



## Delek Group Announces Consolidated Results for the First Quarter of 2011

Tel Aviv, May 31, 2011, 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, 2011. The full financial statements will be available in English on Delek Group's website at: [www.delek-group.com](http://www.delek-group.com).

### FIRST QUARTER 2011 HIGHLIGHTS

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- First quarter net income of NIS 210 million compared with net income of NIS 205 million in the first quarter of last year;
- First quarter operating profit grew to NIS 579 million, a 113% increase compared with NIS 280 million in the first quarter of last year
- Delek Group distributed a dividend of NIS 105 million in the quarter;
- Completed purchase of remaining shares of Roadchef and Delek US acquired control of Lion Oil following quarter-end;
- Recorded a capital gain of NIS 177 million from the sale of 1.2% of the shares in Noble Energy out of a total holding of 2.7% of Noble Energy.

**Group revenues** for the first quarter of 2011 were NIS 13.1 billion, a 27% increase compared with NIS 10.3 billion in the first quarter of 2010. The increase was primarily due to the contribution from the downstream energy assets; Delek Europe, Delek Israel and Delek US. The revenues in the quarter do not include the contribution of the automotive holdings which has ceased to be consolidated following the sale of the Company's majority stake at the end of last year.

**Net income** for the first quarter of 2011 totaled NIS 210 million, compared with a net income of NIS 205 million in the first quarter of 2010. Net income increased due to an improvement at the Delek US oil refinery as well as the Oil and Gas exploration and production activities.

**Group total assets** as of March 31, 2011, amounted to NIS 96 billion, compared with NIS 92 billion as of December 31, 2010.

**Commented Mr. Bartfeld, CEO of Delek Group,** "In the first quarter we continued to advance our long-term strategy by consolidating and expanding our holdings. We completed the purchase of the remaining shares of 75% of shares in Roadchef, the motorway service station business in the UK. We also completed the purchase of shares in Lion Oil, an 80,000 barrel per day, high complexity refinery located in Texas. This brings Delek US' holdings in Lion Oil to 88% of the outstanding shares. This follows our recent transaction in Europe of the BP gas stations in France. The expansion of our investments is a core element of our strategy and we will continue to focus our efforts on identifying business opportunities, particularly in energy and infrastructure, that can enhance the synergies among the activities of our subsidiaries."

**Continued Mr. Bartfeld,** "The long-term success of this strategy is clear from the significant shareholder value we have created, as well as the large dividend distributions we issued to shareholders over the past year. We continue to work diligently to realize the value in our existing assets, particularly on further developing and bringing to market the natural gas in the Tamar and Leviathan wells, while continuing further exploration of the licenses."

## MAIN BUSINESS HIGHLIGHTS

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

	FY 2010	Q1 2010	Q1 2011
Oil and Gas Exploration	64	30	79
US Fuel Sector Operations	(213)	(42)	64
Delek Europe	69	16	(5)
Israeli Fuel Sector Operations	48	24	12
UK Service Station Sector	-	-	(22)
Insurance and Finance Operations	188	95	75
Automotive operations	195	94	32
Others and Capital Gains	1,350	(12)	(25)
<b>Net Income</b>	<b>1,701</b>	<b>205</b>	<b>210</b>

\* Parts of the above table have been extracted from Delek Group's First Quarter 2011 Directors Report. Please review the full report 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.

## ENERGY & INFRASTRUCTURE

**The Oil and Gas Exploration, and Gas Production sector.** The activities in Israel are carried out through Delek Drilling LP and Avner Oil Exploration LP which are partners in "Yam Tethys" (together with Delek Investments LP), "Tamar", "Dalit" and "Leviathan" as well as holding additional exploration licenses in Israel.

**Yam Tethys;** Following the end of the quarter, a number of additional contracts for the Yam Tethys gas was signed; approximately \$350 million with Oil Refineries Ltd. ("ORL") for the supply of 1.2 BCM of natural gas, approximately \$63 million to supply Hadera Paper with an additional 0.21 BCM of natural gas, and a continuation agreement with Delek Ashkelon. Note that the above mentioned estimated amounts are based oil and natural gas prices on the date of signing, which may change.

**Tamar;** "Tamar" remains on track for production at the beginning of 2013.

**Leviathan;** On May 15, the partners provided an update. During the drilling at the "Leviathan 2" well, a flow of water was identified in the bore hole. Due to a possible impact on the integrity and stability of the drilling systems, the Operator decided that the particular well is not suitable as a production well and ceased drilling. It is important to note that the operator did not identify any hydrocarbons in the flow and believes that the flow has no bearing on the resources of the Leviathan discovery. Noble Energy plans to move the rig from the "Leviathan 2" well to a nearby location to drill an alternate appraisal well and estimates that the drilling of the new well will commence within a month and will last about 3 months.

**Gas Production Summary;** During the quarter, revenues from the sale of oil and gas reached NIS 146 million compared with NIS 103 million in the sales period, last year. The growth was due to an increase in sales price as well as quantity of gas sold to the Israel Electric Company.

Net income from the sector for first quarter of 2011 was NIS 79 million, as compared to a net loss of NIS 30 million in the first quarter of 2010.

**Delek US** (NYSE: DK; Delek Group holds 74% end-Q1 2011): Revenues in the first quarter of 2011 were NIS 4.1 billion compared with NIS 3.3 billion in the first quarter of 2010. The growth was due to an increase in the average number of barrels sold per day as well as the increase in the price of oil during the quarter.

Net profit in the first quarter of 2011 was NIS 89 million compared with a net loss of NIS 58 million in the first quarter of 2010.

The Gulf Coast 5-3-2 crack spread averaged \$17.54 per barrel during the first quarter 2011, versus \$6.62 per barrel in the first quarter 2010. The average Gulf Coast 5-3-2 crack spread reported in the first quarter 2011 represented the highest level reached by the benchmark since the second quarter 2007. In Delek US' retail segment, same-store merchandise sales increased on a year-over-year basis for a seventh consecutive quarter, as food service and private label sales initiatives continued to gain momentum.

In March 2011, Delek US increased their holdings to 88.3% of Lion Oil, and assumed operational control and management of the Lion Oil refinery. Lion Oil owns and operates an 80,000 barrel per day, 9.0 complexity refinery located in El Dorado, Arkansas, as well as crude oil transportation systems and associated product pipelines, and three light product distribution terminals located in Memphis and Nashville, Tennessee and El Dorado, Arkansas. Lion Oil also owns and operates an asphalt distribution terminal located in El Dorado, Arkansas.

**Delek – the Israel Fuel Company Ltd.** (TASE: DLKIS.TA; Delek Group holds 77% end-Q1 2011): Revenues in the first quarter of 2011 were NIS 1.4 billion compared with NIS 1.2 billion in the first quarter of last year, representing an increase of 17%. This increase was due primarily to the increased price of gasoline compared with that of last year, as well as an increase in sales of gasoline for commercial enterprises, an increase in sales at convenience stores and an increase as a result of the consolidation for the first time of the direct marketing segment. The increase was partially offset by the discontinuation of the consolidation of a subsidiary's results, following its sale on January 1, 2011.

Net income in the first quarter of 2011 amounted to NIS 13 million compared with a net income of NIS 33 million in the same period in 2010. The reduction in net income was mainly due to a comparative increase in financial expenses. In the first quarter of 2010, Delek Israel received a one-time financial income of NIS 20 million following its sale of Haifa Basic Oils Company.

**Delek Europe.** Revenues in the first quarter of 2011 were NIS 4.4 billion compared with NIS 2.78 billion in the same period last year. The results of the first quarter 2010 do not include the activities of Delek France which only started contributing in the fourth quarter in 2010, and contributed NIS 1.1 billion in revenue in the quarter. Apart from the inclusion of Delek France in the quarter, the increase in revenues were also due to the increased price of gasoline compared with that of last year as well as increased sales at its convenience stores. The increase was partially balanced through the fall in average value of the Euro versus the Shekel in the quarter.

Net loss in the quarter was NIS 5 million, compared with a net income of NIS 16 million in the first quarter of 2010. The reduction in net income compared with last year, was due to an increase in operating expenses due to the increased number of gas stations operated by the company as well as the above-mentioned weakening of the Euro versus the Israel shekel and some one-time expenses.

**Roadchef (Delek Motorway Services in the UK).** The company is a fully consolidated subsidiary of the Group and holds the 100% of the shares of RoadChef Ltd., an operator 19 motorway services areas across the UK. During the first quarter, Delek Motorway Services, a fully owned subsidiary of Delek Group, acquired the remaining 75% of Roadchef's shares that it did not already own. Following the close, Roadchef's results became fully consolidated into the Company's results.

Roadchef's revenue in the first quarter of 2011 was NIS 244 million versus NIS 247 million in the first quarter a year ago. Net loss for Roadchef was NIS 22 million in the first quarter versus a net loss NIS 31 million in the first quarter of last year.

## **INSURANCE AND FINANCIAL SERVICES**

The activities of this segment are primarily conducted through two insurance companies; Israeli insurance company, Phoenix Holdings Ltd. (TASE: PHOE), and general US insurer, Republic Companies, Inc. that is a wholly owned subsidiary.

The insurance and financial services sector contributed NIS 75 million to the Group's net income in the quarter, compared to a contribution to net income of NIS 95 million in the same period last year.

Phoenix reported net profit amounting to NIS 112 million in the first quarter of 2011, compared to NIS 127 million last year. Republic Companies reported net profit amounting to US\$ 3 million in the first quarter of 2011, compared with US\$ 6 million, in the first quarter of last year.

## **DIVIDEND DISTRIBUTION**

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On May 30, 2011, the Board of Directors of Delek Group declared a cash dividend distribution for first quarter of 2011 in the amount of approximately NIS 105 million (approximately NIS 9.2 per share) to the shareholders on record as of June 15, 2011. The ex-date is June 16, 2011 and the dividend will be paid on June 30, 2011.

## **CONFERENCE CALL DETAILS**

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The Company will be hosting a **conference call in English** on Tuesday, May 31, 2011. 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: 1 866 860 9642  
UK Dial-in Number: 0 800 917 9141  
ISRAEL Dial-in Number: 03 918 0664  
INTERNATIONAL Dial-in Number: +972 3 918 0664

At:

8:30am Eastern Time, 1:30pm UK Time, 3:30pm 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.

## **About The Delek Group**

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Delek Group is the leading energy & infrastructure group based out of Israel with investments in upstream & downstream energy, water desalination and power plants globally. In addition, Delek is the number one importer & distributor of vehicles in Israel and owns insurance assets in Israel and the US. Earlier this year, Delek Group, through its subsidiaries, discovered significant quantities of high quality natural gas off the coast of Israel. Delek Group sales reached approximately 45 billion Israeli shekels in 2010.

For more information on Delek Group please visit [www.delek-group.com](http://www.delek-group.com).

## **Contact**

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## Delek Group Income Statement (NIS Millions)

	Q1 2011	Q1 2011	Full Year 2010
Revenue	13,121	10,274	44,567
Cost of revenue	11,198	8,752	37,980
<b>Gross profit</b>	<b>1,923</b>	<b>1,522</b>	<b>6,587</b>
Sales, marketing and operating expenses – gas stations	963	833	3,502
General and administrative expenses	446	396	1,772
Other income (expenses), net	83	(13)	(88)
<b>Profit from operating activities</b>	<b>597</b>	<b>280</b>	<b>1,225</b>
Financing income, net	228	156	271
Financial expenses, net	(468)	(269)	(1,655)
<b>Profit (loss) after financing</b>	<b>357</b>	<b>167</b>	<b>(159)</b>
Profit from realization of investments in associates and others, net	(1)	-	(4)
Group's equity in profits (losses) of associates and partnerships, net	84	69	156
<b>Profit (loss) before income tax</b>	<b>440</b>	<b>236</b>	<b>(7)</b>
Income tax (tax benefit)	129	56	178
<b>Profit (loss) from continuing operations</b>	<b>311</b>	<b>180</b>	<b>(185)</b>
<b>Profit (loss) from discontinued operations</b>	<b>-</b>	<b>164</b>	<b>2,139</b>
<b>Profit (loss)</b>	<b>311</b>	<b>344</b>	<b>1,954</b>
<b>Attributable to:</b>			
Company shareholders	210	205	1,701
Non-controlling interest	101	139	253
	<b>311</b>	<b>344</b>	<b>1,954</b>

The notes are an integral part of the financial statement and can be found at [www.delek-group.com](http://www.delek-group.com)