delek Group and Chairman of the Delek Foundation, commented "the Company met and surpassed all of its strategic and business goals" in addition he announced that the Group donated NIS 3.2 million in 2006 to community related charitable causes. He further commented that the Board of Directors had decided to establish a NIS 18 million fund to provide soldiers who have finished active duty with educational subsidies.

#### **Conference Call Details**

The Company will be hosting a conference call today, March 28, 2007, at 11:00am EDT. On the call, management will review and discuss the results and will be available to answer investor questions. To participate, please call one of the following teleconferencing numbers. Please begin placing your calls at least 5 minutes before the conference call commences. If you are unable to connect using the toll-free numbers, please try the international dial-in number.

**US Dial-in Number: 1 888 281 1167**  
**UK Dial-in Number: 0 800 917 9141**  
**ISRAEL Dial-in Number: 03 918 0688**  
**INTERNATIONAL Dial-in Number: +972 3 918 0688**

at:

**11:00am Eastern Time, 8:00am Pacific Time, 4:00pm UK Time, 5:00pm Israel Time**

#### **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.

#### **Contact**

**Dalia Black**

**Ehud Helft / Kenny Green / Fiona Darmon**

Head of Investor Relations  
Delek Group  
Tel: +972 9 863 8444  
Email: [black\\_d@delek.co.il](mailto:black_d@delek.co.il)

International Investor Relations  
GK Investor Relations  
Tel: (US) 1 866 704 6710 / (UK) 0871 474 1218  
E-mail: [info@gkir.com](mailto:info@gkir.com)