



## Delek Group Announces Consolidated Results for the First Quarter of 2007

**Tel Aviv, May 30, 2007 - Delek Group Ltd. (TASE: DLEKG)** (hereinafter: "Delek Group" or "The Group") today reported its results for the three months ended March 31, 2007. The financial statements are available on Delek Group's website at: [www.delek-group.com](http://www.delek-group.com)

### FIRST QUARTER 2007 HIGHLIGHTS

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- **Net income of NIS 325 million**
- **Recorded net capital gain of NIS 143 million (pre tax) on the sale of 12.2% of Menora Insurance Company**
- **Strong operating and financial performance of all major subsidiaries**
- **Issued NIS 913 million of debentures for cash and the replacement of outstanding debentures**
- **Dividend payment of NIS 130 million declared for first quarter 2007**

**Mr. Asaf Bartfeld, CEO of Delek Group commented,** "The first quarter of 2007 was another excellent quarter for the company. This quarter our main holdings continued their strong financial performance and we identified new investment opportunities, both domestically and internationally. Our subsidiaries acquired 101 gasoline and convenience stores in Southern United States and 29 Motorway Service Areas in the UK. This quarter we also divested 12.2% of Menora Insurance Company recording a healthy capital gain."

**Mr. Alan Gelman, CFO and Deputy CEO of Delek Group added,** "This quarter we also continued to identify opportunities to further enhance our financial strength by issuing additional debentures, and refinancing previous debt at more favorable terms for the Company. Attesting to our strong financial position is the (AA) rating received on all our outstanding debentures. Our strong financial performance and cash flow enabled us once again to declare a record dividend for our investors this quarter."

**Mr. Bartfeld concluded,** "Since the end of the quarter, we continued to actively identify new opportunities to further leverage our core competencies in our three strategic areas of activities, while further enhancing our global presence. We listed Delek Global Real Estate on the London AIM market and signed an agreement to acquire 869 gasoline stations in the Benelux countries from Chevron. 2007 is evolving into another significant year for the Group as we continue to seek new complementary growth areas, leveraging on our experience and know-how in Energy, Real Estate, and Financial Services."

### FINANCIAL RESULTS

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Net income for the first quarter 2007 increased 5% totalling NIS 325 million, compared to NIS 310 million in the first quarter 2006. The higher net income this quarter was derived from the increased contribution of the insurance and finance operations, and a NIS 143 million (pre tax) capital gain from the sale of the Company's 12.2% shareholding in Menora Insurance Company. These were offset by a NIS 43 million expense recorded following the abandoning of two oil drills found to be dry in Guinea Bissau.

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

	Jan-Mar/07	Jan-Mar/06	2006
US Fuel Sector Operations	57	65	337
Israeli Fuel Sector Operations	1	4	25
Oil and Gas Exploration, and Gas Production Operations	26	11	108
Expenses as a Result of Gas Exploration	(43)	-	-
Automotive Operations	56	30	151
Real Estate Operations	20	28	235
Biochemical Operations	5	7	21
Insurance and Finance Operations	90	25	109
Telecom Operations	2	(19)	(43)
Capital Gains & Others*	111	159	570
<b>Net Income</b>	<b><u>325</u></b>	<b><u>310</u></b>	<b><u>1,513</u></b>

\* This item includes capital gains of NIS 143 million (before taxes) from the realization of Delek Investments holdings in Menora. This item included, in the comparable period last year, a capital gain of NIS 124 million from the issue of Delek Real Estate and NIS 59 million following the issue of Delek Automotive. Also included in these items are non-ascribed financial expenses, tax expenses and other results of operation on account of infrastructure and investments.

**This table has been extracted from Delek Group's first quarter 2007 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

In March 2007, the Company issued Series M debentures in a private placement, raising NIS 913 million. NIS 571 million of the debentures replaced series' F-J debentures, effectively lengthening the maturity of the replaced debentures. All of the Company's debentures including the Series M debentures issued in March 2007, are rated (AA) by Maalot – The Israel Securities Rating Company Ltd. – a Standard & Poor's strategic partner. During the quarter approximately NIS 10 million of convertible debentures and option warrants were converted to shares in the Company.

## MAIN EVENTS SUBSEQUENT TO THE END OF THE FIRST QUARTER 2007

**Delek Global Real Estate IPO:** In April 2007, Delek Global Real Estate (hereinafter: "DGRE") raised GBP 100 million (approximately NIS 830 million), 23% of capital post-IPO, through an Initial Public Offering on the London AIM Stock Exchange. Following the offering, Delek Real Estate holds approximately 76.7% of DGRE, and expects to record a capital gain to the amount of approximately NIS 100 million (NIS 35 million of this amount will be recorded as deferred revenue).

**Acquisition of Chevron Marketing Operations in Benelux Region:** In May 2007, Delek Benelux B.V., an indirectly, wholly-owned subsidiary of Delek Petroleum, signed an agreement pursuant to which Delek Benelux will acquire from Chevron Global Energy Inc. the entire share capital of three foreign companies that aggregate Chevron's marketing operations in the Benelux countries, for a total of €342 million, before working capital adjustments estimated by Delek Benelux to be in the range of €20-70 million. The marketing operations include 869 fuelling stations, mostly under the Texaco brand. A sum of €10 million was paid upon signing, and the balance will be paid upon completion of the transaction. The transaction completion is contingent on several preconditions, including obtaining anti-trust authorizations. The final date for the completion of the transaction is October 31, 2007.

## MAIN BUSINESS HIGHLIGHTS

**ENERGY & INFRASTRUCTURE: DELEK USA:** Net income for the first quarter 2007 totalled NIS 74 million, a 14% increase compared to NIS 65 million in the first quarter last year. The increase is attributed to growth in sales, coupled with the operating margins of Delek USA. Delek USA contributed NIS 57 million to the Group's net income in the first quarter of 2007, compared to NIS 65 million in the first quarter of 2006. During the first

quarter of 2007 Delek USA (NYSE: DK) completed a public offering and listed its shares for trading on the New York Stock Exchange. Following the offering, the Group's holdings in Delek USA decreased to approximately 77%. In the first quarter last year, the Group held 100% of the outstanding share capital of Delek USA.

In February 2007, Mapco Express, Inc., wholly owned by Delek USA, signed a contract for the acquisition of 107 gasoline stations with convenience stores for approximately \$65 million (not including inventory). The gasoline and convenience stores are located in the area of Eastern Tennessee and Georgia, and operate under the brand name "Favorite Markets". Subsequent to the balance sheet date, in April 2007, Delek USA completed the acquisition of 101 of the said gasoline stations for \$62 million. The acquisition of the remaining stations remains subject to preconditions.

**ISRAELI FUEL SECTOR OPERATIONS:** Delek – the Israel Fuel Company Ltd., a wholly owned subsidiary of the Delek Group, recorded NIS 26 million net income for the first quarter 2007 (excluding the expensing of share based compensation), a substantial increase compared NIS 4 million in the first quarter 2006. The higher profit follows the improved gross margin, the lower selling and G&A expenses, and the results of operation of Delek Hungary, which were not included in the corresponding period last year. This net income excludes an additional NIS 23 million accounting charge in the first quarter resulting from the accounting treatment of share based compensation allocated to the CEO during the quarter. As a result of this charge, Israeli Fuel Sector Operations contributed a NIS 3 million net income to the Group's results in the first quarter, compared to a NIS 4 million net income contribution in the first quarter last year.

**OIL AND GAS EXPLORATION, AND GAS PRODUCTION, OPERATIONS:** The Oil and Gas Exploration, and Gas Production, sector contributed to the Group a loss of NIS 17 million in the first quarter 2007. This loss, in Q1 2007, includes NIS 43 million in losses resulting from the abandoning of the two oil drills in Guinea Bissau. The Company's profit, net of the cost of the abandoned drills in Guinea Bissau, totals NIS 26million compared to NIS 11 million in the corresponding period.

**REAL ESTATE OPERATIONS:** The Group holds 67.9% of Delek Real Estate (TASE: DLKR). Delek Real Estate's net income for the first quarter of 2007 totaled NIS 33 million, compared to NIS 40 million in the first quarter 2006. The real estate sector contributed approximately NIS 20 million to the Group's net income in the first quarter of 2007, compared to approximately NIS 28 million in the first quarter last year.

In February 2007, Delek Real Estate raised NIS 753 million by way of a private placement of debentures (Series E) to institutional investors. The principal is linked to the Consumer Price Index and will be repaid in seven equal instalments starting February 27, 2013, through to February 27, 2019, and bear a fixed annual interest rate of 5.4%, until the date of their registration for trade on the stock exchange and 4.8% thereafter. Delek Real estate undertook to register the debentures (Series E) for trade within 18 months.

On March 30, 2007, Delek Real Estate completed the acquisition of the share capital of an English company that holds 29 motorway service stations in the UK operating under the brand name RoadChef. These stations include gasoline stations, hotels, restaurants and stores and coffee counters operated by the acquired company. The total consideration of the agreement closed at approximately GBP 163 million (approximately NIS 1,350 million).

**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 US insurer, Republic Companies Group Inc. The insurance sector contributed NIS 90 million to the Group's net income in the first quarter of 2007, compared to NIS 25 million in the first quarter 2006. The increase in net income contribution was derived primarily from the broadening of the Group's investment in the insurance sector towards the end of 2006 with the acquisition of 100% of Republic Companies Group and acquisition of control in Phoenix Holdings (55.5%) in December 2006.

In January and February 2007, following a previous directive by Israel's Anti-Trust Commissioner's, Delek Investments sold approximately 12.2% of the Menora Insurance Group ("Menora") to a third party, for a total of NIS 392 million, recording a capital gain of approximately NIS 143 million (before tax). Following the sale, Delek Investments' holds 2.2% of Menora.

On March 9, 2007 the Phoenix and Bank Hapoalim Ltd signed a Memorandum of Understanding, pursuant to which Phoenix would acquire 25% of the total share capital of Isracard Ltd. and Europay (Eurocard) Israel Ltd., both wholly owned by Bank Hapoalim, based on an aggregate value of NIS 2.55 billion, subject to adjustments for dividend distributions. The agreement remains subject to due diligence and different regulatory approvals.

**AUTOMOTIVE OPERATIONS:** The Group holds 55.5% of Delek Automotive Systems Ltd. (TASE: DLEA). Delek Automotive Systems' net income for the first quarter 2007 totalled NIS 100 million, compared to NIS 67 million in the first quarter 2006. The Automotive Sector contributed NIS 56 million to the Group's net income in the first quarter 2007, compared to NIS 30 million in the first quarter 2006. The higher net income and the higher revenues were derived primarily from the increase in number of vehicles sold.

**BIOCHEMICAL OPERATIONS:** The Group holds 64.1% of Gadot Biochemical Industries Ltd. (TASE: GDBC). Gadot's net income for the first quarter 2007 totalled NIS 7 million, compared to NIS 11 million in the first quarter 2006. The Biochemical sector contributed NIS 5 million to the Group's net income in the first quarter of 2007, compared to NIS 7 million in the first quarter last year. Excluding the impact of deferred revenues recognized during the quarter, Gadot would have recorded a quarterly net loss of NIS 9 million.

**HOT – CABLE COMMUNICATION SYSTEMS LTD. (FORMERLY MATAV).** On December 31, 2006 the 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 net income of NIS 2 million to the Group's net income in the first quarter 2007, a substantial improvement compared to NIS 19 million net loss in the first quarter last year.

## **DIVIDEND DISTRIBUTION**

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On March 28, 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). The dividend was paid on May 1, 2007.

On May 29, 2007, the Board of Directors of Delek Group declared a cash dividend distribution for the first quarter of 2007 to the amount of NIS 130 million (NIS 11.13 per share). The dividend record date is June 25, 2007 and the ex-date is June 26, 2006. The dividend will be paid on July 10, 2007.

## **CONFERENCE CALL DETAILS**

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The Company will be hosting a conference call today, May 30, 2007, at 09:00am 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: 1 888 668 9141**  
**Israel Dial-in Number: 03 918 0691**

**UK Dial-in Number: 0 800 917 9141**  
**International Dial-in Number: +972 3 918 0691**

at: **9:00am Eastern Time, 6:00am Pacific Time, 2:00pm UK Time, 4:00pm Israel Time**

## **ABOUT THE DELEK GROUP**

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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**

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