Delek Group Announces Consolidated Results for the First Quarter of 2014

Tel Aviv, May 29, 2014, Delek Group Ltd. (TASE: DLEKG, OTCQX: DGRLY) (hereinafter: "Delek Group" or "The Group") announced today its results for the three month period ending March 31, 2014. The full financial statements are available in English on Delek Group's website at: www.delek-group.com.

FIRST QUARTER 2014 HIGHLIGHTS

- **Delek Group continued to complete a number of strategic steps to increase focus on its E&P assets; signed an agreement to sell control of Republic Insurance Companies; signed a binding MOU for the sale of Delek Europe BV; reduced its holdings in Delek US**
- **Total proceeds from the sale of Delek US shares was NIS 1.1 billion; holdings reduced to 7.5% of the share capital**
- **Net income, excluding amortization due to assets in the process of being sold, would have reached approximately NIS 111 million;**

Group revenues for the first quarter of 2014 were approximately NIS 9 billion, similar to the same period last year.

Operating profit were NIS 375 million in the first quarter of 2014 compared with NIS 463 million last year, mainly due to a reduction in the operating profit from the insurance segment in Israel which was partially offset by an increased operational profit in the E&P sector.

Net Loss for the first quarter of 2014 totaled NIS 195 million, compared with a net income of NIS 53 million in the first quarter of 2013. The reduction was due to the write-downs to the values of various holdings on the balance sheet, which the Company intends to or is forced to divest of in the near future. In line with IFRS, following the sale of Delek US shares, the agreements with regard to the sale of Delek Europe and Republic Insurance Companies, as well as the effects of the provisions of the Market Concentration Law's (concerning the separation of significant non-financial holdings and significant financial entities which will affect the Company's holdings in Phoenix), NIS 306 million was written down, thereby reducing the net profit. The net income excluding the amortization impact, reaches NIS 111 million compared to NIS 56 million for the same period last year.

Cash balance at the Delek Group correct as of 29th May 2014 stands at NIS 2.3 billion (including unutilized credit lines)

Key data on net profit adjusted for accounting write-downs included in the results for the first quarter of 2014 (NIS millions):

Loss attributable to Company shareholders	**(195)**
Adjustments to net profit attributable to Company shareholders:	
Impairment of the investment in Delek USA, net	176
Impairment of goodwill in The Phoenix	50
Impairment of goodwill in Republic	60
Others	20
Net profit attributable to Company shareholders before accounting write-downs	**111**

Commented Mr. Bartfeld, CEO of Delek Group, "Our strategic vision of the Group of focusing our efforts on oil & gas exploration and production is clear and now has become even more substantially visible. The first quarter of this year has brought to realization a number of strategic moves that we have been working on for some time. We entered into an agreement to sell our holdings in Republic Companies Inc. and signed an MOU to sell Delek Europe BV. In light of the Market Concentration Law's provisions and in line with our overall strategy, we also intend to divest out of our holdings in the Israeli Insurance company, Phoenix Holdings. Furthermore, since the beginning of the year, we have sold an additional 23% in shares of Delek US, receiving total proceeds of NIS 1.4 billion which will be used to reduce the Company's financial leverage."

Mr Bartfeld continued, "We have made significant progress with regard to our world class discovery, the Leviathan field, both in terms of regulatory matters and with regard to the marketing of natural gas via pipeline to other regional markets. We are aiming to sanction Phase I by the end of this year. We have also refinanced the Tamar project, having raised $2bn of debt through a 144A bond offering which was significantly over subscribed."

MAIN BUSINESS HIGHLIGHTS

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

	Q1 2014	Q1 2013	FY 2013
Oil and Gas Exploration, and Gas Production Operations	38	(5)	70
Fuel Operations in Delek Europe	(29)	-	14
Fuel Operations in Israel	40	1	34
Motorway Service Area Operations in the UK	(22)	(21)	(2)
Insurance and Finance Operations in Israel	94	144	368
Oversees Insurance Operations	30	37	65
Fuel Operations in the US	10	138	194
Automotive Operations	30	51	125
Capital Gains & Others	(386)	(289)	(128)
Net Income Attributed Group's Shareholders	**(195)**	**53**	**740**

* Restated, see Note 2d financial statements.
Parts of the above table have been extracted from Delek Group's First Quarter 2014 Directors Report.
Please review the full report available on the Group's website www.delek-group.com to view the notes for each of the items above.

ENERGY & INFRASTRUCTURE

OIL AND GAS EXPLORATION SECTOR HIGHLIGHTS

***Tamar Project,* 11 TCF natural gas discoveries (Tamar and Tamar South West) off the coast of Israel** together with Yam Tethys produced 1.7 BCM in the first quarter of 2014.

On May 7, 2014, The Tamar partners including the Company's gas subsidiaries signed a non-binding letter of intent with Union Fenosa Gas SA to begin negotiations on the signing of a binding agreement for the supply of natural gas to its existing liquefaction facilities within a period of six month. The supply period as stipulated in the LOI is for 15 years, to supply 4.5 BCM a year and the price includes a floor rate and will be linked to Brent.

In parallel, on May 19, 2014, the gas partnerships successfully refinanced the Tamar loan agreement and raised $2bn of bonds in 5 series of $400 million each, each set under a different period under various fixed rates, blended interest rate was 4.31%. The issuance was significantly over subscribed with $13.5 billion in bids received from investors to purchase the $2bn in bonds.

Leviathan,* a 19 TCF natural gas discovery off the Northern coast of Israel*; there has been significant progress with regard to the development of Phase I of the project that will have an expected maximum annual quantity of 16 BCM, both in terms of regulatory matters and with regard to the marketing of natural gas via pipeline to the regional markets. In addition, the partners in the Leviathan project continue to promote the project in accordance with the planned schedule.

On April 16, a proposal was submitted by Delek Group's gas partnerships for the supply of natural gas through pipeline from the Leviathan reservoir in a tender published by the Government of Cyprus. The tender is for the supply of natural gas in the amount of between 0.7 BCM to 0.95 BCM per year.

Negotiations between the Leviathan partners and Woodside concluded. Given the changes over the past two years since negotiations commenced with Woodside, particularly with regard to the growth in regional markets for oil and gas, which are accessible through pipeline, the need for Liquefied Natural Gas (LNG) was pushed into a later phase of the development of Leviathan versus earlier plans.

Gas Production Summary. Net income from the sector for the first quarter of 2014 was NIS 38 million, an increase compared to a net loss of NIS 5 million in the same period in 2013. The growth was mainly due to the increase in revenues from the Tamar project and in total, gas production reached 1.7BCM in Q1 2014.

DOWNSTREAM ENERGY SECTOR HIGHLIGHTS

Delek – the Israel Fuel Company Ltd. (fully held by Delek Group); Contribution to net income in the first quarter of 2014 amounted to NIS 28 million compared with a loss of NIS 2 million in the same period last year. The increase was primarily due to a one-off gain from the sales of the Delek Israel's holdings in its subsidiary, Delek Pi Glilot terminal facilities.

Delek Europe (Delek Group holds 100% indirectly); Loss in the first quarter of 2014 was NIS 29 million, compared with approximately breakeven in the same period last year. The decline was due to a decrease in the number of litres of gasoline sold, which was partially offset by an increase in sales of convenience stores. Also the decline was due to higher inventory losses during the reporting period compared with a lower inventory loss last year.

On April 16, 2014, a binding memorandum of understanding was signed to sell the Delek Europe Holdings Ltd., holdings in Delek Europe BV for the amount of € 355 million (NIS 1.7 billion). The parties are currently in advanced negotiations.

Roadchef (fully held by Delek Group); Net loss was NIS 22 million in the first quarter of 2014, at around the same level when compared with a loss of NIS 21 million in the first quarter of last year. Roadchef continues with the development plan to renovate motorway stations, establishing a chain of fast food “McDonalds” restaurants at those sites. The site development plan is an important component of future growth plans for Roadchef.

Delek US (NYSE: DK; Delek Group holds 25.4% end-Q1 2014): Net income in the first quarter of 2014 was NIS 71 million compared with a net profit of NIS 261 million in the same period in 2013. The decline in profitability was due to the decrease in Gold Coast crack spreads 5-3-2. Also the activity was affected by the price of oil originating in Midland Texas (WTI) that traded at a discount of approximately $3.54 per barrel in the first quarter of 2014 compared with a discount of $7.80 in the same period of last year.

Since the beginning of the year, the Group has sold approximately 23% of its holding in Delek US, a cash input of approximately NIS 1.4 billion. Today, the Company owns approximately 7.5% of the shares of Delek U.S.

INSURANCE AND FINANCIAL SERVICES

The activities of this segment are conducted through two insurance companies; Israeli insurance company, Phoenix Holdings Ltd. (TASE: PHOE) of which Delek Group holds 52% and general US insurer, Republic Companies, Inc. a wholly owned subsidiary.

Phoenix reported a net income of NIS 186 million in the first quarter of 2014, compared to NIS 262 million in the same period last year. During the first quarter of last year, Phoenix recorded one off pre-tax gain of NIS 72 million following a cut-off agreement and the signing of a new reinsurance contract with another reinsurer.

Republic reported a net loss amounting to US$ 8 million in the first quarter of 2014, compared with a net profit of US$ 10 million in the same period in 2013. The current quarter's loss was due to the impairment of goodwill to the amount of $ 17 million which was determined based on the value of Republic as reflected in the agreement signed with a group of US investors for the sale of control of 55% of Republic's share capital. Excluding the impairment, the current quarter net profit would have amounted to approximately US $ 9 million.

CONFERENCE CALL DETAILS

The Company will be hosting a **conference call in English** on Monday June 2, 2014. Management will also 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: 1 888 668 9141
UK Dial-in Number: 0 800 917 5108
ISRAEL Dial-in Number: 03 918 0610
INTERNATIONAL Dial-in Number: +972 3 918 0610
At:
8:30am Eastern Time, 1:30pm UK Time, 3:30pm Israel Time

On the call, Chairman Gabriel Last, CEO Asaf Bartfeld and CFO Barak Mashraki will review and discuss the results, and will be available to answer your questions.

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 38 TCF.

In addition, Delek Group has a number of assets in downstream energy, in water desalination, and in the finance sector. In 2013, the Company's revenues were NIS 38 billion ($11 billion). Delek Group's shares are traded on the Tel Aviv Stock Exchange (TASE: DLEKG) and holds a ADR program (OTCQX: DGRLY). Delek Group is part of the Tel Aviv 25 Index.

For more information on Delek Group please visit www.delek-group.com.

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Delek Group Income Statement (NIS Millions)

	Q1 2014	Q1 2013		FY 2013
Revenues	8,939	9,118		38,455
Cost of revenues	7,181	7,415		31,304
Gross profit	**1,758**	**1,703**		**7,151**
Sales, marketing and gas station operating expenses	869	865		3,653
General and administrative expenses	393	362		1,551
Other expenses, net	121	13		201
Operating profit	**375**	**463**		**1,746**
Finance income	78	30		124
Finance expenses	311	309		1,539
Profit after financing	**142**	**184**		**331**
Gains (loss) from disposal of investments in investees and others, net	(24)	-		(8)
Group's share in earnings (loss) of associate companies and partnerships, net	(163)	139		437
Profit before income tax	**(45)**	**323**		**760**
Income tax	27	141		501
Profit from continuing operations	**(72)**	**182**		**259**
Profit from discontinued operations, net	-	117		1,076
Net profit (loss)	**(72)**	**299**		**1,335**
Attributable to -				
Company shareholders	(195)	56		740
Non-controlling interest	123	243		595
	(72)	**299**		**1,335**

The notes are an integral part of the financial statement and can be found at www.delek-group.com