Delek Group Announces Consolidated Results for the First Six Months of 2014

Tel Aviv, August 28, 2014, Delek Group Ltd. (TASE: DLEKG, OTCQX: DGRLY) (hereinafter: "Delek Group" or "The Group") announced today its results for the three and six month period ended June 30, 2014. The full financial statements are available in English on Delek Group's website at: www.delek-group.com.

FIRST SIX MONTHS 2014 HIGHLIGHTS

- **Following the successful sale of various non-core assets on an earlier schedule than expected, the Group is examining an additional listing of shares on the London Stock Exchange;**
- **The Company signed a non-binding MOU for the sale of control in the Phoenix Holdings; the sale of Delek Europe BV was closed; holdings in Barak Capital were successfully sold;**
- **Due to the sale of non-core assets, the various assets were revalued on the balance sheet and the result was a write-down charge of NIS 984 million in the first six months of 2014;**
- **Net income, excluding write-down charge was approximately NIS 189 million in the first six months of 2014;**

Group revenues for the first six months of 2014 were approximately NIS 10 billion, at a similar level to that of the same period last year.

Operating profit were NIS 338 million in the first six months of 2014 compared with NIS 836 million last year, mainly due to a reduction in the operating profit from the insurance segment in Israel as well as an increase in the amortization of assets in the process of being sold.

Net Loss for the first six months of 2014 totaled NIS 795 million, compared with a net income of NIS 569 million in the first six months of 2013.

The loss was due to the balance sheet write-down of the values of various holdings which the Company intends 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 Republic Insurance Companies and Barak Capital, as well as the non-binding MOU signed to sell and cede control of Phoenix Holdings Ltd., NIS 984 million was written down, thereby significantly reducing the net profit. The net income excluding the amortization impact, reaches NIS 189 million compared to NIS 569 million for the same period last year.

Cash balance at the Delek Group correct as of August 28, 2014, stands at NIS 2.2 billion (including unutilized credit lines).

The following one-time write-downs were included in the results for the three and six months period ended June 30, 2014 (NIS millions):

Summary of one-time effects:	**6M 2014**	**Q2 2014**
Impairment of goodwill in The Phoenix	400	350
Impairment of the investment in Delek USA, net	436	263
One-time expenses in natural gas operations	88	68
Impairment of goodwill in Republic	60	-
Impairment of the investment in Barak Capital	-	34
Total one-time effects	**984**	**715**

Commented Mr. Bartfeld, **CEO of Delek Group,** "We are very pleased that our strategy to move our Group's full focus on the oil and gas E&P assets is happening ahead of our schedule. In light of this success, we are considering the possibility of dual listing Delek Group's shares on the primary market of the London Stock Exchange."

Mr Bartfeld continued, "While the write-downs did have an impact on our profit in the second quarter, we see this as a short-term and non-cash event. The sale of non-core assets has contributed approximately NIS 1.9 billion to the Group's cash flow and continues to strengthen the Group's financial position. We believe that over the long-run, the Group's divestment of its non-core assets will allow us to focus all our energies on maximizing shareholder value through the realization of the inherent potential within our Oil & Gas assets."

MAIN BUSINESS HIGHLIGHTS

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

	6M 2014	**6M 2013**	**Q2 2014**	**Q2 2013**	**FY 2013**
Oil and Gas Exploration, and Gas Production Operations	94	5	56**	10	70
Fuel Operations in Delek Europe	(4)	19	25	19	14
Fuel Operations in Israel	44	14	4	13	34
Motorway Service Area Operations in the UK	(16)	(21)	6	-	(2)
Insurance and Finance Operations in Israel	116	237*	22	93*	368
Oversees Insurance Operations	(2)	21	(32)	(16)	65
Automotive Operations	51	84	21	33	125
Fuel Operations in the US	10	201	-	63	194
Contribution to Net Income before Capital Gains & Others	**293**	**560**	**102**	**215**	**868**
Capital Gains & Others	(1,088)	9	(702)	298	(128)
Net Income (Loss) Attributed Group's Shareholders	**(795)**	**569**	**(600)**	**513**	**740**

* Restated, see Note 2d financial statements.
** Excluding one time effects.
Parts of the above table have been extracted from Delek Group's First Six Months of 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 (ISRAEL) SECTOR HIGHLIGHTS

Tamar Project, **11 TCF natural gas discoveries (Tamar and Tamar SW).** Tamar together with Yam Tethys produced 3.3 BCM of natural gas in the first six months of 2014. In addition, Tamar sold 158 million barrels of condensate in the first six months of 2014.

The Tamar partners, including the Company's gas subsidiaries, continue their negotiations with Union Fenosa Gas SA of Spain to sign a binding agreement for the supply of natural gas to its existing liquefaction facilities in Egypt.

Leviathan*, a 22 TCF natural gas discovery*; on July 13, 2014, a full reservoir update report prepared by Netherland, Sewell & Associates, Inc. was released, which increased the estimate of contingent natural gas resources in the Leviathan Reservoir from 19 TCF up to a new best estimate of 22 TCF.

On June 29, 2014, the Leviathan partners including the Company's gas subsidiaries signed a non-binding letter of intent with BG International Ltd., a subsidiary of the British company BG Group PLC, to begin negotiations on an agreement to supply natural gas to its existing liquefaction facilities in Idku, Egypt. The supply of gas will take place from the Floating Production Storage and Offloading facility, and is planned to be connected to the LNG facility through a subsea pipeline. The supply period as stipulated in the LOI is for 15 years, amounting to a supply of 7 BCM per year.

Gas Production Summary. Net income from the sector for the first six months of 2014 was NIS 25 million, an increase compared to a net profit of NIS 5 million in the same period in 2013. The growth was mainly due to the increase in revenues from the Tamar reservoir which started to supply gas and recognise initial revenue in the second quarter of 2013.

DOWNSTREAM ENERGY SECTOR HIGHLIGHTS

Delek – the Israel Fuel Company Ltd. (fully held by Delek Group); Contribution to the net income in the first six months of 2014 amounted to NIS 29 million compared with a net profit of NIS 19 million in the same period last year. This was driven by an increase in the gross profit in the period due to a higher volume of sales at gas stations, growth in convenience store sales, and a decrease in inventory losses of NIS 15 million in the first six months of the year.

Delek Europe (Delek Group holds 100% indirectly); **on** August 28, 2014, closing of the agreement to sell the Company's holdings in Delek Europe BV for the amount of € 355 million (NIS 1.7 billion) was reached.

Roadchef (fully held by Delek Group); Net loss was NIS 16 million in the first six months of 2014, compared with a net loss of NIS 21 million in the same period last year. Roadchef's improvement was mainly driven by the development plan to renovate motorway stations.

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.

In light of a non-binding memorandum of understanding signed to sell control in The **Phoenix**, in the first six months of 2014 the Company recognized a NIS 400 million impairment on its investment in The Phoenix, of which NIS 350 million was recognized in the second quarter. In July, a non-binding MOU for the sale of control in the Phoenix Holdings (approximately 47% of the share equity of the Phoenix), was signed between Delek Group and US company, Kushner Funding LLC.

The Company is in the final stages of closing an agreement for selling control in the US insurance company **Republic**, as a result, the Company recognized an impairment of NIS 60 million in the first quarter of 2014. In June, an agreement was signed to sell 34% of Republic for $75 million, and the investors retain a three year option to purchase an additional 21%.

Phoenix reported a net income of NIS 236 million in the first six months of 2014, compared to NIS 434 million in the same period last year. The results of The Phoenix's operations in the reporting period were materially affected by a decrease in Israeli interest rates. This decrease in interest rates materially affected the increase in reserves for pensions, which grew in the reporting period by NIS 124 million as compared to an increase of NIS 27 million in the same period last year. Furthermore, the decrease in interest rates led to a NIS 102 million provision (pre-tax), made in the second quarter of 2014, for liability adequacy testing (LAT) in life insurance operations.

Republic reported a net loss amounting to US$ 17 million in the first six months of 2014, compared with a net profit of US$ 6 million in the same period in 2013. The loss was due to the impairment of goodwill in 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 Republic's share capital. After adjusting for this impairment, Republic broke-even in the first six months of 2014, and posted a loss of USD 10 million in the second quarter of the year.

DIVIDEND DISTRIBUTION

On August 28, 2014, the Board of Directors of Delek Group declared a cash dividend distribution for the second quarter of 2014 in the amount of approximately NIS 150 million (approximately NIS 12.7761 per share) to the shareholders on record as of September 15, 2014 and the dividend will be paid on September 29, 2014.

CONFERENCE CALL DETAILS

The Company will be hosting a **conference call in English** on Monday September 1, 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 0650
INTERNATIONAL Dial-in Number: +972 3 918 0650
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 40 TCF.

In addition, Delek Group has a number of assets in downstream energy, water desalination, and the finance sector.

For more information on Delek Group please visit www.delek-group.com or Email: **investor@delek-group.com**

Delek Group Income Statement (NIS Millions)

	6M 2014	6M 2013	Q2 2014	Q2 2013	FY 2013
Revenues	10,182	10,267	4,982	5,077	21,896
Cost of revenues	7,892	8,064	3,900	3,961	17,196
Gross profit	**2,290**	**2,203**	**1,082**	**1,116**	**4,700**
Sales, marketing and gas station operating expenses	910	859	471	441	1,755
General and administrative expenses	631	610	311	325	1,268
Other income (expenses), net	(411)	102	(355)	109	174
Profit (loss) from operating activities	**338**	**836**	**(55)**	**459**	**1,503**
Finance income	119	80	47	54	109
Finance expenses	736	684	(469)	407	1,397
Profit (loss) after financing	**(279)**	**232**	**(477)**	**106**	**215**
Gains (loss) from disposal of investments in investees and others, net	-	3	-	3	(8)
Group's share in earnings (loss) of associate companies and partnerships, net	86	186	37	61	430
Profit (loss) before income tax	**(193)**	**421**	**(440)**	**170**	**637**
Income tax (tax benefit)	(1)	261	(94)	137	471
Profit (loss) from continuing operations	**(192)**	**160**	**(346)**	**33**	**166**
Profit (loss) from discontinued operations, net	(446)	872	(220)	700	1,169
Net profit (loss)	**(638)**	**1,032**	**(566)**	**733**	**1,335**
Attributable to -					
Company shareholders	(795)	569	(600)	513	740
Non-controlling interest	157	463	34	220	595
	(638)	**1,032**	**(566)**	**733**	**1,335**

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