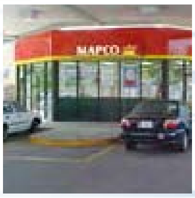
Delek Group

FINANCIAL STATEMENTS

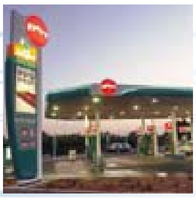
UNAUDITED

AS OF SEPTEMBER 30, 2009









IMPORTANT

This document is an unofficial translation for convenience only of the Hebrew original of September 30, 2009 financial report of Delek Group Ltd. that was submitted to the Tel-Aviv Stock Exchange and the Israeli Securities Authority on November 30, 2009.

The Hebrew version submitted to the TASE and the Israeli Securities Authority shall be the sole binding legal version.

Delek Group

Table of Contents:

Update to Chapter A (Description of the Company's Businesses)
In the Periodic Report of Delek Group Ltd. (the "Company") for the year 2008

1. General

This update includes material changes and innovations that took place in the Company's businesses during the third quarter of 2009 and up until shortly prior to the date of this report with respect to all matters that require reporting in the periodic report and that were not updated in the previous quarter. The update refers to the section numbers in Chapter A (Description of the Company's Business) in the Periodic Report for 2008 (the "Annual Report") and is presented in addition to that stated in the periodic report, updates made as part of the Company's Shelf Prospectus dated August 31, 2009, and updates in the Company's reports for the first and second quarters of 2009.

2. The Company's activities and description of its businesses

Further to section 1.1.4 of the Annual Report:

A. In July 2009 the Group issued, in a private placement to classified investors, a total of NIS 293 million par value Debentures (Series W) for proceeds in the amount of NIS 308 million (the "Additional Debentures"). The additional debentures are from the same series of NIS 1,000,000,000 debentures (Series W) ("the Original Debentures") in accordance with the Company's prospectus of May 30, 2007 and the shelf offering prospectus of October 22, 2007. The terms of the additional debentures are the same as the terms of the existing debentures.

B. In July 2009, the Company announced a swap of unlisted debentures for institutional investors holding Debentures (Series K) and Debentures (Series L). The Company purchased the debentures offered by the holders of Debentures (Series K) at total par value of NIS 110,563,495 in return for Debentures (Series N) and by the holders of Debentures (Series L) at total par value of NIS 504,270,791 in return for Debentures (Series O). The new debentures bear the identical terms and repayment dates as Debentures (Series K) and Debentures (Series L), accordingly, with the exception of the index linkage component, which was cancelled and a higher interest rate of 8.5% (annual interest) for both the new debenture series. The swap of the debentures, as aforesaid, was subject to the listing of the new debentures by September 17, 2009. On August 31, 2009 the Company published a Shelf Prospectus and on September 15, 2009, trading of Debentures (Series N) and Debentures (Series O) commenced. As a result of the foregoing swaps, the Company derived a profit in the amount of NIS 38 million (pretax).

C. In September 2009, the Company issued to the public NIS 260,000,000 par value Debentures (Series P) and Warrants (Series 6) listed for trade, which can be exercised for 260,000 shares of NIS 1 par value each of the Company, as well as 90,000,000 listed par value Debentures Series Q. The total proceeds for the issue of Series P and Warrants (Series 6) amounted to NIS 263 million, of which NIS 238 million is attributable to Debentures (Series P) and the remaining NIS 25 million is attributable to Option Warrants (Series 6). The total proceeds for the issue of Debentures Series P amounted to NIS 90 million. For further information see the immediate reports published by the Company on September 10, 2009 (Ref. No.: 2009-01-227958) presented herein by way of reference.

D. In November 2009, the Company issued to the public NIS 500,000,000 par value Debentures (Series O) by way of expansion of Debentures Series O and NIS 300,000,000 registered par value Debentures (Series M) in return for their par value. These debentures are listed for trading. The proceeds of this issue amounted to NIS 818 million (after deduction of issue expenses of NIS 7 million). For further information see the immediate reports published by the Company on November 3, 2009 (Ref. No.: 2009-01-272760) presented herein by way of reference.

E. On October 19, 2009 the Company announced that after receipt of approval from the Securities Exchange Commission (SEC), the Company will begin operating a Level 1 Sponsored Program, under which it will issue American Depository Receipts (ADR) securities representing the Company's shares and which will be traded within the framework of over the counter trading in the US. ADR securities are securities issued in the US, their value nominated in USD, and which are convertible to the Company's shares that they represent and visa versa; any holder holding shares in the Company will be entitled to convert them to the ADR representing the Company's shares, and all in accordance with the terms and conditions of the program. The Level 1 Program will enable private and institutional US investors to invest in the Company's share capital by way of purchasing ADR's.

F. On November 23, 2009, Delek Investments and Properties Ltd. sold 107,750 par value shares in Delek Energy Systems Ltd., constituting 2.15% of Delek Energy's shares, to various third parties for overall proceeds of NIS 94 million, in order to comply with the required rate of public holdings of Delek Energy shares for its classification in the TA-100 index, in view of the transaction for closing the exchange tender offer as set forth in section 8A below. The Company's expected capital gain for the said sale amounts to NIS 90 million (pretax) and it will be attributed to the statement of profit and loss for the fourth quarter of 2009. For further information see the Company's immediate reports dated November 23, 2009 (Ref. No.: 2009-01-292506) presented herein by way of reference.

3. Distribution of dividends

With respect to section 1.4.1 of the Annual Report, it is noted that on August 30, the Company announced the distribution of a dividend, which was made on September 24, 2009. The amount of the dividend was NIS 9.250 per share and the total dividend amount was NIS 105 million. On November 30, the Company announced the distribution of a dividend in the amount of NIS 33 million.

4. The refining and distribution of fuel products sector

A. Further to that stated in sections 1.7.1B and 1.7.17 of the Annual Report, as amended in the Company's second quarter report for 2009, it is noted that as of the date of the report, the repair work at the refinery has been completed and the refinery is now operating normally. The production rate was increased gradually since the resumption of operations and during the third quarter, average production was 54,000 barrels per day. The total cost of building and loss of profits for the period covered is expected to be lower than the insurance cover amount, and is estimated to be USD 140 million. As at September 30, 2009 Delek USA received income (insurance receipts from the insurance companies) of USD 108.6 million with respect to claims based on Delek USA's insurance policies, covering property damage and cessation of operations, and these amounts are recorded in its financial statements as specified below:

	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Total
Loss of profits	8.4	21.1	37.0	6.0	72.5
Damage to property		9.5	20.6	6.0	36.1
Total	8.4	30.6	57.6	12.0	108.6

Delek USA estimates that additional significant insurance amounts will be received when the handling of the claim is concluded. Hereunder is a summary of the known losses to date as a result of the explosion which occurred at the refinery (in USD millions):

	Delek USA	Insurance Cover
Bodily harm	--	Full insurance cover
Deductible according to the insurance policy	USD 5 million	--
45-day waiting period from the date of the insurance event in which there is no cover	Minimum USD 7.5 million for 45 days*	--
Construction costs and loss of profit in the period of cover	Estimated at USD 140 million; USD 108.6 million received; Insurance cover amounts to a total of USD 1 billion – see warnings in forward-looking information below concerning the receipt of additional insurance amounts.	

	Delek USA	Insurance Cover
Fines	Recommended fine of USD 217,000; material financial losses are not expected as a result of other enforcement actions that may be taken in the future. **	--
Claims	No claims have been made for material financial amounts and no material financial losses are expected as a result of claims that may be made in the future. **	--
The period after the insurance cover (one month after the date of resumption of operations)	The refinery resumed full operations.	--

* The insurance policy for loss of profits comes into force 45 days after the date of the event with a loss for insurance purposes of USD 7.5 million. Delek USA estimates that it complied with these terms 45 days after the date of the event.

** The estimate that material financial losses are not expected as a result of enforcement actions or claims that may be made in the future with respect to the explosion at the refinery is forward-looking information based, inter alia, on assessments and assumptions of Delek USA concerning the enforcement powers of the relevant authorities, the scope of the damages caused to the employees and third parties, and the labor laws which require compensation for employees from the state. The said information may not be realized should any of the estimates or assumptions not materialize

Assessments pertaining to the insurance amounts expected to be received are forward-looking information based on the insurance policy and estimates relating to insurance cover. Nonetheless, it is possible that the aforesaid amount of the insurance claim and the amount of the deductible will change materially for various reasons, including interpretation of the provisions of the insurance policy, duration of the insurance claim, the deductible, market conditions affecting profit and income forecasts, actual reconstruction costs and so forth.

Furthermore, the information included in this section relating to the construction work and scope of the insurance cover is forward-looking information. The said information is based inter alia on assessments regarding building costs, the assumption that the insurance will be paid if required, up to the amount of the insurance cover, and that it may not materialize if, inter alia, any of the aforesaid assessments or assumptions do not materialize.

B. Further to sections 1.7.1 of the Annual Report as updated in the Company's first quarter statements for 2009, it is noted that on November 6, 2009 Delek USA published its financial statements as at September 30, 2009. A summary of Delek USA's financial data can be reviewed on Delek USA's website at: www.delekus.com.

C. Further to section 1.7.14C, in September 2009, Delek USA received a loan from Delek Petroleum in the amount of USD 65 million for a period of 12 months. This loan bears interest of 8.5%, which is to paid quarterly and on the date of repayment of the loan, contingent upon Delek Petroleum being entitled, at any time after December 31, 2009, to make a one-time change of the interest rate and the currency of the loan principal, so long as the new interest shall not be higher than the prevailing interest rate on the market for similar loans. The loan principal is repayable on October 1, 2009, with an option for early repayment without a fine. The loan is not secured by collateral. Delek Petroleum received the loan under terms similar from the Company, its controlling shareholder.

5. Fuel product sector in the United States

Further to stipulations in section 1.8.10G pertaining to the employment terms of Mr. Uzi Yamin, CEO of Delek USA, on September 25, 2009, Delek USA entered into an employment contract with Mr.

Yamin. This employment contract is in force as of May 1, 2009 through to October 13, 2013. Under the contract, Mr. Yamin will be entitled to a monthly salary of USD 39,000, retroactively. As of January 1, 2009, Mr. Yamin shall be entitled to receive bonuses at the discretion of the board of directors. In addition, Mr. Yamin will be entitled to various benefits such as housing, at the expense of Delek USA, the option to acquire said house at the highest value between the cost to the Company or the market value of the house, a company car, reimbursement of travel expenses to Israel and an education allowance for his children. Under the terms of the employment contract, on September 30, 2009 Mr. Yamin was awarded 1,850,040 stock appreciation rights options, in accordance with Delek USA's compensation plan for 2006. The options will vest in installments commencing from March 31, 2010 through to October 31, 2013, at various exercise prices. The options shall expire one year following the termination of Mr. Yamin's employment, or on October 31, 2014, the earlier of the two dates. The expenses that will be recorded with respect to the options is in the amount of USD 2.29 million. Options that have not vested by the date of termination of Mr. Yamin's employment will expire. The options are exercisable for ordinary shares or cash, at the sole discretion of Delek USA. In addition, as part of the options adjustment rate in the event of distribution of dividend, Delek USA will pay in cash the equivalent value of dividends that would have been paid by it for exercisable shares had they been exercised. Either party shall be entitled to terminate the contract by giving one year prior notice. In the event of early termination of the employment contract, without cause or with prior notice from Mr. Yamin as aforesaid, Mr. Yamin will be entitled to an additional one month salary.

6. The fuel product sector in Israel

A. Further to that stated in section 1.9.12F of the Annual Report, on August 27, 2009 the board of directors of Delek Israel resolved to approve for former Delek Israel CEO, Mr. Eyal Lapidot, an option exercise mechanism for the option allocation agreement of July 15, 2007 between him and the Company, so that an option exercise mechanism will be added to the agreement on a cashless exercise basis, similar to that for the Company's employees who received options under the option allocation plan for 2007. In September 2009, Mr. Lapidot exercised 437,930 options to 253,782 shares in Delek Israel, constituting 2.2% of Delek Israel shares.

B. Further to that stated in section 1.19.2G of the Annual Report, it is noted that on May 31, 2009 Mr. Eyal Lapidot ceased to serve as CEO of Delek Israel and on June 1, 2009, Mr. David Kaminitz commenced his term of office as CEO of Delek Israel.

C. Further to that stated in section 1.9.12H of the Annual Report, on September 23, 2009, the general meeting of Delek Israel approved payment of a bonus for 2008 in the amount of NIS 250,000 to Chairman of Delek Israel's board of directors, Mr. Moshe Amit.

D. Further to section 1.9.21 of the Annual Report, for a description of legal proceedings (including motions for class action status) to which Delek Israel is party, see Note 7 to the financial statements. It is noted that during the reporting period, two motions were filed for approval of class action status against Delek Israel. Furthermore, on October 22, 2009, the Haifa Regional Court ruled to concede to the motion filed by Sonol Israel Ltd. and Delek Israel, which are partners together with inter alia Oil Refineries Ltd. in Haifa Basic Oils Ltd., to approve the derivative proceedings of Haifa Basic Oils Ltd. against Oil Refineries Ltd. in the amount of NIS 165 million.

7. The fuel products sector in Europe

Further to that stated in section 1.10.18G of the Annual Report, it is noted that on August 10, Mr. Avi Harel terminated his term as Chairman of the board of directors of Delek Europe. For further information see Delek Petroleum's immediate report dated September 15, 2009 (Ref. No 2009-01-231822).

8. The Energy Sector

A. Further to that stated in section 1.13.1Q of the Annual Report, pursuant to the Shelf Prospectus of August 31, 2009, on November 5, 2009 Delek Energy published a Shelf Offering Memorandum by way of an exchange tender offer amending the offering specifications in an amendment report (published on November 17, 2009), according to which it offered holders of participating units of Avner Oil Exploration Limited Partnership (affiliate partnership) (with the exception of Delek

Energy, Delek Investments and Properties Ltd. and an investee) to purchase from them up to 325,899,000 participating units of NIS 0.01 par value in consideration of up to 517,300 ordinary DES shares of NIS 1 par value (in other words, one ordinary share for each 630 participating units). On November 23 Delek Energy published the results of the exchange tender offer and accordingly Delek Energy allocated 393,535 shares, constituting 7.86% of its share capital and voting rights (after the allocation) in return for receiving 247,926,781 registered participating units of NIS 0.01 par value granting participation rights in the Avner Oil Exploration Limited Partnership. The Company is examining the accounting issues involved in the exchange tender offer.

B. Further to that stated in section 1.13.1D of the Annual Report, on October 20, 2009 Delek Energy announced that it had submitted documents pertaining to the Company's bid, together with an international partner, in the early selection stage of the BOT tender for planning, financing, establishment, operation and maintenance of a facility for receiving offshore liquid natural gas ("LNG" or "LNG Facility").

C. Further to that stated in section 1.13.2 of the Annual Report, Delek Energy announced two additional production drillings at the Mari 8B and Mari 9B gas fields at an overall cost for all the partners in the Yam Tethys project of USD 85 million. The drillings, which are expected to be drilled during the course of 2010, are intended to increase the gas production capacity from the Mari gas field.

D. Further to section 1.13.3 of the Annual Report, on September 29, 2009, Delek Energy announced the commencement of a 3D seismic survey which is expected to include the licensed fields Amit, Rachel, David, Hannah, Erin, Alon A, Alon B and part of Block 12 in Cyprus and adjoining areas.

E. Further to section 1.13.3 of the Annual Report, on November 29, 2009, Delek Energy and its subsidiary partnerships announced that the Commissioner of Petroleum Affairs to the operator of the “Hof” License (“the License”) that it has not complied with the license working plan (i.e. commencement of diagonal onshore drilling from the Rishon LeZion coastline to an offshore target by August 15, 2009). Furthermore, the Commissioner noted that pursuant to section 55 of the Petroleum Law, if a drilling is not carried out within 60 days from the date of his letter, the license will be cancelled. The operator estimates that it will not be able to carry out the said drilling within the said period(.

F. Further to section 1.13.21 of the Annual Report, Delek Energy issued to the public in October 2009 debentures in the sum of NIS 300 million for which participating units of Avner and Delek drillings are pledged.

9. <u>Real estate sector:</u>

Further to section 1.12.4 of the chapter describing the Company's businesses in the periodic report of March 31, 2009 (Ref. No.: 2009-01-077157) as it was updated in section 2 (4) of the update to the description of the Company's businesses in the report for the first quarter dated May 27, 2009 (Ref. No. 2009-01-124407):

To date the Company holds 5% of Delek Real Estate shares and the real estate sector no longer constitutes one of the Company's areas of operation. The Company's primary interest in Delek Real Estate derives from loans and collateral extended when Delek Real Estate was a subsidiary of the Company. For further details pertaining to the loans and collateral see section 8.2.3 of the Shelf Prospectus dated August 31, 2009 (Ref. No. 2009-01-216171). A summary of the loans and collateral extended by the Company and its subsidiaries to Delek Real Estate, to date (data as at September 30, 2009 in the section pertaining to collateral presents the book value of the assets that serve as collateral in Delek Real Estate's financial statements as at September 30, 2009[1] :

[1] It should be assumed that the value of said assets placed as collateral is lower that their book value in Delek Real Estate's financial statements, since realization of collateral is often carried out hastily, and taking into account the fact that part of the collateral is not first degree.

The Company	Loan / Collateral	Section in Shelf Prospectus	Primary Terms:	Collateral
Delek Group	NCP loan, balance of NIS 50.5 million	8.2.3A	Interest 9.5% / 10.7%, as per the terms of the loan, as a result of registering a mortgage on Adar House, subject to the consent of a bank. The principal is repayable on December 31, 2010.	
Delek Group	RoadChef loan, balance of NIS 311 million	8.2.3B	Interest 9.5% / 10.7%, as per the terms of the loan, as a result of registering a mortgage on Adar House, subject to the consent of a bank. The principal is repayable on December 31, 2010. Upon repayment of an amount of NIS 150 million, the Company is obliged to purchase NIS 150 million of Delek Real Estate's debt to a bank at the nominal value of the said debt.	24% of the shares of the subsidiary that holds RoadChef (on the principal of the loan in the amount of NIS 200 million) - Book value of the shares in Delek Real Estate's books – approximately NIS 216 million. Subsequent to purchasing of the debt from the bank, a secondary mortgage on the Carmel Beach project (The primary mortgage serves as collateral for a debt in the amount of NIS 347 million) Book value of the project in Delek Real Estate's books – approximately NIS 331 million.
Phoenix	2004 loans, balance of NIS 160 million of which NIS 75 million of profit-sharing policies.	8.2.3C (the terms of the loan were changed by Delek Real Estate and Phoenix on November 4, 2009)*	Loan A – interest 8.75%, Loan B – interest 8.6%, Principal and interest are repayable by 2012	100% of Dankner Investment shares Book value of the shares in Delek Real Estate's books – approximately NIS 83 million. The following collateral is given for 2004 loans and 2008 loans: 48% of Vitania shares which will be released after repayment of a total amount of NIS 170 million. Book value of the shares in Delek Real Estate's books – approximately NIS 231 million. It is noted that the said shares were estimated as secure value for the purpose of the decision pertaining to changes in the loan terms in September 2009 at NIS 160 million. Delek Real Estate's rights in two plots in Kfar Silver and in Raanana. The book value of the plots in Delek Real Estate's books is not material.

The Company	Loan / Collateral	Section in Shelf Prospectus	Primary Terms:	Collateral
Phoenix	2008 loan, balance of NIS 73 million of which NIS 49 million of profit-sharing policies.	8.2.3C (the terms of the loan were changed by Delek Real Estate and Phoenix on November 4, 2009)*	Interest 9.4%. Principal and interest are repayable by 2012	30% of the shares in Delek Real-Estate's profitable properties. Book value of the shares in Delek Real Estate's books – approximately NIS 209 million. Shareholders' loan extended by Delek Real Estate. Book value of the shareholders' loans in Delek Real Estate's books – approximately NIS 184 million. 100% of Dankner Investment's shares. Book value of the shares in Delek Real Estate's books – approximately NIS 83 million. See above concerning joint collateral for 2004 and 2008 loans. A cross collateral mechanism was fixed for the loans.
Delek Group	Collateral for commitments of Delek Real Estate and its subsidiaries' to banks in the amount of NIS 59 million	8.2.3D	An annual commission of 1.5% is paid for the collateral.	--
Phoenix	Holdings in Delek Real Estate debentures: provident funds, pension funds and profit sharing policies – NIS 91 million Nostro account – NIS 3.6 million	8.2.3M	Interest varies between 4.8% and 6.3%, the principal repayment dates of the various series are by 2019.	--
Excellence	Holdings in Delek Real Estate debentures: trust funds and basket certificates – NIS 17 million	8.2.3M	Interest 4.8%, principal repayment dates by 2019	--

Further to that stated in section 8.2.3C of the Shelf Prospectus, below are the primary changes in the terms of the loans according to resolutions adopted on November 4, 2009 by the general meetings of Delek Real Estate and Phoenix, pursuant to section 275 of the Companies Law:

Within the framework of the changes to the loan terms, Phoenix approved Delek Real Estate rescheduling the installments that were to be paid in August 2009 through to January 1, 2010, and it was resolved that Phoenix will not be entitled to call the loans for immediate repayment in the event that Delek Real Estate does not comply with the financial terms fixed in the loan agreements or in the event that the ratings awarded by S&P Maalot for the debentures issued by Delek Real Estate decrease to BBB Plus or lower ("the Financial Terms and the Ratings"). In return for the foregoing rescheduling and cancellation of the financial terms and ratings: 1) Delek Real Estate will bring forward expected payments set in the terms of the loans so that Delek Real Estate will repay amounts totaling NIS 170 million by January 1, 2011 in order that the balance of the loans after said payments will total NIS 65 million plus interest and linkage); 2) Additional interest (annual interest) of 2.5% was set, which will be added to the interest borne by the loans; 3) Phoenix will receive additional collateral that will include shares held by Delek Real Estate in Vitania Ltd. and the rights held by Delek Real Estate's subsidiary in the plot in Raanana, which is intended for the construction of a shopping center, and the plot in Kfar Saba. The Vitania shares will be released following payment of installments on account of the loans in the total amount of NIS 170 million (in other words, when the balance of the loans will be NIS 65 million plus interest and linkage). The lien on the plots will not be released until final repayment of the loans. In addition, as part of the foregoing, amendments will be made to the provisions of the loan agreements pertaining to the level and release of the shareholders' loans extended by Delek Real Estate, which were extended by the Company to its subsidiary Delek Real Estate Investment Properties Ltd., part of which are mortgaged to Phoenix.

It is noted that, in addition, various agreements exist between Delek Real Estate and the Company and its subsidiary, as set forth in section 8.2.3 of the Shelf Prospectus.

As stipulated in section 4 of Chapter A (Description of the Company's Businesses) of the first quarter report for 2009 (Ref. No.: 2009-01-124407) and in the section on Risk Factors in the Shelf Prospectus, Delek Real Estate's operations were adversely impacted by the global financial crisis and the crisis in the global real estate market. This is liable to lead to toughening of the conditions required for receiving financing for repaying Delek Real Estate's liabilities, a decrease in the demand for investment properties, and a decline in occupancy rates and rentals, which may adversely affect Delek Real Estate, its share capital, the fair value of its properties and its ability to comply with the financial terms and conditions agreed upon with its various credit providers. These Delek Real Estate risk factors and others, if they materialize, might make it difficult for Delek Real Estate to repay its obligations towards the Company, to exercise the collateral given to the Company and its subsidiary, and to adversely affect the Company's financial circumstances. As stipulated in section 8.2.3 of the Shelf Prospectus, in July 2009, installments to be paid to the Delek Group as laid out in the terms of the NCP loans were not paid on time and in August 2009, installments to be paid to Phoenix as set in the terms of the 2004 and 2008 loans were not paid on time. These loan terms and conditions were amended by agreement in July and October 2009, respectively.

Delek Real Estate's ability to comply with its liabilities constitutes a risk factor in the Company's opinion, and it is dependant upon numerous factors, including the following (based on the cash flow report published by Delek Real Estate in the Prospectus of August 2009).

From the aspect of resources, Delek Real Estate's ability to obtain resources to repay its obligations are based primarily on assumptions vis-à-vis its ability to sell properties at their value as recorded in Delek Real Estate's books, to receive dividends from its investees, early payment of income from its material tenants, and loans and credit facilities from banks. The receipt of financial resources as a result of the sale of properties is dependant on non-materialization of risk factors relevant to Delek Real Estate. Among others, the sale of properties is liable to encounter difficulties or not to yield the forecast cash flows in the following cases: further crisis in the real estate market; a decline in the value of Delek Real Estate's properties; adverse impact on the tenants in Delek Real Estate's properties; and refusal of the partners in the holdings of the properties to consent to their sale. The receipt of dividends from investees is dependant on non-materialization of risk factors relevant to Delek Real Estate. Among others, dividends may not be received from investees in the following cases: required approvals not received from the subsidiaries; and non-compliance of the subsidiaries with the requirements of the law for the distribution of dividends. Receipt of early payment of income from material tenants and receipt of loans and credit facilities from banks are dependant on non-materialization of risk factors relevant to Delek Real Estate. Among others, various negotiations currently underway are liable not to reach agreement or not to yield the forecast cash flows in the following cases: the negotiating parties do not reach agreement for any reason whatsoever; and deterioration of Delek Real Estate's financial position.

From the point of view of applications, Delek Real Estate's obligations are based, inter alia, on the assumption that it will not be required to settle short term on-call credit, and which as at the date of this report, the collateral given is sufficient for the banks that extended the credit. Delek Real Estate is liable to be required to pay additional sums, in material amounts, if the risk factors relevant to it materialize. Inter alia, Delek Real Estate is liable to be required to pay additional amounts in the following cases: noncompliance with financial criteria and/or a decline in rating, which are liable to lead to a call for the immediate repayment of loans and/or Delek Real Estate debentures; call for the immediate repayment of Delek Real Estate debentures is liable to lead to the call for immediate repayment of other loans extended to it; a call for the repayment of on-call credit as described above; if the loans extended by the Company to Delek Real Estate are not extended; and if Delek Real Estate generates further liabilities.

The Company's management constantly examines the ability of Delek Real Estate to repay its foregoing liabilities, based on public information and discussions with the management of Delek Real Estate. If the Company estimates that material adverse changes have affected Delek Real Estate's ability to repay its liabilities, the Company will issue reports pertaining thereto as required.

10. The insurance and finance sector in Israel

A. Further to that stated in section 1.14.15 of the Annual Report, on August 31, 2009 a Phoenix Insurance designated subsidiary issued debentures to the public in the amount of NIS 500 million, which were rated ilAA-/Neg.

B. Further to that stated in section 1.14.14 of the Annual Report, on November 24 Phoenix Holdings acquired, in an ex-TASE transaction, 779,471 shares in Excellence Investments through Phoenix Investments and Finances Ltd., which is a subsidiary of the Company (100%) ("Phoenix"), at the price of NIS 55.55 per share and for total amount of NIS 43,299,614. The number of shares acquired, as aforesaid, constitutes 4.58% of the issued and paid-up share capital of Excellence. Subsequent to the acquisition, as aforesaid, Phoenix holds 65.02% of the issued and paid-up share capital of Excellence.

11. Additional operations

HOT

Further to that stated in section 1.16.4 of the Annual Report, on November 12, 2009 Delek Investments signed an agreement with Cool Holding Ltd. to sell part of its holdings in HOT Communications Systems Ltd. ("HOT"), 9,127,271 HOT shares constituting 12% of HOT's share capital ("the Shares") at a price of NIS 44 per share ("the Agreement") and at a total price of NIS 402 million. The shares will be sold as is on the date of signing of the agreement. The closing of the transaction was contingent upon the waiver of first refusal rights given to certain HOT shareholders, who gave notice of their waiver of these rights. Moreover, the closing of the transaction is contingent upon the approval of the Cable Authority. The closing date of the transaction will be no later than December 23, 2009. After completion of the transaction, insofar as it is completed, the subsidiary's direct holdings in the equity of HOT will drop to less than 5%. The expected capital gain for the subsidiary as a result of the sale, insofar as it will be concluded, as it will be included in the fourth quarter results of 2009, is NIS 195 million (before the impact of tax).

Marketing of natural gas

Further to that stated in section 1.16.5 of the Annual Report, in August 2009, Delek Petroleum established a wholly owned subsidiary in the name of Delek Natural Gas Marketing & Distribution Ltd., for the purpose of examining the option to enter retail marketing of natural gas to end customers, due to the expected increase in the natural gas market in Israel. This operation will probably include the purchase of natural gas from the Yam Tethys and Tamar drillings (which are held, inter alia, by partnerships controlled by Delek Group) and marketing it to consumers who are third parties. To date, the Company has not completed such examination and is currently in the preliminary examination stage without the commencement any actual operations.

Investment in Noble

Further to that stated in section 1.16.5 of the Annual Report, it is noted that on August 19, the Company's board of directors resolved to approve an investment in the amount of up to USD 218 million for the acquisition of shares of the US company, Noble Energy Inc., which is traded on the New York Stock Exchange (NYSE) and the company has engaged in an agreement to receive a credit facility in the amount of USD 120 million for the purpose of acquiring the shares. The acquisition of the shares is intended as a financial investment of the Company. For further information see the immediate report published by the Company on August 19, 2009 (Ref. No.: 2009-01-202077) presented herein by way of reference. During the quarter, the Company acquired shares in the total amount of USD 94 million, whereby 55% of the investment was financed by utilizing a credit facility extended to the Company for the purpose of acquiring Noble shares and the balance was financed from independent sources. During September 2009 the Company disposed of Noble shares for USD 83 million, as a result of which the Company earned a profit of USD 9 million (pretax). The Company intends to continue buy and/or sell transactions of Noble shares.

Investment in RoadChef

Further to that stated in section 1.19.2 of the Annual Report, it is noted that the sale of Delek Petroleum and Delek Real Estate holdings in companies that hold RoadChef was concluded in 2009 and the Company estimates that there is a high likelihood it will be paid during the course of 2010. To date the sale and negotiations pertaining thereto are continuing. The aforesaid estimates pertaining to the conclusion of the sale during the course of 2010 constitutes forward-looking information, as defined in section 32A of the Securities Law, and it may not materialize, inter alia, if there will be a deterioration in RoadChef's businesses, if there will be a deterioration in the real estate and fuel station sectors in the UK, if the financing entities will not be willing to finance the acquisition transaction and if the potential buyers are not willing to purchase the property at a price acceptable to the Company. For further information see Note 3H to the financial statements.

Financing

Further to the stipulations in section 1.19.5 of the Annual Report pertaining to the Company's credit rating, it is noted that on August 27, 2009 Midroog announced an A1 Stable rating for Debentures (Series N and Series O) issued by the Company. On September 6, 2009, Midroog announced an A1 Stable rating for Debentures (Series P and Series Q) issued by the Company. On October 27, 2009, Midroog announced an A1 Stable rating for Debentures (Series R and Series O) issued by the Company.

DELEK GROUP LTD

Date: November 30, 2009

Names and positions of the signatories:

Gabriel Last – Chairman of the board of directors

Asi Bartfeld - CEO

November 29, 2009

Delek Group Ltd.

Directors' report on the state of the Company's affairs

For the nine-month period ended September 30, 2009.

The board of directors of the Delek Group Ltd. (the "Group" or the "Company"), hereby presents the Group's Directors' Report for the nine months ended September 30, 2009.

1. Description of the Company and its Business Environment

The Group is a holdings and management company which controls a large number of corporations with a range of investments in Israel and overseas in the fields of energy, fuels, infrastructures and water desalination, finance and insurance, automobiles, biochemicals and telecommunications.

The Company's financial data and its operating results are affected by the financial data and operating results of the companies it holds and by its sale or acquisition of holdings. The Company's cash flow is affected, inter alia, by dividends and management fees received from its investee companies, by receipts originating from the realization of its holdings in them, by its ability to raise foreign financing which depends, among other things, on the value of its holdings, and by investments made by the Group and the dividends it distributes to its shareholders.

2. Principal Operations

A. During and after the reporting period, the Company raised approximately NIS 1,450 million of debentures, of which NIS 850 million in shekel series not linked to the CPI. IN addition, during the reporting period the Company exchange CPI-linked debt for shekel debt in the amount of approximately NIS 670 million.

B. In February 2009 the Tamar 1 drilling off the coast of Haifa ended with a commercial discovery of gas, in which Delek Drilling and Avner ("the Partnerships") each have a 15.6% share. The Tamar 1 drilling descended to a water depth of 1,680 meters and reached a final depth of 4,900 meters. In August 2009, the Partnerships announced that according to an independent assessment by engineering consultants NSAI, the average economic potential of natural gas reserves in the Tamar field to be 7.7 TCF (218 BCM). Also in August 2009, the Partnerships announced their approval for the operator of the Tamar and Dalit projects to enter into agreements for the purchase of equipment and services likely to be required for developing these two natural gas fields, in a total amount of approximately USD 230 million (for all the partners).

C. In April 2009, production tests were successfully completed in the Dalit 1 drilling. In the tests, natural gas flowed at a maximum rate of 33 million cubic feet per day (Mmcf/D). The flow rate was limited by the equipment used for the tests and could not be increased. Noble Energy Mediterranean Energy Ltd., the project operator ("the Operator") estimates, based on the test results, that after completion of the drilling for production, natural gas will be able to be produced at more than 200 million Mmcf/D.

After analyzing the information obtained during the frilling and the production tests, the Operator now believes that the average economic potential of the natural gas reserves in the structure is in the region of 500 BCF (about 14.2 BCM), and that the discovery is clearly of commercial proportions.

D. In August 2009, the Board of Directors of the Company resolved to approve approval of an investment framework of USD 218 for the purchase of shares of the American company Noble Energy Ltd. ("Noble"), which is traded on the New York Stock Exchange. The investment in Noble shares is stated as a financial investment classified as a financial asset available for sale. In addition, the Group entered into an agreement with a foreign bank, which provided the Group with a non-recourse credit facility of USD 120 million to be repaid by May 31, 2012. The collateral for the credit is a lien on the Noble shares purchased and/or that will be purchased.

In August and September 2009, the Group purchased USD 94 million of Noble shares. In September 2009 the Group realized USD 83 million Noble shares, as a result of which it derived a profit of USD 9 million (before the effects of tax). The Group makes additional buy and sell transactions in Noble shares from time to time. Prior to the date of approval of the financial statements, the Group's investment in Noble shares is approximately NIS 89 million.

E. In May 2009, Delek US completed the reconstruction of the units that were damaged in the fire at its refinery, and the refinery resumed operation. During the reporting period, compensation of approximately USD 100 million was received from the insurance company in respect of loss of income and property damage. For details, see Section 6.1 below.

F. In June 2009, Delek Petroleum sold 6.51% of the shares of Delek Israel in consideration of NIS 95 million. As a result of the sale, the Group's holding in Delek Israel was reduced to 79.16%. The profit from the sale amounted to approximately NIS 31 million (before the effects of tax).

G. On June 14, 2009, after protracted negotiation, a settlement agreement was signed whereby The Phoenix will purchase from the sellers on various dates, 40% of the shares of Excellence Investments. On August 25, 2009, after compliance with all the conditions precedent, the transaction was closed. In addition, on November 24, 2009, The Phoenix purchased 4.58% of the equity of Excellence in a transaction made off the stock exchange floor, in consideration of approximately NIS 43 million, bringing its holding at this stage to about 65% of Excellence.

H. On March 31, 2009, the Board of Directors of the Company announced the distribution of a dividend in kind of shares it holds of Delek Real Estate, to the shareholders of the Company. The distribution was made on May 3, 2009, in such a way that each Company shareholder received approximately 8.8 shares of Delek Real Estate in respect of each Company share it holds. After the distribution, the Company retained a holding of about 5% of the shares of Delek Real Estate.

<u>Events after the balance sheet date</u>

I. In November 2009, the Group signed an agreement with Kol Holdings Ltd. for the sale of 9,127,271 shares of HOT Communications Systems Ltd. ("HOT"), comprising 12% of the share capital of HOT, at NIS 44 per share. The consideration from the sale amounted to approximately NIS 402 million. The shares will be sold as is on the date of execution of the agreement. Closing the transaction depends on the approval of the Cables Council and a waiver of the right of first refusal granted to certain HOT shareholders. The date for closing the transaction is no later than December 23, 2009. After closing the transaction, if and when it is closed, the direct holdings of the Group in the share capital of Hot fell to less than 5%.The capital gain expected to accrue to the Group as a result of the sale, if completed, and as will be included in the results of the fourth quarter of 2009, is estimated a t this stage at NIS 195 million (before the effects of tax).

J. In November 2009, Delek Energy completed the swap tender offer of purchasing shares of Avner (7.63%) in consideration of an allotment of shares of Delek Energy (about 7%). In addition, the Group sold 107,750 shares of Delek Energy, comprising approximately 2.15% of the latter's shares (after completing the swap tender offer described above), to various third parties for a total consideration of approximately NIS 94 million. The capital gain expected to accrue to the Company in respect of this sale is estimated a this stage at NIS 90 million (before the effects of tax), and will be charged to the income statement in the fourth quarter of 2009. After the sale, the Company holds 79.7% of the share capital of Delek Energy.

K. On October 19, 2009, after receipt of approvals from the American Securities and Exchange Commission, the Company inaugurated a Level I Sponsored Program for the issue of ADRs that represent the Company's shares and which will be traded over the counter in the U.S.
ADRs are securities issued in the U.S. with their value denominated in U.S. dollars, convertible to Company shares they represent and vice versa – a holder of Company shares may convert them to ADRs representing the Company's shares – all in accordance with the terms of the program. A Level I program allows private and institutional American investors to invest in the share capital o the Company by purchasing ADRs.

L. On November 29, 2009, the Board of Directors of the Company resolved to distribute a dividend of approximately NIS 33 million in respect of profits in the third quarter of 2009. This is added to the approximately NIS 177 million paid during the year to date.

3. Results of Operations

Contribution of principal operations to profit (loss) (attributable to the Company's shareholders) from principal operations (in NIS millions):

	1-3/09	4-6/09	7-9/09	1-9/09	1-3/08	4-6/08	7-9/08	1-9/08	2008
Fuel operations in the US	(2)	97	(14)	81	1	45	27	73	1
Fuel operations in Israel	32	29	9	70	23	31	31	85	62
Fuel operations in Europe	3	41	(2)	42	11	42	10	63	44
Expenditure on reorganization in Europe	-	-	-	-	-	-	-	-	(81)
Oil and gas exploration operations and gas production	(34)	2	52	20	33	(14)	40	59	65
Expenditure in respect of abandoned oil drillings	-	-	-	-	(26)	(13)	(7)	(46)	(74)
Automotive operations	54	53	65	172	85	105	110	300	288
Insurance and finance operations(1)	76	7	13	96	55	(32)	(167)	(144)	(482)
Capital gains and others(2)	33	(6)	(63)	(36)	(18)	(75)	(228)	(321)	(365)
Profit (loss) attributable to Company shareholders before results of real estate operations	**162**	**223**	**60**	**445**	**164**	**89**	**(184)**	**69**	**(542)**
Real estate operations(3)	(5)	-	-	(5)	30	(42)	(428)	(440)	(1,267)
Profit (loss) attributed to Company shareholders	157	223	60	440	194	47	(612)	(371)	(1,809)

(1) Comparison numbers were reclassified.

(2) Included in this item are non-attributed financing income, tax expenses and results of other operations in respect of infrastructures and investments.

(3) On March 31, 2009, the Group announced the distribution of shares of Delek Real Estate as a dividend in kind to the shareholders of the Group. The distribution was made in May 2009. Commencing April 1, 2009, the Group includes its part (5%) in the results of Delek Real Estate by the equity method. Those results are included under the Capital gains and others item.

The table below shows principal data from the Company's consolidated income statements (in NIS millions):

	1-9/09	1-9/08	7-9/09	7-9/08	2008
Revenue	31,802	39,284	11,919	13,026	46,240
Cost of revenue	26,885	34,489	10,245	11,717	40,549
Gross profit	**4,917**	**4,795**	**1,674**	**1,309**	**5,691**
Sales, marketing and operating expenses – gas stations	2,753	2,361	926	666	3,259
General and administrative expenses	1,101	917	358	329	1,476
Other income (expenses), net	239	103	(28)	60	40
Profit from operating activities	**1,302**	**1,620**	**362**	**374**	**996**
Financing income, net	457	156	159	30	340
Financial expenses, net	1,179	1,286	531	460	1,798
Profit (loss) after financing	**580**	**490**	**(10)**	**(56)**	**(462)**
Profit from realization of investments in associates and others, net	35	44	4	9	69
Group's equity in profits (losses) of associates and partnerships, net	178	87	47	18	(12)
Profit (loss) before income tax	**793**	**621**	**41**	**(29)**	**(405)**
Income tax (tax benefit)	113	172	(86)	20	(37)
Profit (loss) from continuing operations	**680**	**449**	**127**	**(49)**	**(368)**
Profit (loss) from discontinued operations(1)	**17**	**(706)**	**-**	**(760)**	**(1,945)**
Profit (loss)	**697**	**(257)**	**127**	**(809)**	**(2,313)**
Attributable to:					
Company shareholders	440	(371)	60	(612)	(1,809)
Non-controlling interest	257	114	67	(197)	(504)
	697	**(257)**	**127**	**(809)**	**(2,313)**

(1) On March 31, 2009, the Group announced the distribution of shares of Delek Real Estate as a dividend in kind to the shareholders of the Group. The distribution was made in May 2009. The results of Delek Real Estate are included in the item Profit (loss) from discontinued operations.

Income

The Group's income in the reporting period amounted to NIS 31.8 billion compared with NIS 39.3 billion in the corresponding period last year, a decrease of NIS 7.5 billion (approximately 19.1%). The decrease in income stems mainly from a decrease in revenues from fuel sales in Israel, the U.S. and Europe due to a global fall in fuel prices, from a decrease in the revenues of the U.S. refinery due to its shut-down during the first quarter of 2009 and part of the second quarter, and from a decrease in revenues at Delek Automotive.

Operating profit

Operating profit in the reporting period amounted to NIS 1,302 million, compared with NIS 1,620 million in the corresponding period last year. The decrease stems mainly from the automotive segment and various fuel segments. For further information about operating profit, see Note 11 to the financial statements – Segments of Operation.

Financing expenses, net

The decrease in the Group's financing expenses in the reporting period was affected mainly by fact that the known CPI rose 3.6%, compared with a rise of 5% in the corresponding period.

The Group's net financing expenses in the reporting period amounted to NIS 722 million compared with NIS 1,130 million in the corresponding period, a net decrease of NIS 408 million, stemming mainly from a decrease in the financing expenses at Delek Israel, Delek Benelux and Delek Automotive.

In July 2009, the Group exchanged NIS 605 million pat value CPI-linked of debentures for new series of debentures which are not linked to the CPI (see also Section 5 below). The profit to the Group as a result of the exchange amounted to approximately NIS 38 million I(before the effects of tax), and was included in the Financing income item.

The Group's average debt balances at September 30, 2009 amounted to approximately NIS 20.3 billion, compared with an average debt balance of NIS 31 billion on December 31, 2008. The decrease stems mainly from termination of the consolidation of Delek Real Estate.

Group's equity in profits of associates and partnerships, net

The Group's equity in the profits of associates and partnerships in the reporting period amounted to NIS 178 million compared with a profit of NIS 87 million in the corresponding period. Most of the increase comes from an increase in the profits of IDE.

Income tax

In July 2009, the Knesset passed the Economic Efficiency (Legislative amendments for implementation of the economic plan for 2009 and 2910) Law, 5769-2009, which mandates, inter alia, a further gradual reduction of the corporate tax rate and the real capital gains tax rate commencing 2011, to the following rates: 2011 – 24$, 2012 – 23%, 2013 – 22%, 2014 – 21%, 2015 – 20%, 2016 and onwards – 18%. As a result of these changes, the Group recorded tax income of approximately NIS 54 million.

At September 30, 2009, in view of the intention and expectation of realizing HOT shares it held at that date, the Group included in its financial statements a tax benefit of approximately NIS 50 million in respect of temporary differences attributed to the investment in HOT shares. On the sale of most of he Group's holdings in the shares of HOT after the balance sheet date, see Section 2I above.

4. Financial Position

The total assets of the Group at September 30, 2009 amounted to approximately NIS 80.8 billion, compared with NIS 76.7 billion on December 31, 2008.

Below are explanations concerning the principal changes in assets and liabilities at September 30, 2009 compared with December 31, 2008:

Cash and cash equivalents and short-term investments

The Group has cash and short-term investment balances of approximately NIS 4.8 billion, consisting mainly of balances of NIS 0.8 billion in Delek Israel, NIS 0.5 billion in Delek Benelux, NIS 0.8 billion in The Phoenix, and NIS 0.8 billion in Republic.

Total current assets

The Group's total current assets at September 30, 2009 amounted to approximately NIS 31.3 billion compared with approximately NIS 19.2 billion on December 31, 2008. Most of the increase is due to the first-time consolidation of Excellence, whose current assets amount to approximately NIS 14.7 billion.

Assets held for sale

The Group stated its investment in RoadChef, which amounts to NIS 227 million in this item, in view of its intention to realize the investment.

Total current liabilities

Total current liabilities of the Group at September 30, 2009 amount to approximately NIS 30 billion, compared with NIS 20 billion on December 31, 2008. Most of the increase is due to the first-time consolidation of Excellence, whose current liabilities amount to approximately NIS 14 billion.

Balance of short- and long-term financial liabilities

Total financial liabilities (to banks, debenture holders and others) at September 30, 2009 amounted to approximately NIS 20.3 billion, compared with a balance of NIS 31 billion on December 31, 2008. Most of the decrease stems from termination of the consolidation of Delek Real Estate commencing from the second quarter, which reduced the debt balance by approximately NIS 14.8 billion.

Pending claims

The Company's auditors draw attention in their review to lawsuits against associates. For details, see Note 7 to the financial statements.

Additional information

For additional information regarding payments of principal and interest in respect of debts of the headquarter companies, see Appendix A to the Directors' Report.

5. Sources of Finance and Liquidity

The surplus financial liabilities of the Company (in its separate statements) at September 30, 2009 totaled approximately NIS 892 million. (It is emphasized that the Delek Group shares held by the Group were taken as a financial asset in this calculation.)

Surplus financial liabilities of Delek Investments (in its separate financial statements) at September 30, 2009, totaled approximately NIS 384 million. It is emphasized that the investments of Delek Investments in the shares of Menorah Holdings Ltd. and Oil Refineries Ltd. were taken as financial assets in the calculation of Delek Investments' surplus financial liabilities, net.

Surplus financial liabilities (in the separate statements) of Delek Capital Ltd. and Delek Finance US Inc. (the direct parent of Republic), at September 30, 2009, amounted to NIS 2,484 million.

Surplus financial liabilities of Delek Petroleum (in its separate statements) at September 30, 2009 amounted to NIS 243 million. This item includes the investment in RoadChef as a financial asset.

Surplus financial liabilities (in the separate statements) of Delek Europe Israel Ltd. (the direct parent of Delek Benelux) at September 30, 2009 amounted to NIS 728 million.

Surplus financial liabilities (in the separate statements) of Delek Hungary (which is the direct parent of Delek US) at September 30, 2009 amounted to NIS 37 million.

Surplus financial liabilities includes obligations to banks and other credit providers (including the companies of the Group) net of cash and cash equivalents, commercial paper and bank balances.

Prior to the date of approval of the financial statements, the Company and the headquarters companies have free cash balances and liquid investments of approximately NIS 2.2 billion, which includes approximately NIS 800 million from the latest raising of capital and is earmarked for the repayment of debts in the coming year.

Raising debt

A. During March 2009, in agreements with banks, NIS 150 million in new credit was made available to the Company, and NIS 300 million of loans was refinanced.

B. In July 2009, the Group issued NIS 293,220,657 par value of registered debentures (Series W) of NIS 1 par value each, in consideration of NIS 308 million ("the Additional Debentures"). The Additional Debentures are from the same series W of NIS 1,000,000,000 of debentures ("the Original Debentures") issued under the Group's prospectus of May 30, 2007 and a shelf report offering of October 22, 2007. The terms of the Additional Debentures are the same as those of the Origin al Debentures.

C. In July 2009, the Group made an exchange transaction of unlisted debentures for institutional investors who hold Debentures (Series K) and Debentures (Series L). The Group purchased from the holders of Debentures (Series K) the debentures they offered at a par value of NIS 100,563,495 in exchange for Debentures (Series N) and from the holders of Debentures (Series L) the debentures they offered at a par value of NIS 504,270,791 in exchange for Debentures (Series O). The new debentures are identical in their terms and repayment dates to the Debentures (Series K) and the Debentures (Series L), respectively, except for the CPI linkage component, which was cancelled, and a higher interest rate of 8.5% (annual interest) for the two new series. This exchange of the debentures was subject to the new debentures being listed for trading by September 17, 2009. On August 31, 2009, the Company published a shelf prospectus and on September 15, 2009 trading commenced in the Debentures (Series N) and in the Debentures (Series O). As a result of these exchanges, a profit of approximately NIS 38 million accrued to the Company (before the effects of tax).

D. In September 2009, the Company issued the following:

(1) NIS 260,000,000 par value of Debentures Series P and Options (Series 6), listed for trading and exercisable for 260,000 shares of NIS 1 par value of the Company.

The Debentures Series P are listed for trading, are unlinked (principal and interest) to any index, and are repayable in four non-equal annual payments, where three payments of 16.667% each of the principal are paid on September 1 of each of the years 2012 – 2014 and payment the balance of the principal, 50%, is paid on the final date of payment, September 1, 2015 (Inclusive). The Debentures Series P bear 5.5% annual interest, which is paid twice a year on March 1 and September 1 of each year commencing March 1, 2010 through the date of final payment on September 1, 2015. The listed Options (Series 6) are exercisable for 260,000 shares of NIS 1 par value of the Company in such as way that from the date of their listing through September 9, 2011, each Option (Series 6) will be exercisable for an exercise price of NIS 890, and from September 10, 2100 through September 2013 for an exercise price of NIS 950. An Option (Series 6) not exercised by September 10, 2013, will expire. The exercise price is not adjusted for any index or currency, but is subject to adjustments in respect of distribution of a cash dividend and the like.

The total consideration of the issuance amounts to NIS 263 million, where NIS 238 million is attributed to the Debentures Series P and NIS 25 million to the Options (Series 6).

(2) 90,000,000 par value of listed Debentures Series Q. These debentures are listed for trading, are unlinked (principal and interest) to any index, and are repayable in four non-equal annual payments, where three payments of 16.667% each of the principal are paid on September1 of each of the years 2012 - 2104 and the balance of the principal, 50%, is paid on the final date of payment, September 1, 2015 (inclusive). The Debentures Series Q bear variable quarterly interest to be determined on the basis of the annual interest borne by Government Bonds 817 plus an annual margin of 2.86%. The interest will be paid once every three months on December 1, March 1, June 1 and September 1 of each of the years from December 2009 through the final date of payment, which is September 1, 2015.

The total consideration of the issuance amounts to approximately NIS 90 million.

On September 6, 2009, Midroog Ltd. ("Midroog") confirmed the rating of A1 with stable outlook for these debentures.

E. After the balance sheet date, in November 2009, the Company issued the following:

(1) NIS 500,000,000 par value of Additional Debentures Series O by way of increasing the Debentures Series O and which are listed for trading. The consideration of the issuance amounted to approximately NIS 521 million (after setoff of approximately NIS 4 million in issuance expenses).

(2) NIS 300,000,000 par value of Debentures Series R in consideration of their par value. These debentures are listed for trading. Issuance expenses amounted to approximately NIS 3 million. The Debentures (Series R) are repayable in 6 equal annual payments on October 31

of each of the years 2016 – 2017 and 2019 – 2022 (inclusive), and bear 6.05% fixed annual interest. The interest will be paid twice a year on April 30 and October 31 of each calendar year from April 30, 2010 through the final date of payment, which is October 31, 2022 (inclusive). The Debentures (Series R) are linked to the CPI. The proceeds from the issuance amounted to NIS 297 million (after setoff of issuance expenses of NIS 3 million).

On October 27, 2009, Midroog announced a rating of A1 with stable outlook for these debentures.

5.1 Details of liability certificates of the Company

On May 26, 2009, Maalot S&P announced it was downgrading the rating of Company's debentures (Series A, E-M, V and W), from AA to A with stable outlook.

On May 26, 2009, Midroog rating company announced a rating of A1 for the Company's debentures (Series E-M, V and W), and for a further raising of up to NIS 300 million of debentures which the Company was considering.

On June 24, 2009, Midroog announced a rating of A1 for debentures (Series N and O) which replaced the existing CPI-linked Series K and L.

On September 6, 2009, Midroog announced a rating of A1 for debentures (Series P and Q) for raising up to NIS 350 million.

On October 27, 2009, Midroog announced a rating of A1 for debentures (increase of Series O and R), for raising up to NIS 825 million.

The table shows the new series of debentures issued during the reporting period (in NIS millions).

Series	Issue date	Par value balance	Interest	Linkage	Book balance Sept. 30 2009	Accrued interest	Payment dates	Stock exchange value, Sept. 30 2009	Rating	Trustee
N	July 09	119	8.5%	-	119	2	2018	126	A1	Clal Finances & Trust 2007 Ltd., 37 Menachem Begin Road, Tel Aviv. Tel: 03-6274827, Yuval Likber
O	July 09	548	8.5%	-	548	10	2015-2017	590	A1	Clal Finances & Trust 2007 Ltd., 37 Menachem Begin Road, Tel Aviv. Tel: 03-6274827, Yuval Likber
P	Sept. 09	260	5.5%	-	260	1	2012-2015	249	A1	Strauss Lazar Trust Co. Ltd., 17 Yitzchak Sadeh Street, Tel Aviv. Tel: 03-6237777, Uri Lazar
Q	Sept. 09	90	Variable	-	90	-	2016-2022	90	A1	Strauss Lazar Trust Co. Ltd., 17 Yitzchak Sadeh Street, Tel Aviv. Tel: 03-6237777, Uri Lazar
W Increase	July 09	293	4.75%	CPI	319	7	2011-2014	342	A1	Strauss Lazar Trust Co. Ltd., 17 Yitzchak Sadeh Street, Tel Aviv. Tel: 03-6237777, Uri Lazar

The table shows series of debentures issued after the balance sheet date (in NIS millions).

Series	Issue date	Par value balance	Interest	Linkage	Payment dates	Rating	Trustee
O Increase	Nov. 2009	500	8.5%	-	2015-2017	A1	Clal Finances & Trust 2007 Ltd., 37 Menachem Begin Road, Tel Aviv. Tel: 03-6274827, Yuval Likber
R	Nov. 2009	300	6.1%	CPI	2016-2022	A1	Clal Finances & Trust 2007 Ltd., 37 Menachem Begin Road, Tel Aviv. Tel: 03-6274827, Yuval Likber

6. Analysis by Segment of Operation

6.1 Fuel operations in the US

Delek US results as included in the Company's consolidated financial statements:

	1-9/2009			1-9/2008		
	Refining and marketing operations	Convenience stores and gas stations	Total	Refining and marketing operations	Convenience stores and gas stations	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Revenue	3,078	4,139	7,217	8,749	5,699	14,448
Gross profit (loss)	**28**	**539**	**567**	**238**	**578**	**816**
Operating results	275	2	277	169	54	233
Expenses not allocated to segments			23			35
Profit from operations			**254**			**198**
Financing expenses, net			68			57
Equity in losses of associates			-			2
Profit			**113**			**103**

	1-9/2009			1-96/2008		
	Refining and marketing operations	Convenience stores and gas stations	Total	Refining and marketing operations	Convenience stores and gas stations	Total
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Revenue	1,759	1,447	3,206	3,097	1,970	5,067
Gross profit (loss)	**925)**	**192**	**167**	**42**	**217**	**259**
Operating results	(10)	14	4	13	40	53
Expenses (income) not allocated to segments			12			(22)
Operating profit (loss)			**(8)**			**75**
Financing expenses, net			18			21
Profit (loss)			**(21)**			**41**

	2008		
	Refining and marketing operations	Convenience stores and gas stations	Total
	NIS millions	NIS millions	NIS millions
Revenue	10,030	7,088	17,118
Gross profit	139	834	973
Operating results	42	146	188
Expenses not allocated to segments			74
Profit from operations			114
Financing expenses, net			76
Equity in losses of associates			31
Profit			3

Delek US operates a refinery with a maximum daily capacity of 60,000 barrels, a crude oil pipeline and a chain of terminals for marketing fuel in Texas, USA, as well as gas stations and convenience stores in eight neighboring states in the Southeast United States. In addition, Delek US holds about 35% of Lion Oil, which operates an oil refinery with a capacity of 75,000 barrels per day, in El Dorado, Arkansas. The Company's holding in Delek US at the balance sheet date is approximately 73.8%. Delek US is a listed company in the USA.

Analysis of the results of the fuel operations in the U.S.

Refining and marketing operation

On November 20, 2008, a fire broke out in Delek US's refinery in Tyler, Texas, in which two workers died. The refinery was shut down to enable a comprehensive investigation of the circumstances of the event and repair of the damage. The fire damaged two of the refinery's units. Delek US has extensive insurance cover (USD 1 million), which includes property insurance (with an excess of approximately USD 5 million), and consequential loss / business interruption insurance (with a waiting period of 45 days). Delek US estimates that beyond the above excess, most of the cost of the repairs will be covered by the insurance, subject to the insurance policy.

In May 2009, Delek US completed repair of the units that were damaged in the fire and the refinery resumed operation. In addition to the required repair, an optimization and general refurbishing project was carried out at the refinery, originally planned for the fourth quarter of 2009 and brought forward to the first quarter since the refinery was shut down in any case.

During the nine-month and three-month periods ended September 30, 2009, Delek US received approximately NIS 404 million and NIS 46 million, respectively, from the insurance company, consisting of NIS 258 million) and NIS 23 million, respectively, in respect of consequential loss, and NIS 146 million and NIS 23 million, respectively, in respect of property damage, which were stated in the financial statements net of costs of NIS 46 million and NIS 1 million, respectively. The net income was stated in the income statement under the Other income, net, item.

After the balance sheet date, Delek US received additional compensation from the insurance companies in the amount of NIS 16 million.

In May 2009, Delek US completed the rebuilding of the unit damaged in the fire, and the refinery resumed operation. In addition, an optimization and overhaul project was completed at the refinery, which had been planned for the fourth quarter of 2009 and was brought forward to the first quarter since the refinery was in any case standing idle.

The contribution of refining and marketing to the results of operations in the reporting period was approximately NIS 275 million, compared with NIS 169 million in the corresponding period of 2008, an increase of about 63%. The third quarter of 2009 amounted to a loss of NIS 10 million, compared with a profit of NIS 13 million in the corresponding period. The decrease in profitability stems mainly from a decline of 57.7% in the 5-3-2 refining margin in the Gulf of Mexico.

The financial results of the refining segment in the first nine months of 2009 cannot be compared with the corresponding period of the prior year, due to the fire at the Tyler refinery, which shut down operation throughout the entire first quarter and part of the second quarter of 2009.

Profits of the refining segment in the third quarter of 2009, plus inter-company marketing commissions of USD 0.22 per barrel, amounted to USD 4.37 per barrel sold, compared with USD 12.16 per barrel sold in the same quarter of 2008. The 5-3-2 refining margin in the Gulf of Mexico region was USD 6.38 per barrel during the third quarter of 2009. The average production capacity at the Tyler refinery in the third quarter of 2009 was 82.6%, compared with 86% in 2008. Average daily production at Tyler was 54,092 barrels, compared with 55,339 barrels in .the third quarter of 2008. During the third quarter of 2009, daily sales averaged 54,266 barrels, compared with 55,854 barrels in the same period in 2008.

Gas station and convenience store operations

The contribution of the gas station and convenience stores segment amounted to approximately NIS 2 million, compared with NIS 64 million in the corresponding period in 2008. The contribution of the results of the convenience store and gas station segment in the third quarter of 2009 was a profit of NIS 14 million, compared with NIS 40 million in the corresponding period. The decrease in the contribution stems mainly from the decline in profitability on fuel sales compared with the corresponding periods.

In the third quarter of 2009, same store sales improved both in fuels and in products after two years of declining same store sales, The rise in same store sales stems, among other things, from the fall in fuel prices, greater consumer trust, and the expectation that the employment market will stabilize in core regions of the operations of Delek US in Tennessee and Georgia.

During the third quarter of 2009, fuel sales in the segment amounted to 102.4 million gallons, compared with 100.9 million gallons in the corresponding period. Same store fuel sales increased in the quarter by 2.2% compared with the corresponding period.

The profitability of fuel sales was 17.8 cents per gallon, compared with 24.1 cents per gallon in the corresponding period, which was favorably influenced by the volatility of fuel prices in the quarter.

Product sales in the convenience stores in the third quarter of 2009 amounted to USD 99.5 million, compared with USD 98,0 million in the corresponding period in 2008. Same store product sales in ht quarter increased by 1.9% compared with the same period last year. Gross profit from products sales in the quarter as 31.1%, compared with 32.2% in the corresponding period of 2008,

During the first nine months of 2009, 22 convenience stores and gas stations were re-branded, so that at September 30, 2009, about 27% of Delek US's store base was re-branded.

As part of the strategy of focusing on the core markets in the south-east United States, Delek US decided on a plan to sell its operation in Virginia. At September 30, 2009, Delek US has sold 27 of its 36 stores in Virginia.

Additional information

It should be noted that there is a number of differences between the financial results of Delek US according to US GAAP as published, and their inclusion in the financial statements according to IFRSs applied in Israel. The principal difference stems from a different accounting policy for the treatment of inventory – in the US, the cost of inventory is according to LIFO, whereas IFRSs require the application of average cost.

For additional information about the operations of Delek US, see Note 3 to the financial statements.

6.2 Fuel Operations in Israel

Below are data from the financial statements of Delek Israel:

	1-9/2009	1-9/2008	7-9/2009	7-9/2008	2008
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Revenue	3,079	4,896	1,180	1.877	5,813
Gross profit	562	590	200	203	670
Operating profit	189	260	72	84	220
EBITDA	243	318	91	104	310
Financing expenses, net	92	125	59	37	110
Profit before equity in results of associates	97	135	13	47	110
Delek Israel's equity in results of associates	(2)	2	(6)	-	(22)
Profit	**84**	**102**	**7**	**33**	**58**
Attributable to:					
Shareholders of the Company	80	96	5	31	50
Non-controlling interest	4	6	2	2	8
	84	**102**	**7**	**33**	**58**

Delek Israel operates in the Israeli fuel product sector, which includes the marketing and distribution of fuel products and lubricants, the development, construction and operation of gas stations and convenience stores, and the storage and issue of fuels. At the date of approval of the financial statements, Delek Israel has 240 gas stations and 139 convenience stores.

Net sales

Sales net of government levies ("Net Sales") in the first nine months of 2009 amounted to NIS 3,079 million, compared with NIS 4,896 million in the first nine months of 2008, a decrease of about 37%. Net Sales in the third quarter of the year amounted to NIS 1,180 million, compared with NIS 1,877 million in the corresponding period, a decrease of about 37%.

The decrease in sales between this year's and last year's reporting periods is explained by the decline in fuel prices compared with last year, and by the smaller quantities in the direct marketing segment, which stems, inter alia, from the slowdown in economic activity in the segment this year compared with last year, in light of selective and careful choice of sales in this segment. It is noted that this decline is partially offset by an increase in sales of Delek Israel's convenience stores and by an increase in fuel sales in the fueling and commerce segment.

Gross profit

Gross profit in the first nine months of 2009 was NIS 562 million, compared with NIS 590 million in the same period last year. Gross profit in the third quarter of the year was NIS 200 million, compared with NIS 203 million in the third quarter of 2008.

In the present quarter, gross profit increased in the fueling and commerce segment as a result, inter alia, of ongoing conversion of stations to self-service, an increase in quantities in the segment and an increase in convenience store sales. The increase was offset by a decrease in quantities sold in the direct marketing segment due to the economic slowdown in the present reporting period compared with last year and Delek Israel's selective and cautious choice of sales, as well as erosion of the profitability in the direct marketing segment compared with last year.

In the first nine months of 2009, gross profit decrease by NIS 28 million compared with the same period last year. Most of the decrease stems from a decline in direct marketing activity as noted above, and from the effects of change in the dollar-shekel exchange rate which accounts for approximately NIS 19 million (changes between the third quarter of this year and of 2008 were not material). The decrease due to exchange rate differences is fully compensated for an increase in financing income at Delek Israel, as a result of currency futures hedging transactions. It is noted that despite this decrease, the fueling and commerce segment recorded a rise in gross profit that stems, inter alia, from the ongoing conversion of stations to self-service, an quantitative increase and an increase in the sales of Delek Israel's convenience stores.

Selling, gas station operation and general and administrative expenses

These expenses in the first nine months of 2009 amounted to NIS 374 million, compared with NIS 331 million in the same period last year. In the third quarter of the year, these expenses amounted to NIS 128 million, compared with NIS 118 million in the same period in 2008.

Most of the increase is due to an increase in gas station operating expenses as a result of the transition of the stations to self-service, which increased the stations' current maintenance and lease expenses. Furthermore, a comparison of the two reporting periods shows a rise in the number of convenience stores of Delek Israel, which, while increasing its revenues and profitability, also increased the selling expenses of those stores.

Operating profit

Operating profit in the first nine months of 2009 totaled approximately NIS 189 million compared with approximately NIS 260 million in the corresponding period last year. Operating profit in the third quarter of the year amounted to NIS 72 million, compared with NIS 84 million in the same period last year.

Financing expenses, net

Net financing expenses in the first nine months of 2009 amounted to NIS 92 million, compared with NIS 125 million in the same period last year. Net financing expenses in the third quarter of the year amounted to NIS 59 million, compared with NIS 37 million in the same period last year.

Comparison of the first nine months of 2009 with the same period in the prior year shows a decrease of NIS 33 million in net financing expenses. Eliminating trade payables exchange rate differences, which were about NIS 19 million higher in the corresponding period compared with 2009, leaves a decrease of NIS 14 million in net financing expenses. Most of this decrease in the first nine months of 2009 stems from a decline in the rate of rise of the known CPI (3.6% in the reporting period compared with 5.0% in the prior year), from an increase in income from dividend from subsidiaries presented in the financial statements as financial instruments available for sale, and from a decrease in the shekel interest rate.

In the third quarter of 2009, financing expenses increased by approximately NIS 22 million compared with the third quarter of 2008, due mainly to an increase in the rate of rise in the known CPI (2.4% in the current quarter compared with 2.0% in the prior year), and an increase in the volume of net debt of Delek Israel.

For additional information about the operations of Delek Israel, see Notes 3, 5 and 6 to the financial statements.

6.3 Fuel Operations in Europe

Fuel operations in Europe are managed under Delek Benelux BV and consist of 870 gas stations in Belgium, Holland and Luxembourg ("Benelux Marketing Operation"). The Benelux Marketing Operation also includes convenience stores, food chain stores and carwash facilities.

During 2008, Delek Benelux acquired the stake of the partners in three ventures in which it was a partner, and became the full owner of the shares of those partners.

Condensed balance sheet of Delek Benelux at September 30, 2009 and 2008 and December 31, 2008 (in euro millions)

	At September 30, 2009	At September 30, 2008	At December 31, 2008
Cash	82	48	43
Current assets (except for cash)	186	243	167
Investments in associates and long-term debit balances	28	34	32
Property, plant and equipment, net	229	216	228
Other assets, net	232	235	241
Short-term loans	42	34	49
Current liabilities (except for short-term loans)	257	259	200
Long-term loans	297	295	295
Other long-term liabilities	44	37	38
Equity*	117	151	129

* Equity balance at September 30, 2009, eliminating the negative balance of a capital fund in respect of hedging transactions for a variable to fixed interest rate swap amounts to approximately EUR 134 million..

Data from the income statement of Delek Benelux (in euro millions)

	1-9/2009	1-9/2008	7-9/2009	7-9/2008	1-12/2008
Revenue	1,434	2,122	492	729	2,776
Gross profit	174	175	58	55	223
Operating profit	18	29	7	4	6.5
Equity in profits of associates	1	3	-	1	3
EBITDA	46	51	16	15	54
Profit (loss)	**8**	**12**	**-**	**2**	**(9)**

Analysis of Delek Benelux's results in the reporting periods

Revenue

Revenue in the third quarter of 2009 amounted to EUR 492 million, compared with EUR 729 million in the corresponding period of the prior year, a decrease of about 33%. The decrease in revenue stems primarily from the decline in fuel prices.

Gross profit

Gross profit in the reporting period amounted to EUR 58 million, compared with EUR 55 million in the corresponding period of the prior year, a, increase of about 5%. The increase in gross profit stems from the increase sales of the convenience stores and from the improvement in the business environment.

Operating profit

Operating profit in the third quarter of 2009 amounted to EUR 7 million, compared with EUR 4 million in the corresponding period in 2008. The increase in operating profit stems mainly from the increase in gross profit as noted above.

EBITDA

EBITDA (operating profit after elimination of depreciation and amortization and of a one-time provision for reorganization) in the third quarter of 2009 amounted to EUR 16 million, an increase of about 7%. The increase in EBITDA in the third quarter stems primarily from the above-mentioned decrease in gross profit.

For further information about the operations of Delek Benelux, see Note 3 to the financial statements.

6.4 Oil and Gas Exploration and Production

Operations in Israel are carried out by Delek Drilling Limited Partnership ("Delek Drilling") and Avner Oil Exploration Limited Partnership ("Avner") (together, "the Partnerships"), which are partners in the Yam Tethys project (together with Delek Investments) in the Tamar and Dalit drillings and in other oil rights off the coast of Israel.

During February and July 2009, the Partnerships announced that the Tamar 1 and Tamar 2 drillings had ended with a commercial gas discovery. The drilling operator announced that the potential average natural gas reserve in the Tamar structure is approximately 7.3 TCF (about 207 BCM). During April 2009, the Partnerships announced that the Dalit 1 drilling had ended with a commercial gas discovery, and the drilling operator announced that the potential average natural gas reserve in the Dalit structure is approximately 500 TCF (about 14.2 BCM).

The Partnerships each hold 15.62% of the rights in these drillings.

Below are the results of oil and gas exploration and production operations from the financial statements of Delek Energy and the direct holdings in the Yam Tethys partnerships):

	1-9/2009	1-9/2008	7-9/2008	7-9/2008	2008
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Revenue	325	351	152	141	460
Operating profit	141	154	81	74	155
EBITDA	231	225	118	101	273
Financing expenses, net	120	104	24	2	69
Group's equity in the results of Avner and other associates	30	1	29	91)	(27)
Profit (loss)	**14**	**13**	**51**	**33**	**(9)**
Gas sales in BCM*	2.2	2.6	0.9	1	3.5

* The data relate to sales of gas by the entire Yam Tethys group, rounded to one tenth of one BCM:

Analysis of the results of operations in the oil and gas segment

Operating profit

Operating profit in the reporting period amounted to NIS 141 million, compared with operating profit of NIS 154 million in the prior year. The decrease in operating profit stemmed mainly from a decrease in revenue from gas sales in Israel in the first two quarters of the year compared with the first two quarters of 2008 – the result of a significant decrease in revenue from the sale of natural gas to Israel Electric Corporation ("IEC"). Delek Energy believes that the source of the decrease in the first two quarters lies in the following: lower consumption of electricity due to the weather in the winter and spring of 2009 and a decrease in activity in the economy due to a malfunction that shut down one of IEC's production units that operates on natural gas; a fall in the price of natural gas sold at peak demand hours and in the prices of occasional sales as a result of a global fall in the prices of oil and oil products, and a change in the fuel usage model of IEC, deriving, inter alia, from the fall in coal prices.

In the third quarter of 2009, operating profit amounted to NIS 81 million, compared with NIS 74 million in the third quarter of 2008.

The increase in operating profit in the third quarter compared with 2008 stems mainly from increased revenue from sales of gas to IEC on the terms and at the prices set out in a memorandum of principles signed with IEC and relating to the sale of additional quantities of gas commencing July 1, 2009. In addition, oil and gas exploration expenses were reduced in the third quarter compared with 2008.

Revenue

In the reporting period, revenue to the segment was approximately NIS 325 million, compared with NIS 351 million in the corresponding period of the prior year, a decrease of about 7%, explained by the reasons set out above.

In the third quarter of 2009, revenue amounted to NIS 152 million, compared with NIS 141 million in the same period last year, an increase of about 8%.

It is noted that EMG's sales of gas to IEC resulted in a decrease in the quantities of natural gas sold by the company to IEC, mainly in the third quarter.

Financing expenses, net

Financing expenses, net in the reporting period amounted to NIS 120 million, compared with NIS 104 million last year, an increase of about 15%. In the third quarter of 2009, financing expenses amounted to NIS 24 million, compared with NIS 20 million in the corresponding period.

Most of the financing expenses in the first nine months of the year are financing expenses recorded in respect of hedging transactions on oil and gas prices amounting to NIS 30.2 million, compared with financing expenses of NIS 21.1 million for similar transactions in the corresponding period of the prior year. Furthermore, the financing expenses in the reporting period include interest and exchange rate differences of NIS 7.2 million in respect of revaluation of dollar loans received from banks, as well as interest and exchange rate differences of NIS 52.1 million in respect of CPI-linked loans from Delek Investments.

Conversely, it is noted that borrowing costs of NIS 7.7 million capitalized for the Vietnam project, led to a decrease in the financing expenses.

Additional information

1) During the reporting period, significant developments occurred in the exploration activities of the Partnerships. For details, see Note 5 to the financial statements, which include the following:
   - Dalit 1 drilling, which ended in a commercial discovery.
   - Completion of the Tamar 2 drilling.

2) On July 20, 2009, Delek Energy entered into an agreement with Premier Oil Group ("Premier") for the sale of all DES's holdings in Delek Vietnam. In consideration of the sale, DES received approximately USD 83.9 in cash. Thus sum consists of a consideration of USD 72 million, and of amounts attributed to exercise of Petro Vietnam's optional right to purchase 15% in the project, and return of Delek Vietnam's investment after the effective date for the transaction (March 31, 2009). In addition to the above amount and subject to terms laid down in the agreement, Premier undertook to pay DES USD 3 million one year after a first commercial production from the Dua field (if such production is achieved). Premier also undertook to transfer an additional USD 7 million one year after commercial production from any other field in Block W12 (except for the Chim Sao and Dua fields, and if such production is achieved).

3) In August 2009, a memorandum of principles was signed between the partners in Yam Tethys Group and IEC, for the supply of an additional 1 BCM of gas per year, commencing July 1, 2009 for five years (a total of 5 BCM). The financial volume of the engagement (for 100% of the rights in Yam Tethys Group) is estimated at one billion US dollars. The actual income of Yam Tethys group from the sale of the additional quantities to IEC will be influenced by a range of conditions, mainly global fuel prices, the supply regimen, etc. The price of the gas supply under the new memorandum of principles is significantly high than the price at which IEC purchases natural gas pursuant to the gas supply agreement of 2002.

   The parties reached agreement concerning how the additional quantity of gas will be divided according to the memorandum of principles, out of the entire quantity supplied to IEC in the period commencing July 1, 2009.

4) In November 2009, Delek Energy published a shelf offering by way of an exchange tender offer in which it addresses the participation unit holders of Avner Oil Exploration Limited Partnership (an associated partnership) (excluding Delek Energy, Delek Investments & Properties Ltd. and an associate) with a proposal to buy from them up to 325,899,000 participation units of NIS 0.1 par value in consideration of up to 517,300 ordinary shares of NIS 1 par value of Delek Energy (i.e. for every 630 participation units, one ordinary shares of Delek Energy).

Following this tender offer, acceptance notices were received from the holders of 247,926,891 participation units in Avner (comprising approximately 7.63% of all the Avner participation units), in consideration of which Delek Energy will issue 393,535 of its ordinary shares. As a result, the percentage of Delek Energy's holding in Avner will increase to about 45.55% and the percentage of the Group's holding in Delek Energy will decrease to 81.9%. The Group is currently considering the accounting implications of the transaction.

For additional information about oil and gas exploration operations, see Note 5 to the financial statements.

6.5 Automotive Operations

Following are the results of the operation of Delek Automotive Systems Ltd. ("Delek Automotive"):

	1-9/2009	1-9/2008	7-9/2009	7-9/2008	2008
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Revenue	3,444	4,231	1,447	1,352	4,770
Gross profit	388	833	168	280	938
Sales, marketing and administrative and general expenses	53	58	20	18	71
Operating profit	335	778	148	263	871
EBITDA	345	790	152	267	883
Financing income (expenses)	60	(49)	3	3	(158)
Profit	**305**	**525**	**112**	**193**	**504**

The Group holds 54.95% of Delek Automotive at the balance sheet date (Delek Automotive is a public company whose financial statements are published).

Below is an analysis of the results of the operations of Delek Automotive in the reporting periods:

Breakdown of vehicle sales:

	1-9/2009	1-9/2008	7-9/2009	7-9/2008	2008
Mazda vehicles	21,909	28,918	9,278	8,548	31,537
Ford vehicles	9,552	9,966	4,203	3,686	11,634
Total vehicle sales	31,161	38,884	13,481	12,234	**43,171**
Delek Automotive's market share out of total vehicle sales in Israel (Licensing Bureau figures)	25%	23%	28%	23%	22%

- With the significant upswing in the automotive industry in the third quarter of the year, the market share of Delek Automotive from vehicle sales in Israel reached 28%. Total vehicle deliveries in the third quarter were 46,000, compared with 51,000 in the third quarter of 2008 (Licensing Bureau figures).
  In the first nine months of the year, vehicles sold in Israel reached 123,848, compared with 167,205 in the corresponding period in 2008.
- After cumulative deliveries of about 100,000 vehicles of the outgoing model, the new Mazda 3 was launched in July 2009. At the date of this report, about 8,000 car of this successful model have been sold.
- In June 2009, the Government announced a green tax policy which determines, inter alia, that commencing August 1, 2009, a "green index" will be introduced, rating vehicles according to their level of pollution, which is determined by aggregate cost to the public of polluting emissions, and setting a purchase tax on the basis of that rating. It was determined that instead of a purchase tax of 72-75% on a vehicle (private or commercial, respectively), the purchase tax will be 90%, with a decrease of the tax by means of a defined shekel benefit, the amount of which will be derived

from the level of pollution of the vehicle. Commencing August 2009, importers will be obliged to furnish the pollution and fuel consumption data of every new vehicle offered for sale.

Following the approval of the Knesset Finance Committee on November 25, 2009, the green tax method is now laid down in law. On the same date, it was decided that the basic purchase tax rate will be lowered from 90% to 83%, against cancellation of the tax benefit granted today for a vehicle equipped with an electronic stability control system. Also approved was the reform concerning a change in the method of calculating the usage value charged for a company car, from the price group method applied today to the linear method, in which the usage value will be a fixed percentage of the price of the car to the consumer. This method will be applied only for new vehicles registered from January 1, 2010 onwards. The monthly usage value rates set for 2010 are 2.04% for a vehicle prices at up to NIS 130,000, and 2.38% for a vehicle priced higher than NIS 1390,000. The usage value rate in 2011 will be s.5% of the price of the car, but if material changes occur in the price levels of cars in the coming year (whether up or down), changes might be made to the usage value rate. Whatever the case, he value rate will not exceed 2.6% and will not be less than 2.43%. A ceiling was set for charging the usage value, which will be the value charged for a car priced at NIS 450,000.

Revenue

Sales in the first nine months of 2009 amounted to NIS 3,444 million compared with NIS 4,231 million in the first nine months of 2008 (in the whole of 2008 – NIS 4,770 million). The decrease in turnover stemmed mainly from the decline in the number of vehicles sold (31,461 vehicles compared with 38,884 in the corresponding period of the prior year). During the third quarter of the year, sales turnover as NIS 1,447 million, compared with NIS 1,352 million in the third quarter of 2008. The increase in turnover in the third quarter stemmed primarily from the increase in the number of vehicles sold – 13,481, compared with 12,234 last year.

Sales and marketing costs

Sales and marketing expenses in the first nine months of the year amounted to NIS 31.1 million, compared with NIS 32.6 million last year. In the third quarter, sales and marketing increased by NIS 3.6 million, compared the corresponding period, mainly due to the launch of the new Mazda 3.

General and administrative expenses

General and administrative expenses in the first nine months of the year amounted to approximately NIS 22 million compared with NIS 25 million in the corresponding period of the prior year. Most of the decrease stems from a decline in the recording of an expense for share-based payment to employees.

Financing income

In the first nine months of 2009 Delek Automotive generated net financing expenses of NIS 59.9 million compared with net financing expenses of NIS 48.7 million in the corresponding period of the prior year.

Financing income in the period stemmed primarily from recording the results and fair value of hedging transactions amounting to NIS 34.3 million (a loss of NIS 48 million in the corresponding period of 2008). In addition, revenue from a rise in the value of the investment in marketable securities amounting to NIS 40.4 million was also charged to the income statement (a loss of NIS 17.8 million in the corresponding period of 2008), and as a result of interest charged to customers amounting to NIS 8.6 million.

Financing expenses are mainly to the banks and amounted to approximately NIS 16 million, and also a revaluation of trade payables of about NIS 7 million.

In the third quarter of the year, Delek Automotive generated net financing income of NIS 3 million, mainly as a result of appreciation of the value of marketable securities and interest charged to customers, which offset the financing expenses to the banks and expenses in respect of the revaluation of trade payable balances.

Profit

The profit of Delek Automotive in the first nine months of 2009 amounted to approximately NIS 305 million, compared with NIS 525 million in the corresponding period in 2008. Delek Automotive's profit in the third quarter of the year was NIS 112.5 million, compared with NIS 193.4 million in the corresponding period. The decrease in profit in the first nine months and in the third quarter stems from the decrease in the number of cars sold and from the lower profitability in the automotive segment.

Gross profit in the first nine months of 2009 fell to about NIS 388 million compared with NIS 833 million in the corresponding period in 2008. Gross profit in the third quarter amounted to approximately NIS 168 million, compared with NIS 280 million in the corresponding period in the prior year. Most of the erosion in gross profit stems from the automotive segment.

The gross profit rate in the third quarter was about 12%, compared with an average of about 21% in the same period in 2008, mainly due to the strengthening of the import currencies.

6.6 Insurance and Finance Operations

Most of the holdings of The Phoenix in the insurance and finance segment are concentrated under Delek Capital Ltd., in which the Delek Group holds 94%, with the exception of the 28.6% direct holding of Delek Investments in The Phoenix Holdings Ltd. At the reporting date, the Group holds approximately 55.3% of the shares of The Phoenix Holdings Ltd. and all the shares of Republic, which is an elementary insurance company operating in the U.S.

1) The Phoenix Holdings Ltd. ("The Phoenix")

The Phoenix Insurance – Capital requirements at September 30, 2009

The equity of The Phoenix Insurance at September 30, 2009, as defined in the Supervision of Insurance Business (Minimum Solvency Margin Required of an Insurer) Regulations, 5758-1998 and its amendments ("the Equity Regulations") is approximately NIS 466.5 million higher than the minimum equity required under the aforesaid regulations.

Investments in associates which must be brought against capital surpluses in accordance with directives of the Supervisor, are NIS 308.2 million (which are non-distributable surpluses).

Below are the principal data (in NIS millions) from the consolidated financial statements of The Phoenix:

	1-9/2009	1-9/2008	7-9/2009	7-9/2008	1-12/2008
Profit (loss) from life assurance and long-term savings operations	125.3	(70.3)	(0.5)	(36.7)	(143.5)
Profit (loss) from general insurance operations	96.6	(23.0)	33.3	(28.2)	(303.4)
Profit from health insurance operations	117.5	65.8	37.1	20.0	80.4
Profit from financial services operations	33.7	-	4.2	-	-
Total profit (loss) from segments of operation	**373.1**	**(27.5)**	**74.1**	**(44.9)**	**(366.5)**
Change in liability in respect of an option to acquire an associate	-	22.8	**-**	11.0	(5.7)
Revenue less expenses not attributed to segments of operation	(126.8)	(64.7)	(44.6)	(64.0)	(232.5)
The Phoenix's equity in the net results of associates	12.0	38.2	(3.4)	(2.7)	44.0
Profit (loss) before income tax	**258.3**	**(31.2)**	26.1	**(100.6)**	**(560.7)**
Income tax (tax benefit)	86.9	(15.1)	**(10.5)**	(15.9)	(172.3)
Profit (loss) for the period	**171.4**	**(16.1)**	36.6	**(84.7)**	**(388.4)**
Profit (loss) for the period attributable to shareholders of The Phoenix	**154.1**	**(18.8)**	**30.1**	**(83.7)**	**(387.8)**

The results in the reporting period from the segments in which The Phoenix operates were a profit of approximately NIS 373.1 million, compared with a loss of NIS 27.5 million in the corresponding period in 2008. In the third quarter of the year, results in the segments of operation were a profit of NIS 74.1 million, compared with a loss of NIS 44.9 million in the corresponding period. The principal factors in the increase in profits compared with the corresponding periods in the prior year are the significant rise in investment profits, and the consolidation of the finances segment in the financial statements commencing from the reporting period.

In the third quarter, profit amounted to approximately NIS 171.4 million compared with a loss of NIS 16.1 million in the corresponding period in 2008. The increase in profit stems mainly from an increase in profit from the segments of operation of operation as noted above.

Material events during and after the reporting period

a) On March 19, 2009, Standard & Poor's Maalot Ltd. ("Maalot") announced the lowering of the rating for The Phoenix Insurance subordinated deeds to 'ilAA-' from 'ilAA' and determined a negative rating outlook for the ratings of The Phoenix Insurance. In addition, Maalot announced the lowering of the rating for the debentures of The Phoenix Holdings to 'ilA' from 'ilAA' and determined a negative rating outlook for the ratings of The Phoenix Holdings.

b) On March 19, 2009, it was decided to appoint Mr. Eyal Lapidot as CEO of The Phoenix and of The Phoenix Insurance, and to enter into an employment agreement with him, effective from September 1, 2009.

c) On March 29, 2009, The Phoenix Investments invested NIS 200 million in The Phoenix insurance, in consideration of an allotment of shares, in order to increase the equity of The Phoenix Insurance.

d) For the matter of a settlement agreement with regard to the Excellence transaction, see Note 3 to the financial statements.

e) For information about a rights issue in the reporting period, see Note 3 to the financial statements.

Analysis of life assurance and long-term saving

Life assurance

In the reporting period, the results of life assurance sector were a profit of approximately NIS 68.1 million, compared with a loss of NIS 73.2 million in the first nine months of 2008, due mainly to an increase in investment income despite the decline in new sales and a rise in the rate of cancellations in the reporting period compared with last year – cancellations which reduced the deferred acquisition expenses and financial expenses of the segment.

in the third quarter of the year a loss of NIS 18.6 million was recorded, mainly due to a fall in the financial margin, compared with a loss of NIS 43,5 million in the corresponding period in 2008.

Premiums earned in the reporting period amounted to approximately NIS 1,953.6 million, compared with NIS 1,955.7 million in the same period in 2008, a decrease of 0.1%.

Redemptions in the reporting period amounted to approximately NIS 483.9 million, compared with NIS 472.2 million in the same period in 2008, an increase of about 2.5%. The rate of redemptions compared with average life assurance reserves, gross, at September 30, 2009 and September 30, 2008, is approximately 2.8% and 2.7% respectively.

General insurance segment

Revenue from premiums earned in the reporting period amounted to approximately NIS 1,305.5 million, compared with NIS 1,231.1 million in the corresponding period of the prior year, an increase of about 6.0%. In the third quarter of the year, revenue from premiums earned amounted to NIS 436.0 million, compared with NIS 416.6 million in the corresponding period, an increase of about 4.7%.

Profit from the general insurance segment in the reporting period amounted to approximately NIS 96.6 million compared with a loss of approximately NIS 23 million in the corresponding period in 2008. In the third quarter of the year, profit amounted to NIS 33.3 million, compared with NIS 28.2 million in the corresponding period in 2008, mainly due to real improvement in income from investments.

Health insurance segment

Revenue from premiums earned in the health insurance segment in the reporting period amounted to approximately NIS 750.1 million, compared with NIS 629.5 million in the corresponding period last year, an increase of about 19.2%. In the third quarter of the year, revenue amounted to NIS 262.9 million, compared with NIS 216.5 million in the corresponding period, an increase of about 21.4%. Most of the increase is attributable to a contract signed at the end of the prior year relating to relocation health insurance, and to an increase in the collective business.

Profit in the reporting period amounted to approximately NIS 117.5 million, compared with NIS 65.8 million in the corresponding period of the prior year, an increase of about 78.6%. In the third quarter of the year, profit was NIS 37.1 million, compared with approximately NIS 20 million in the corresponding period. The increase in profit derives mainly from improved profitability in personal and collective nursing and health insurances and from increased revenue from investments.

Financial services segment

Activity in this segment is through Excellence, whose results were consolidated in the financial statements of The Phoenix commencing from the reporting period, when the Call option came into force.

In the reporting period, financial services posted a profit of approximately NIS 33.7 million, and in the third quarter of the year a loss of NIS 4.2 million.

According to the financial statements of Excellence, total assets under management by Excellence at September 30, 2009 amount to NIS 51.5 billion, compared with NIS 32.2 billion on December 31, 2008, an increase of 60%. During the period, the Prizma transaction was closed, in which assets of approximately NIS 9.7 billion were transferred to the management of the Excellence group. (The assets under management at September 30, 2009 include NIS 17.2 billion whose results were included in the life assurance segment, and long-term savings.)

In the reporting period, a trend has been apparent of an increase in assets under management in most of the areas of operation of the Excellence group. The transition to positive yield and the recovery in the capital market that characterized the first nine months of the year, enabled Excellence to grow or to maintain the status quo in all its areas of operation (including by the acquisition of trust fund operations and basket certificate of Prizma).

Assets under the Excellence Group's management are influenced, among other things, by the change in capital market indexes in Israel and worldwide, and by the exchange rates to which some of the series issued by the dedicated companies are linked.

2) Republic Companies, Inc. ("Republic")

Republic is a company that holds insurance companies and agencies and deals primarily in property insurance and other general insurance, chiefly in Texas, Louisiana, Oklahoma Mississippi, Arkansas and New Mexico, U.S.A.

Following are the results of the operations of Republic in the reporting period:

	1-9/2009	1-9/2008	7-9/2009	7-9/2008	2008
	USD millions	USD millions	USD millions	USD millions	USD millions
Premiums earned in retention	281	280	90	89	375
Revenue from investments and others, net	44	25	16	6	25
Total revenue	**325**	**305**	**106**	**96**	**400**
Increase in insurance liabilities less reinsurers	(215)	(230)	(80)	(106)	289
Commissions and other acquisition costs	(77)	(84)	(22)	(29)	111
General and administrative expenses	(27)	(28)	(9)	(8)	36
Goodwill amortization expenses	-	-	-	-	4
Expenses in respect of employee benefits	-	-	-	-	13
Financing expenses	(5)	(7)	(2)	(2)	9
Total expenses	**(324)**	**(348)**	**(113)**	**(145)**	**462**
Profit (loss) before income tax	**1**	**(44)**	**(7)**	**(49)**	**(62)**
Profit (loss)	**1**	**(25)**	**(4)**	**(32)**	**(44)**

Analysis of Republic's operating results

Revenue from premiums (gross) in the reporting period totaled USD 697 million compared with USD 624 million in the corresponding period of the prior year, an increase of about 12%.

The increase in revenue from premiums stems from a growth in all Republic's areas of operation, including growth in premiums from private and commercial insurance, and continued growth in the insurance services sector (provision of insurance services to other insurance companies).

Net premiums in the reporting period amounted to USD 262 million compared with USD 301 million in the corresponding period of the prior year, a decrease of about 13%.

The equity of Republic as included in the Group's financial statements at September 30l, 2009 amounted to USD 305 million (on December 31, 2008 – USD 300 million), and Republic's profit in the reporting period amounted to approximately USD 1 million. The results in the reporting period were influenced by the recording of losses incurred a hailstorm in Texas.

Additional information

For additional information about insurance and finance operations, see Note 3 to the financial statements.

6.7 Additional Activities

1) Real Estate

On March 31, 2009, after obtaining the requisite approvals, the Board of Directors of the Company resolved to distribute most of the shares it held of Delek Real Estate, as a dividend to the Company's shareholders. The X date was set for April 20, 2009, and the date of actual distribution was May 3, 2009. After the distribution, the Group holds 5% of the issued and paid up capital of Delek Real Estate. The investment is stated by the equity method.

As a result of distribution of the dividend in kind as described above, the Company ceased consolidation of the operations of Delek Real Estate in the financial statements. This is reflected in a decrease of total assets in the consolidated balance sheet by approximately NIS 23 billion (mainly in respect of investment real estate and assets held for sale), and of liabilities by approximately NIS 22 billion (mainly in respect of short-term and long-term bank loans and debentures issued by Delek Real Estate).

The results of Delek Real Estate's operations were stated separately in the income statement, under the Profit (loss) from discontinued operations item.

2) Infrastructures

The Company operates in infrastructures through Delek Infrastructures Ltd., which holds 50% in IDE Technologies Ltd. ("IDE"), and coordinates the development and operating activities of power stations in Israel and in Brazil through subsidiaries. The profit contribution of these operations to the Group in the reporting period amounts to approximately NIS 136 million, mainly from the profits of IDE.

In July 2009, a subsidiary of Delek Infrastructures signed an agreement with Tnuva Cooperative Center for Marketing Agricultural Produce in Israel Ltd. ("Tnuva") in the matter of the planning, financing, licensing, construction, operation and maintenance of a cogeneration power station (electricity and steam) with an output of 55 MW, operating on natural gas, in the compound of Tnuva's plant in Alon Tavor. The term of the agreement is 27 years, commencing on the date of closing the financing for construction of the station. During the term of the agreement, the land on which the station will be erected will be sub-leased to the subsidiary. The agreement depends on the financing being closed by April 30, 2011 and the power station being erected by October 31, 2012, subject to terms laid down in the agreement concerning postponement of such dates.

3) Biochemicals

Gadot, a manufacturer of food supplements and chemicals for the food, health supplements, detergents and toiletries, is a public company in which the Group holds 64.11% at the balance sheet date.

Gadot manufactures crystalline fructose, citric acid, citric acid salts, phosphoric acid salts, and specialty citric-acid-based salts. Most of Gadot's sales are in European and North American markets, and among its customers are some of the world's leading multinational companies in the food and detergent industries.

The contribution of the biochemicals segment to the profit of the Group in the first nine months of 2009 amounted to a profit of approximately NIS 17 million, compared with a loss of NIS 7 million in the first nine months of 2008.

4) Communications

Hot Cable Communications Systems Ltd. ("Hot"), is a public company in which the Group holds 15.97% at the balance sheet date.

The investment in Hot is stated in the Group's statements on the basis of the equity method. The contribution made by telecommunications operations to the Group's net profit in the first nine months of 2009 amounted to approximately NIS 1 million, compared with a profit of approximately NIS 12 million in the corresponding period in the prior year.

The balance of the investment in Hot at September 30, 2009 is approximately NIS 279 million.

Concerning the sale of most of the holdings in HOT after the balance sheet date, see 2I above.

7. Market Risk Exposure and Management

1. a) The activities of the Company focus mainly on holdings of shares of its subsidiaries and their management. The investments are long term, and therefore no hedging is implemented against these holdings.

Risk management in the subsidiaries and associates is determined and carried out directly by the associates. Some of the companies are public and trade on the stock exchange, and therefore proper disclosure is made on this subject in their financial statements.

b) The market risk management officer for currency in the Company and in some of the associates is Mr. Ido Adar, MBA. For the past four years, Mr. Adar has served as Treasurer of the Company, prior to which he served as head of the Treasury and Insurance department at Delek Israel.

2. Description of market risks

a) As stated above, the Group is mainly a holding and management company and its principal exposure results from the market risks of its subsidiaries and affiliates ("Investees").

b) In the reporting period no material changes occurred in the Company's market risk exposure and management policy, including the effects of sensitivity tests in relation to the Group's report on this subject for the year ended December 31, 2008. No material changes occurred in the currency exposure in relation to the Group's report for the period ended June 30, 2009 and included in the Company's prospectus. It is noted that commencing 2009, the Group consolidates the financial statements of Excellence Investments Ltd. ("Excellence"), in which most of the exposure is for trading in securities and financial instruments. For a description of Excellence's policy on market risks and for details about oversight policy, see the financial statements of Excellence, which are available to the public.

c) For disclosure concerning financial assets available for sale, see Appendix B to the Directors' Report.

8. Buy-back of securities

During the reporting period, the Company bought back 10,963 of its own shares in consideration of approximately NIS 2.8 million.

During the reporting period a subsidiary purchased 22,462 of the Company's shares in consideration of approximately NIS 9.7 million.

9. Conversion of debentures

In May 2009, NIS 1,120,169 par value of convertible debentures of the Group were converted to 3,890 of its ordinary shares. Following the conversion, the Company's equity increased by approximately NIS 1 million.

10. Dividend

A. On May 27, 2009 the Board of Directors of the Company resolved to distribute a dividend from the profits of the first quarter of 2009, in the amount of approximately NIS 72 million. The dividend was paid on July 2, 2009.

B. On August 30, 2009, the Board of Directors of the Company resolved to distribute a dividend out of the profits of the second quarter of 2009, in the amount of NIS 105 million. The dividend was paid on September 24, 2009.

C. On November 29, 2009, the Board of Directors of the Company resolved to distributed a dividend from the profits of the third quarter of 2009, in the amount of NIS 33 million.

11. Classification of negligible transactions

On August 6, 2008, an amendment to the Securities (periodic and immediate reports) Regulations, 5730-1970 ("the Reporting Regulations") came into force. Among other things, the amendment broadens some of the reporting duties applicable to public companies in connection with transactions with a controlling shareholder or transactions with another person in whom the controlling shareholder has a personal interest ("Controlling Shareholder Transactions"), also for transactions which are not extraordinary as that term is defined in the Companies Law, excluding transactions which the latest financial statements class as negligible as provided in Section 64(3)(d)(1) of the Securities (Preparing annual financial statements) Regulations, 5753-1993.

On March 30, 2009, the Board of Directors of the Company resolved the first-time adoption of guidelines and principles for the classification of a transactions as a negligible transaction, both in connection with transactions with interested parties named in the financial statements and in connection with Controlling Shareholder Transactions. Following discussions with the Securities Authority, the Board of Directors resolved, on August 30, 2009, to set more stringent guidelines and principles for the matter of classification of a transactions as a negligible transaction, as explained below. These guidelines and principles were set, inter alia, with due attention to the character of the Company as one of the largest holdings companies in the economy with highly ramified operations, to the volume of the Company's assets, to the diversity of the Company's operations, to the nature of the transactions they makes, and to the extent of their cumulative influence on the operations and results of the Company.

The Board of Directors of the Company determined that a transaction will be considered a negligible transaction if all of the following conditions obtain:

1) The amount of the transaction does not exceed 0.1% of the equity of the Company, eliminating the non-controlling interest as stated in the latest annual financial statements.

2) It is not an extraordinary transaction (as defined in the Companies Law).

3) The transaction is negligible also from the aspect of its quality.

4) In multi-year transactions (e.g. lease of an asset over a number of years), the negligibility of the transactions will be reviewed annually (for example – whether the annual lease amount exceeds the sum referred to above).

5) In insurance transactions, the premium will be reviewed as the amount of the transaction, as opposed to the scope of the insurance cover provided).

6) Every transaction will be reviewed on its merits, but the negligibility of combination or conditional transactions will be reviewed in aggregate.

7) In cases where a question arises as to the application of the above criteria, the Company will exercise judgment and will review the negligibility of the transaction on the basis of the purpose of the reporting regulations and the principles and guidelines noted above.

12. Critical Accounting Estimates

There has been no change in the reporting year compared with the periodic report of 2008.

13. Process for approval of the financial statements

The Company's Board of Directors is the body entrusted with overall supervision at the Company.

As part of the approval process of the Company's Financial Statements by the Board of Directors, a draft of the annual Periodic Report is submitted for review by the board members several days before the scheduled meeting for approval of the financial statements. In the course of the board meeting during which the financial statements are discussed and approved, the Company's CEO and CFO review the key points of the financial statements in detail, the financial results, the financial position and cash flow of the Company, and data are presented regarding the Company's operations along with a comparison with prior periods.

Four of the seven members of the board of directors have accounting and financial expertise, and their knowledge and experience contribute to the board's discussions.

The Company's auditor is invited to and is present at the board meeting at which the financial statements are discussed and approved, and he reviews the financial statements and makes himself available to the board members regarding any question or clarification pertaining to the financial statements prior to their approval. Also present are the Company's CFO, Comptroller, Internal Auditor and Legal Counsel. After the discussion, a vote is held for approval of the financial statements.

In its meeting on August 29, 2007, the Company's Board of Directors resolved to set up a balance sheet committee which would have ultimate responsibility for the preparation and approval of financial statements in the Company, commencing from the financial statements at September 30, 2007. The balance sheet committee members are Mr. Moshe Amit, Mr. Ben Zion Zilberfarb (external director) and Mr Avi Harel, who have accounting and financial expertise. The Company's auditor is invited to attend the meetings of the balance sheet committee as well as meetings of the Board of Directors at which the financial statements of the Company are discussed and approved.

The balance sheet committee discussed the financial statements at September 30, 2009 at its meeting on November 26, 2009. It reviewed the material issues in the financial reporting, including transactions outside the normal course of business, the material assessments and critical estimates used in the financial statements, the reasonableness of the data, the accounting policy applied and the changes that had occurred in it, the implementation of the principle of proper disclosure in the financial statements and in the accompanying information, and the effects of the transition to IFRSs and the accounting policy applied. The Deputy CFO and the auditors provided the balance sheet committee with comprehensive reviews of matters of especially significant influence. The balance sheet committee presented its principal findings and remarks concerning the financial statements to the Board of Directors, and recommended their approval.

Yours sincerely,

Gabriel Last	**Asi Bartfeld**
Chairman of the Board	CEO

Appendix A to the Directors' Report

Breakdown of payments of principal and interest of debentures and bank loans of the HQ companies at September 30, 2009 (in NIS millions, taking into account the increase of Series O and Series R).

Delek Group – Headquarters

		Q4/ 2009	2010	2011	2012	2013	2014 onwards	Total
Debentures	Principal	34	84	439	580	614	4,334	6,085
	Interest	17	337	332	313	285	988	2,272
	Total	51	421	771	893	899	5,322	8,357

The Delek Group also has an on-call loan in the amount of approximately NIS 151 million.

Delek Investments and Properties

		Q4/ 2009	2010	2011	2012	2013	2014 onwards	Total
Bank loans	Principal	141	326	100	79	3	45	694
	Interest	5	16	9	5	3	7	45
	Total	146	342	109	84	6	52	739

Delek Investments also has on-call loans amounting to approximately NIS 135 million.

Delek Finance US

		Q4/ 2009	2010	2011	2012	2013	2014 onwards	Total
Bank loans	Principal	-	139	304	383	-	-	826
	Interest	4	23	15	8	-	-	50
	Total	4	162	319	391	-	-	876

Delek Petroleum

		Q4/ 2009	2010	2011	2012	2013	2014 onwards	Total
Debentures (1)	Principal	-	28	117	-	117	171	433
	Interest	13	25	22	16	15	11	102
Bank loans	Principal	10	71	45	18	-	-	144
	Interest	1	3	1	1	-	-	6
	Total	24	127	185	35	132	182	685

(1) The debentures do not include debentures raised in the past and given as a loan (BTB) to Delek Israel.

(2) The bank loans do not include approximately NIS 6 million of commercial paper.

Appendix B to the Directors' Report

Below are the financial instruments available for sale in respect of which the impairment was charged to equity at the rate of decline in the fair value of the asset in relation to the original cost (in NIS millions):

Marketable debt instruments:

Rate of decrease in fair value of the assets	Up to 6 months	6 – 9 months	9-12 months	More than 12 months	Total
Up to 20%	1	-	-	15	16
20% - 40%	-	-	-	-	-
More than 40%	-	-	-	-	-
Total	**1**	**-**	**-**	**15**	**16**

The considerations for determining that decreases in the fair value of financial assets were charged directly to equity and not to profit and loss:

In examining impairment of value of financial assets available for sale which are capital instruments, the Group looks at the rate of the difference between the fair value of the asset to its original cost, noting changes in the fair value of the asset during the time when that fair value was less than its original cost, and changes in the technological, economic, legal or market environment in which the company that issued the instrument operates.

Impairment is usually considered significant when the decrease is 20% of the original cost, and is considered ongoing when the impairment continues over an entire year. Debt instruments are reviewed specifically for impairment, for every instrument for which the impairment is more than 20% of the balance of the investment, taking into account existing information on each entity that issued the debt instrument.

November 29, 2009

DELEK GROUP LTD.

Interim Consolidated Financial Statements as of September 30, 2009

Unaudited

Contents

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Consolidated Balance Sheets

	September 30		December 31
	2009	2008	2008
	Unaudited		Audited
	NIS millions		
Current assets			
Cash and cash equivalents	4,165	2,182	1,895
Performance-based cash and cash equivalents in insurance companies	706	983	605
Short-term investments in the finance sector (mainly exchange traded funds and deposit)	14,308	-	-
Short-term investments in insurance companies	1,379	1,928	1,995
Other short-term investments	600	1,149	1,039
Financial derivatives	43	39	129
Trade receivables	3,467	4,196	2,596
Insurance premium receivables	1,129	964	936
Other receivables	870	1,150	1,057
Taxes receivable	124	191	292
Reinsurance assets	2,032	1,939	1,677
Inventory	1,873	2,467	2,482
Deferred acquisition expenses in insurance companies	386	396	390
	31,082	17,584	15,093
Assets held for sale	255	335	4,183
	31,337	17,919	19,276
Non-current assets			
Financial investments of insurance companies	27,956	24,390	22,821
Long-term loans, deposits and receivables	877	1,393	1,382
Investments in other financial assets	1,005	985	1,187
Investment in investees	2,138	3,590	2,860
Investment property	592	18,752	13,460
Land held for construction	-	472	496
Investments in oil and gas exploration and production	1,325	1,214	1,478
Reinsurance assets	1,472	1,368	1,476
Property, plant and equipment, net	6,691	5,786	6,164
Deferred acquisition expenses in insurance companies	692	718	737
Advance expenses (primarily for operating lease)	411	401	313
Structured debentures	973	-	-
Goodwill	3,212	3,198	2,873
Other intangible assets, net	1,758	1,345	1,692
Deferred taxes	434	312	441
	49,536	63,924	57,380
Total assets	80,873	81,843	76,656

The accompanying notes are an integral part of the interim consolidated financial statements.

Consolidated Balance Sheets

	September 30		December 31
	2009	**2008**	**2008**
	Unaudited		**Audited**
	NIS millions		
Current liabilities			
Credit from banks and others	4,949	6,546	6,868
Trade payables	2,409	3,008	1,901
Other payables	3,203	3,763	3,493
Exchange traded funds and deposit	13,903	-	-
Taxes payable	68	119	136
Financial derivatives	95	103	171
Insurance reserves and outstanding claims	5,605	5,632	4,742
	30,232	19,171	17,311
Liabilities for held for sale assets	-	-	2,733
	30,232	19,171	20,044
Long term liabilities			
Loans from banks and others	6,701	13,956	15,021
Debentures convertible into Company shares	-	1	-
Debentures convertible into shares of subsidiaries	-	113	107
Other debentures	8,696	12,116	9,262
Structured debentures	968	-	-
Option warrants and the convertible component of debentures	4	4	134
Financial derivatives	111	766	1,217
Liabilities for employee benefits, net	209	183	207
Insurance reserves and outstanding claims	28,074	25,158	23,944
Provisions and other liabilities	750	1,407	620
Deferred taxes	838	2,410	1,737
	46,351	56,114	52,249
Equity attributable to Company shareholders			
Share capital	13	13	13
Share premium	1,590	1,583	1,583
Option warrants	25	-	-
Retained earnings	628	2,482	1,044
Adjustments for translation of financial statements of foreign operations	(187)	(1,196)	(928)
Other capital reserves	(129)	179	(89)
Treasury shares	(128)	(83)	(105)
	1,812	2,978	1,518
Non-controlling interest	2,478	3,580	2,845
Total equity	4,290	6,558	4,363
	80,873	81,843	76,656

The accompanying notes are an integral part of the interim consolidated financial statements.

November 30, 2009			
Date of approval of the	Gabriel Last	Asi Bartfeld	Barak Mashraki

financial statements	Chairman of the Board	CEO	CFO

Consolidated Statements of Income

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2009	2008 *	2009	2008 *	2008 *
	Unaudited				Audited
	NIS millions (Except for net earnings (loss) per share)				
Revenue	31,802	39,284	11,919	13,026	46,240
Cost of revenue	26,885	34,489	10,245	11,717	40,549
Gross profit	4,917	4,795	1,674	1,309	5,691
Selling, marketing and gas station operating expenses	2,753	2,361	926	666	3,259
General and administrative expenses	1,101	917	358	329	1,476
Other revenue (expenses), net	239	103	(28)	60	40
Profit from ordinary operations	1,302	1,620	362	374	996
Finance revenue	457	156	159	30	340
Finance expenses	1,179	1,286	531	460	1,798
	580	490	(10)	(56)	(462)
Gain from disposal of investments in investees, net	35	44	4	9	69
Group share in profits (losses) of associates and partnerships, net	178	87	47	18	(12)
Profit (loss) before income tax	793	621	41	(29)	(405)
Income tax (tax benefit)	113	172	(86)	20	(37)
Profit (loss) from continuing operations	680	449	127	(49)	(368)
Profit (loss) from a discontinued operation	17	(706)	-	(760)	(1,945)
Net profit (loss)	697	(257)	127	(809)	(2,313)
Attributable to:					
Company shareholders	440	(371)	60	(612)	(1,809)
Non-controlling interest	257	114	67	(197)	(504)
	697	(257)	127	(809)	(2,313)
<u>Net earnings (loss) per share attributable to Company shareholders (NIS)</u>					
<u>Basic net earnings (loss)</u>					
Profit (loss) from continuing operations	39.72	22.25	5.33	0.09	(50.88)
Loss from a discontinued operation	(0.53)	(56.34)	-	(52.93)	(105.11)
	39.19	(34.09)	5.33	(52.84)	(155.99)
<u>Diluted net earnings (loss)</u>					
Profit (loss) from continuing operations	38.29	18.95	3.89	(1.55)	(52.48)
Loss from a discontinued operation	(0.53)	(56.67)	-	(53.26)	(111.00)
	37.75	(37.72)	3.89	(54.81)	(163.48)

*) Reclassified, see Note 3 (A)

The accompanying notes are an integral part of the interim consolidated financial statements.

Consolidated Statements of Income

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2009	2008 *	2009	2008 *	2008 *
	Unaudited				Audited
	NIS millions (Except for net earnings (loss) per share)				
Net profit (loss)	697	(257)	127	(809)	(2,313)
Other comprehensive income (loss) from continuing operations					
Profit (loss) for available-for-sale assets, net	260	(240)	17	(62)	(377)
Profit (loss) for cash flow hedges, net	(100)	(7)	2	13	(13)
Adjustments for translation of financial statements of foreign operations	(23)	(477)	(176)	37	(2)
Company's share in other comprehensive income (loss) of affiliates	(10)	(52)	(21)	(43)	6
Other comprehensive income (loss) from continuing operations, net	127	(776)	(178)	(55)	(386)
Other comprehensive income (loss) from a discontinued operation (see Note 3A)	198	(838)	-	(305)	(1,262)
Total comprehensive income (loss)	325	(1,614)	(178)	(360)	(1,648)
Total comprehensive income (loss)	1,022	(1,871)	(51)	(1,169)	(3,961)
Attributable to:					
Company shareholders	633	(1,380)	(70)	(798)	(2,818)
Non-controlling interest	389	(491)	19	(371)	(1,143)
	1,022	(1,871)	(51)	(1,169)	(3,961)

*) Reclassified, see Note 3 (A)

The accompanying notes are an integral part of the interim consolidated financial statements.

Consolidated Statements of Changes in Equity

	Attributable to Company shareholders									
	Equity	Premium on shares	Option warrants	Retained earnings	Adjustments for translation of financial statements of foreign operations	Other capital reserves	Treasury shares	Total	Minority interest	Total equity
	Unaudited									
	NIS millions									
Balance at January 1, 2009 (audited)	13	1,583	-	1,044	(928)	(89)	(105)	1,518	2,845	4,363
Total comprehensive income	-	-	-	440	167	26	-	633	389	1,022
Acquisition of treasury shares	-	-	-	-	-	-	(32)	(32)	-	(32)
Sale of treasury shares	-	6	-	-	-	-	9	15	8	23
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	(96)	(96)
Distribution of a subsidiary's shares as a dividend in kind (see Note 3A)	-	-	-	(679)	574	(66)	-	(171)	(835)	(1,006)
Dividend	-	-	-	(177)	-	-	-	(177)	-	(177)
Issue of option warrants	-	-	25	-	-	-	-	25	-	25
Debentures converted into Company shares	- *	1	-	-	-	-	-	1	-	1
Cost of share-based payment, net	-	-	-	-	-	-	-	-	33	33
Consolidation of an affiliate	-	-	-	-	-	-	-	-	107	107
Decrease in holding in subsidiaries	-	-	-	-	-	-	-	-	118	118
Dividend to a non-controlling interest	-	-	-	-	-	-	-	-	(91)	(91)
Balance at September 30, 2009	13	1,590	25	628	(187)	(129)	(128)	1,812	2,478	4,290

*) Represents an amount of less than NIS 1 million.

The accompanying notes are an integral part of the interim consolidated financial statements.

Consolidated Statements of Changes in Equity

	Attributable to Company shareholders								
	Equity	Premiums on shares	Retained earnings	Adjustments for translation of financial statements of foreign operations	Other capital reserves	Treasury shares	Total	Minority interest	Total equity
	Unaudited								
	NIS millions								
Balance at January 1, 2008 (audited)	13	1,574	3,017	(339)	331	-	4,596	4,587	9,183
Total comprehensive loss	-	-	(371)	(857)	(152)	-	(1,380)	(491)	(1,871)
Cost of share-based payment, net	-	-	-	-	-	-	-	31	31
Acquisition of non-controlling interests	-	-	-	-	-	-	-	(369)	(369)
Issue of capital to a non-controlling interest in subsidiaries	-	-	-	-	-	-	-	50	50
Dividend to a non-controlling interest	-	-	-	-	-	-	-	(228)	(228)
Share options exercised	- *	9	-	-	-	-	9	-	9
Dividend	-	-	(164)	-	-	-	(164)	-	(164)
Buyback of Company shares	-	-	-	-	-	(83)	(83)	-	(83)
Balance at September 30, 2008	13	1,583	2,482	(1,196)	179	(83)	2,978	3,580	6,558

*) Represents an amount of less than NIS1 million.

The accompanying notes are an integral part of the interim consolidated financial statements.

Consolidated Statements of Changes in Equity

	Attributable to Company shareholders									
	Equity	Premium on shares	Option warrants	Retained earnings	Adjustments for translation of financial statements of foreign operations	Other capital reserves	Treasury shares	Total	Minority interest	Total equity
	Unaudited									
	NIS millions									
Balance at July 1. 2009	13	1,590	-	673	(50)	(136)	(127)	1,963	2,479	4,442
Total comprehensive income (loss)	-	-	-	60	(137)	7	-	(70)	19	(51)
Acquisition of treasury shares	-	-	-	-	-	-	(1)	(1)	-	(1)
Dividend	-	-	-	(105)	-	-	-	(105)	-	(105)
Issue of option warrants	-	-	25	-	-	-	-	25	-	25
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	(36)	(36)
Cost of share-based payment, net	-	-	-	-	-	-	-	-	18	18
Decrease in holding in subsidiaries	-	-	-	-	-	-	-	-	53	53
Dividend to a non-controlling interest	-	-	-	-	-	-	-	-	(55)	(55)
Balance at September 30, 2009	13	1,590	25	628	(187)	(129)	(128)	1,812	2,478	4,290

The accompanying notes are an integral part of the interim consolidated financial statements.

Consolidated Statements of Changes in Equity

	Attributable to Company shareholders								
	Equity	Premiums on shares	Retained earnings	Adjustments for translation of financial statements of foreign operations	Other capital reserves	Treasury shares	Total	Minority interest	Total equity
	Unaudited								
	NIS millions								
Balance at July 1, 2008	13	1,583	3,119	(1,051)	220	(5)	3,879	4,215	8,094
Total comprehensive loss	-	-	(612)	(145)	(41)	-	(798)	(371)	(1,169)
Cost of share-based payment, net	-	-	-	-	-	-	-	3	3
Acquisition of non-controlling interests	-	-	-	-	-	-	-	(197)	(197)
Issue of capital to a non-controlling interest in subsidiaries	-	-	-	-	-	-	-	16	16
Dividend to a non-controlling interest	-	-	-	-	-	-	-	(86)	(86)
Dividend	-	-	(25)	-	-	-	(25)	-	(25)
Acquisition of treasury shares	-	-	-	-	-	(78)	(78)	-	(78)
Balance at September 30, 2008	13	1,583	2,482	(1,196)	179	(83)	2,978	3,580	6,558

The accompanying notes are an integral part of the interim consolidated financial statements.

Consolidated Statements of Changes in Equity

	Attributable to Company shareholders								
	Equity	Premiums on shares	Retained earnings	Adjustments for translation of financial statements of foreign operations	Other capital reserves	Treasury shares	Total	Minority interest	Total equity
	Unaudited								
	NIS millions								
Balance at January 1, 2008	13	1,574	3,017	(339)	331	-	4,596	4,587	9,183
Total comprehensive loss	-	-	(1,809)	(589)	(420)	-	(2,818)	(1,143)	(3,961)
Share options exercised	- *	9	-	-	-	-	9	-	9
Acquisition of treasury shares	-	-	-	-	-	(105)	(105)	-	(105)
Dividend	-	-	(164)	-	-	-	(164)	-	(164)
Decrease in the holding in subsidiaries	-	-	-	-	-	-	-	82	82
Cost of share-based payment, net	-	-		-	-		-	54	54
Acquisition of non-controlling interests	-	-		-	-		-	(408)	(408)
Dividend to a non-controlling interest	-	-		-	-		-	(327)	(327)
Balance at December 31, 2008	13	1,583	1,044	(928)	(89)	(105)	1,518	2,845	4,363

*) Represents an amount of less than NIS1 million.

The accompanying notes are an integral part of the interim consolidated financial statements.

Condensed Interim consolidated Statement of Cash Flows

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2009	2008 *	2009	2008 *	2008 *
	Unaudited				Audited
	NIS millions				
Cash flows from operating activities					
Net profit (loss)	697	(257)	127	(809)	(2,313)
Adjustments to reconcile cash flows from continuing operating activities (a)	1,628	1,817	785	962	3,903
Net cash flows from continuing operating activities	2,325	1,560	912	153	1,590
Net cash flows from (used for) a discontinued operating activity	(32)	87	-	35	89
Net cash flows from operating activities	2,293	1,647	912	188	1,679
Cash flow from investing activities					
Acquisition of property, plant and equipment and other assets	(1,196)	(755)	(234)	(271)	(914)
Acquisition of investment property	(8)	(113)	-	(3)	(115)
Proceeds from sale of property, plant and equipment and investment property	89	56	47	25	60
Net proceeds from an insurance company for damaged property, plant and equipment	99	-	22	-	-
Acquisition of financial assets, net	(54)	(275)	(195)	(51)	(36)
Repayment (grant) of loans to associates, net	23	(85)	4	(85)	(308)
Increase in joint ventures for oil and gas exploration	(313)	(136)	(69)	(50)	(228)
Proceeds from sale of investments in investees	101	1	-	-	80
Proceeds from the sale of a previously consolidated company (C)	317	-	317	-	-
Investment in investees	(405)	(216)	(375)	(32)	(220)
Acquisition of operations and companies consolidated for the first time (b)	136	(678)	-	(190)	(678)
Acquisition of non-controlling interest in subsidiaries	(57)	(320)	(5)	(169)	(350)
Collection (providing) of loans to others	(146)	36	(53)	(5)	(36)
Net cash used for a continuing investing activity	(1,414)	(2,485)	(541)	(831)	(2,745)
Net cash from (used for) a discontinued investing activity	333	(528)	-	50	(769)
Net cash used for investing activities	(1,081)	(3,013)	(541)	(781)	(3,514)

The accompanying notes are an integral part of the interim consolidated financial statements.

Condensed Interim consolidated Statement of Cash Flows (contd.)

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2009	2008 *	2009	2008 *	2008 *
	Unaudited				Audited
	NIS millions				
Cash flow from financing activities					
Short-term credit from banks and others, net	412	1,341	(4)	826	1,416
Long-term loans received	3,167	1,350	1,829	836	1,441
Long-term loans repaid	(2,803)	(480)	(1,376)	(260)	(955)
Issue of shares to non-controlling interest in subsidiaries	52	33	52	27	39
Dividend paid	(177)	(324)	(177)	(100)	(324)
Dividend paid to non-controlling interest in subsidiaries	(67)	(198)	(44)	(75)	(426)
Share options exercised	-	6	-	-	6
Acquisition of treasury shares	(32)	(83)	(1)	(78)	(105)
Sale of treasury shares	31	-	-	-	-
Cash from a previously consolidated subsidiary distributed as a dividend	(349)	-	-	-	-
Issue of debentures and convertible debentures, net	1,316	416	391	-	416
Issue of options by the Company	25	-	25	-	-
Repayment of debentures and convertible debentures	(157)	(131)	(33)	(36)	(199)
Net cash from a continuing financing activity	1,418	1,930	662	1,140	1,309
Net cash from (used for) a discontinued financing activity	(247)	(244)	-	(705)	61
Net cash flows from financing activities	1,171	1,686	662	435	1,370
Translation differences for cash balances of foreign operations – continuing operations	(28)	(144)	(62)	12	(4)
Translation differences for cash balances of foreign operations – discontinued operations	16	(132)	-	(44)	(152)
Increase (decrease) in cash and cash equivalents – discontinued operations	70	(817)	-	(664)	(771)
Increase in cash and cash equivalents – continuing operations	2,301	861	971	474	150
Balance of cash and cash equivalents at the beginning of the period (including performance-based balance)	2,500	3,121	3,900	3,355	3,121
Balance of cash and cash equivalents at end of period (including performance-based balance)	4,871	3,165	4,871	3,165	2,500

*) Reclassified, see Note 3 (A)

The accompanying notes are an integral part of the interim consolidated financial statements.

Condensed Interim Consolidated Statement of Cash Flows (contd.)

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2009	2008 *	2009	2008 *	2008 *
	Unaudited				Audited
	NIS millions				
(A) Adjustments to reconcile statement of cash flows from continuing operating activities:					
Income and expenses not involving cash flows:					
Loss (profit) from discontinued operation, net	(17)	706	-	760	1,945
Depreciation, depletion, amortization and impairment of assets	693	525	230	198	863
Deferred taxes, net	(28)	(208)	(171)	(51)	(277)
Increase (decrease) in employee benefit liabilities, net	(7)	(11)	(43)	(7)	26
Decrease (increase) in the value of loans provided, net	9	154	5	48	(192)
Proceeds from the sale of property, plant and equipment, real estate and investments, net	(182)	(50)	(102)	(45)	(107)
Profit for compensation from an insurance company for damaged property, plant and equipment	(99)	-	(22)	-	-
Negative goodwill	(14)	-	(6)	-	-
Group’s share in losses (profits) of partnerships and affiliates (1)	(163)	(44)	(37)	8	103
Net change in fair value of financial assets and derivatives	19	157	(4)	122	194
Appreciation of long-term liabilities, net	508	111	151	23	273
Decrease (increase) in deferred acquisition expenses	48	(51)	18	(14)	(30)
Cost of share-based payment	30	31	17	-	49
Change in financial investments of insurance companies, net	(4,186)	1,631	(1,519)	1,044	4,070
Investments, less proceeds from the sale of available-for-sale financial assets in insurance companies, net	(2,828)	60	(1,230)	29	(365)
Increase (decrease) in reserves and outstanding claims in insurance companies	8,624	275	3,386	146	(2,162)
Increase in reinsurance assets	(453)	(697)	(209)	(705)	(266)
Proceeds from early redemption and exchange of debentures	(82)	-	-	-	(32)
Changes in asset and liability items:					
Decrease (increase) in trade receivables	(1,160)	(704)	(293)	(31)	954
Decrease (increase) in other receivables	(109)	(198)	25	(70)	190
Decrease (increase) in inventory	100	(195)	100	164	(162)
Decrease (increase) in other assets, net	(19)	(22)	49	30	(47)
Increase (decrease) in trade payables	637	(69)	90	(420)	(1,336)
Increase (decrease) in other payables	307	416	350	(267)	212
	1,628	1,817	785	962	3,903
(1) Net of dividends received	15	45	10	28	91

*) Reclassified, see Note 3 (A)

The accompanying notes are an integral part of the interim consolidated financial statements.

Condensed Interim Consolidated Statement of Cash Flows

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2009	2008	2009	2008	2008
	Unaudited				Audited
	NIS millions				
(B) Acquisition of operations companies consolidated for the first time					
Working capital, net (excluding cash)	124	210	-	14	210
Short-term finance investments	(9,462)	-	-	-	-
Long-term finance investments	(2,057)	-	-	-	-
Property, plant and equipment, real estate, investments and other property (including goodwill)	(1,319)	(1,134)	-	(275)	(1,134)
Short-term finance liabilities	9,255	-	-	-	-
Long term liabilities	3,102	54	-	16	54
Non-controlling interest	107	-	-	(1)	-
Decrease in investments in investees	386	192	-	56	192
	136	(678)	-	(190)	(678)
(C) Proceeds from the sale of a previously consolidated company					
Oil and gas assets	331	-	331	-	-
Capital reserve	(2)	-	(2)	-	-
Loss from the disposal of an investment in a subsidiary	(3)	-	(3)	-	-
Less receivables for the proceeds of the sale	(9)	-	(9)	-	-
	317	-	317	-	-
(D) Significant non-cash activities					
Credit acquisitions of fixed assets	13	28	13	5	16
Liability for divesture of assets	1	9	1	9	1
Dividend and earnings to pay to a minority in subsidiaries	100	-	100	-	11
Dividend and profits to receive from affiliates	55	-	55	-	26
Amounts receivable for disposal of financial investments	87	-	87	-	-
Exercise of options for Company shares	-	3	-	-	3
Acquisition of the minority interests in a subsidiary	6	-	6	-	-
Investment in oil and gas assets	28	25	28	2	129

The accompanying notes are an integral part of the interim consolidated financial statements.

Condensed Interim Consolidated Statement of Cash Flows

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2009	2008	2009	2008	2008
	Unaudited				Audited
	NIS millions				
(E) Cash and cash equivalents					
Cash and cash equivalents at the beginning of the period					
Cash and cash equivalents	1,895	2,815	3,207	2,560	2,815
Performance-based cash and cash equivalents in insurance companies	605	306	693	795	306
	2,500	3,121	3,900	3,355	3,121
Cash and cash equivalents at the end of the period					
Cash and cash equivalents	4,165	2,182	4,165	2,182	1,895
Performance-based cash and cash equivalents in insurance companies	706	983	706	983	605
	4,871	3,165	4,871	3,165	2,500
(F) Additional information on cash flows					
Cash paid during the period for:					
Interest	754	1,242	285	429	1,617
Income tax	221	267	119	120	319
Cash received during the period for:					
Interest	578	101	135	55	144
Dividend	60	53	49	19	105

The accompanying notes are an integral part of the interim consolidated financial statements.

NOTE 1 – GENERAL

A. These financial statements were prepared in condensed format as of September 30, 2009 and for the nine and three months then ended ("the interim consolidated financial statements"). These financial statements should be read in the context of the Company's annual financial statements as of December 31, 2008 for the year then ended, and their accompanying notes, as included in the Company's shelf prospectus of August 2009 ("the annual financial statements").

B. See Note 3(A) for distribution of Delek Real Estate shares as a dividend in kind.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

A. Format for the preparation of the interim consolidated financial statements

The interim consolidated financial statements were prepared in accordance with generally accepted accounting principles for the preparation of interim financial statements as prescribed by IAS 34 – *Interim Financial Reporting* and in accordance with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970, insofar as these regulations are applicable to consolidated insurance companies.

The main accounting policy and calculation methods applied in the preparation of these interim consolidated financial statements are consistent with those applied in the preparation of the annual financial statements, except for the following:

IAS 1 – *Presentation of Financial Statements (revised)*

Under the amendment to IAS 1, a separate statement is required for comprehensive income. This statement includes the net profit taken from the statement of income, all items charged directly to equity in the reporting period and are not a result of transactions with shareholders as shareholders (other comprehensive income) and the effect of tax on these items, which is also charged directly to equity, with suitable attribution between the Company and the minority interests. Alternately, the other comprehensive income items can be stated with the items in the statement of income in one statement that will be called the statement of comprehensive income, which will replace the statement of income, with suitable attribution between the Company and the minority interests. The Company elected to present the comprehensive income in a separate statement. The Company elected to present a separate statement as aforesaid.

In addition, in accordance with the amendment, if there is a change in comparative information a result of a change in accounting policy applied retrospectively, restatement or reclassification, a balance sheet is also required at the beginning of the period of the comparative information in which the change was made.

The amendment is effective from January 1, 2009 with retrospective application in comparative information.

IFRS 8 – *Operating Segments*

IFRS 8 addresses the presentation of operating segments and replaces IAS 14. In accordance with the standard, the entity adopted the management approach when reporting on the financial results of the operating segments. Segment information is the information used internally by the management to assess segment results and make operating decisions.

Following first time application of the standard and in accordance with the management's analysis, fuel operations in the US are presented as one segment without dividing refinery operations and marketing operations of stores and convenience stores. The Group also included operating results of affiliates as part of segment profit, since management reports are mainly based on the Company's investment in each subsidiary.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

A. Format for the preparation of the interim consolidated financial statements (contd.)

IAS 40 – *Investment Property* (revised)

Under the amendment to IAS 40, investment property under construction or development for future use as investment property is accounted for as investment property when the fair value method is applied and is reliably determinable. When the fair value is not reliably determinable, investment property is measured according to cost during the construction period until either construction is completed or its fair value becomes reliably determinable, whichever earlier.

The amendment is effective prospectively from January 1, 2009. First time application of the amendment does not have a material effect on the interim financial statements.

IFRS 2 – *Share Based Payment* (revised)

Under the amendment, vesting conditions are restricted to service and performance conditions and the removal of a grant that includes conditions other than vesting conditions, by the Company or by another party, will be accounted for by accelerating the vesting period and not by forfeiture.

Vesting conditions are restricted to service and performance conditions. Conditions other than service or performance conditions are accounted for as non-vesting conditions and therefore they are taken into account in the estimation of the fair value of the instrument at the grant date.

The amendment is effective from January 1, 2009. Initial adopt of the standard has no material effect on the interim consolidated financial statements.

IAS 28 – *Accounting for Investment in Associates (revised)*

Under the amendment to IAS 28, an investment in an associate is tested for impairment with respect to the entire carrying amount of the investment. Accordingly, the impairment loss recognized on the investment is allocated to the entire carrying amount of the investment, and is not allocated specifically. Therefore, under certain conditions, the full amount of the impairment loss that was recognized in the past may be reversed when the conditions for reversal are met.

The amendment is effective prospectively from January 1, 2009. First time application of the amendment does not have a material effect on the interim financial statements.

IAS 38 – *Intangible Assets,* (revised)

Under the amendment to IAS 38, advertising, marketing or sales promotion costs are recognized as an expense when the company has access to the advertising products or when the service for these activities is supplied to the company. Therefore, these activities include production of catalogs and advertising brochures. In addition, it is no longer assumed that it is uncommon for amortization of an intangible asset with a finite life based on the units of production method to be lower than amortization on a straight-line basis. Therefore amortization based on the units of production method is permitted without this restriction.

The amendment is effective from January 1, 2009. First time application of the amendment does not have a material effect on the interim consolidated financial statements.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

A. Format for the preparation of the interim consolidated financial statements (contd.)

IFRIC 15 – *Agreements for the Construction of Real Estate*

IFRIC 15 provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue. An agreement is in the scope of IAS 11 when the agreement is specifically negotiated for the construction of an asset or a combination of assets and the buyer is able to specify the major structural elements of the design and major structural changes. Therefore, revenue is recognized on a percentage-of-completion basis. However, when the buyer is unable to influence the design, or has only unlimited ability to do so, the agreement will be for the sale of real estate and is within the scope of IAS 18.
The interpretation is effective retrospectively from January 1, 2009. First time application of the interpretation does not have a material effect on the interim consolidated financial statements.

IFRIC 16 – *Hedges of a Net Investment in a Foreign Operation*

Under IFRIC 16, hedge accounting can only be applied to risks arising from exchange rate differences in relation to the company's functional currency, and not its presentation currency. Moreover, hedging instruments for exchange rate differences of the functional currency may be held by any subsidiary of the group, even if the subsidiary is indirectly controlled by another entity within the group. The hedging instrument may be held by any company in the group.

The interpretation is effective prospectively from January 1, 2009. First time application of the interpretation does not have a material effect on the interim consolidated financial statements.

B. Liability for exchange-traded funds

The liability for exchange traded funds (ETF) is a compound financial instrument that includes a host contract and an embedded derivative (index to which the ETF is linked).

The host contract is recognized initially at fair value less transaction costs. In subsequent periods, the host contract is measured at amortized cost. Changes in the amortized cost of the host contract are recognized in profit or loss. The amortized cost is calculated using the effective interest method, taking into account the transaction costs, and with full reference to the period of the ETF constituting their expected lifespan, inter alia, in view of the Group's ability to renew trading of any ETF that was redeemed, at any time.
The embedded derivative with economic characteristics and risks that are not closely related to the economic characteristics and risks of the host contract is initially recognized at fair value and remeasured in subsequent periods at fair value. Changes in fair value are recognized in profit or loss as incurred.

Under IAS 39, the host contract and embedded derivative are accounted for separately and each is measured separately. IAS 39 does not require separate presentation of each of the components of the hybrid instrument. Under IAS 39, if an instrument can be resold at any time for cash, the effect of separating an embedded derivative and the accounting treatment for each component is measurement of the hybrid instrument at the repayment amount at the balance sheet date.
In the Group’s opinion, presentation of the components of the ETF together is the most appropriate reflection of the economic character of the liability for ETF, since this presentation reflects (before accounting of the issuance costs) the amount that the Group could require for payment to ETF holders, which may be redeemed at any time.

C. Liability for structure debentures, debentures and long-term loans

Debentures issued and loans received are initially recognized at fair value, less transaction costs. In subsequent periods, the debentures and loans are presented at amortized cost. Any difference between the consideration (less transactions costs) and the redemption value is recognized in profit or loss over the debenture or loan period, as relevant, using the effective interest method.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

D. Liability for short sale of securities

Liabilities for a short sale of securities are classified as financial liabilities measured at fair value through profit and loss. Therefore, these liabilities are initially recognized at fair value when the attributable transaction expenses are recognized in profit or loss. These liabilities are measured subsequent to initial recognition at fair value in profit or loss.

E. Recognition of revenue from underwriting and distribution and from brokerage fees

1. Revenue from underwriting and distribution

Revenue from underwriting and distribution commission is recognized when the issuance and distribution is carried out, after fulfillment of the terms in the agreement with the company and/or issuer.

2. Revenue from brokerage fees

Revenue from trading fees is recognized on completion of the transactions.

F. Disclosure of new IFRSs in the period prior to adoption

IAS 1 – *Presentation of Financial Statements*

The amendment to IAS 1 provides guidelines for the examination of whether the liability component of a convertible instrument should be classified as current or non-current. Under the amendment, liability conditions that allow the counterparty to require the entity to settle in shares at any time is not relevant to its classification as current or non-current. The standard is effective retrospectively for accounting periods commencing on or after January 1, 2010.

The Company estimates that the amendment is not expected to have a material effect on its financial position and results of its operations.

IAS 17 – *Leases*

The amendment to IAS 17 addresses classification of leases of land and buildings. The amendment deletes specific guidance regarding classification of leases of land. As a result, leases of land are no longer classified as an operating lease when the title is not expected to pass to the lessee at the end of the lease term. Classification of a lease as operating or finance is based on the general instructions in IAS 17 addressing classification, taking account of the fact land normally has an indefinite economic life.

The amendment is applied prospectively for financial statements commencing from January 1, 2009. Early adoption is permitted. For retrospective application, when adopting the amendment, classification of the land lease is reassessed based on the information available when signing the lease. If there is a change in classification of the lease, the instructions of IAS 17 are effective retrospectively from the date of the lease. If, however, information necessary to apply the amendment retrospectively is not available, the amendment can be applied prospectively based on the information available at the adoption date of the amendment, and the asset and liability related to a land lease that was reclassified as a finance are recognized at their fair values at that date. Any difference between the fair value of the asset and the fair value of the liability is recognized in retained earnings.

The Company is examining the effect of the amendment on the financial statements, however at this stage, it is unable to assess its results.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

F. Disclosure of new IFRSs in the period prior to adoption (contd.)

IAS 36 – *Impairment of Assets*

The amendment to IAS 36 ("the amendment") clarifies the unit of accounting for purposes of goodwill impairment testing. The amendment clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in IFRS 8 before aggregation for reporting purposes. The amendment is applied prospectively for accounting periods commencing on January 1, 2010. Early application is permitted.

The Company estimates that the amendment is not expected to have a material effect on its financial position and results of its operations.

IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations

The amendment to IFRS 5 clarifies the disclosure requirements for non-current assets (or disposal groups) classified as held for sale or discontinued operations. Under the amendment, the disclosures required in respect of non-current assets or disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The amendment is applied prospectively for accounting periods commencing on January 1, 2010. Early application is permitted.

IFRS 9 - Financial Instruments

In November 2009, the IASB issued IFRS 9 – *Financial Instruments* as the first step in its project to replace IAS 39 – *Financial Instruments*: *Recognition and Measurement*. IFRS 9 introduces new requirements for classifying and measuring financial assets, and is effective for all financial assets in the scope of IAS 39.

Under the standard, on initial recognition, all the financial assets (including hybrid instruments with a financial host contract) will be measured at fair value. In subsequent periods, a debt instrument that meets the following two conditions can be measured at amortized cost:

- The objective of the entity’s business model is to hold the financial asset to collect the contractual cash flows.
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

Subsequent measuring of all other debt instruments and financial assets will be at fair value.

Equity instruments will be measured at fair value in subsequent periods and the differences will be recognized in profit or loss or in other comprehensive income, according to the accounting policy that the entity has elected to apply for each instrument. The election is irrevocable. However, equity instruments held for trading are measured at fair value through profit or loss. If the company changes its business model to management of financial assets, the financial instruments affected by the change in the business model are reclassified to reflect this change. In all other instances, financial instruments are not reclassified.

The standard is effective commencing from January 1, 2013. Early adoption is permitted. For companies that opt for early adoption of the standard in 2009 and 2010, the initial application date may be at any date in the reporting period, however not before November 12, 2009 (the publication date of the standard). Reclassification of comparative information is required. Transition guidelines set out exemptions for companies that opt for early adoption of the standard.

The Company is assessing the possible effect of the new standard, however at this stage, it is unable to estimate its impact, if any, in the consolidated interim financial statements.

NOTE 3 – -BUSINESS COMBINATIONS AND INVESTMENTS IN INVESTEES

A. Distribution of Delek Real Estate shares as a dividend in kind.

In October 2008, the board of directors of the Company resolved to distribute all or most of its shares in Delek Real Estate to the Company's shareholders, subject to receiving the required approvals by virtue of the covenants of the Company and Delek Real Estate towards third parties.
On March 31, 2009, after receiving these approvals, the board of directors resolved to distribute the majority of Delek Real Estate shares held by the Company as a dividend to the shareholders of the Company. The record date was set for April 20, 2009 and the distribution date was May 3, 2009. Subsequent to the distribution, the Group holds 5% of Delek Real Estate's issued and paid up share capital. The balance of the investment is accounted by the equity method.

Following the distribution, the shareholders' equity of the Group was reduced by the amount of the distributed investment and the implications of the attributed tax (NIS 171 million). It is noted that the Company and its subsidiaries provided loans and/or guarantees to Delek Real Estate amounting to NIS 533 million at September 30, 2009 (not including investments of profit-sharing policies and ETF in debt securities of Delek Real Estate).

In this context, it is noted that for loans that the Company provided to Delek Real Estate, which amount to NIS 361 million at September 30, 2009, and which are included in the aforementioned amount, on July 12, 2009, the general meeting of the Company's shareholders approved the extension of the term of the loans until December 31, 2010 or until the date of the sale of rights in RoadChef, whichever earlier, under the same terms as the current terms, with the exception of interest on the loans, which was adjusted to 9.5% and will be paid semi-annually. In addition, to secure repayment of these loans, Delek Real Estate undertook to mortgage its rights in a real estate asset (Adar House) in favor of the Group, as a second lien, subject to approval of the bank which has a first lien on these rights. On December 31, 2010, Delek Real Estate will pay an additional 1.2% interest for the period prior to registration of the mortgage of Adar House.

It is further noted for the loans that The Phoenix provided to Delek Real Estate (nostro loans), with a It is further noted for the loans that The Phoenix provided to Delek Real Estate (nostro loans), with a balance of NIS 109 million, included in the aforementioned amount, and for the loans provided to Delek Real Estate from the profit-sharing policies loans amounting to NIS 124 million, in August 2009, Delek Real Estate did not pay the current maturities on time, and asked The Phoenix to waive its right to call for immediate repayment of the loan, as a result of a downgrade in the credit rating and/or failure to comply with the additional financial covenants.

Delek Real Estate and The Phoenix agreed that in return for deferral of the payment of the current maturities and the aforesaid waivers, The Phoenix received additional collateral for the loans, inlcuding 48% of the shares of Vitania Ltd. ("Vitania") and the rights in accordance with the shareholders agreements of Vitania, increase in the amount of the pledged shareholders' loans from NIS 180 million to NIS 280 million and the pledge of two other lots. In addition, the interest for each of the loans was raised by 2.5% until the last payment date of the loans. Payments of the loan were brought forward, according to the payment schedule, so that NIS 182 million of the loan will be paid by January 1, 2011 and the balance of the loan will be paid by August 2012.

After Delek Real Estate pays NIS 182 million out of this debt, at the agreed dates, the pledge on Vitania's shares will be removed.

Subsequent to the balance sheet date, in November 2009, the general meeting of The Phoenix approved the change to these loan conditions.

As aforesaid, following distribution of the dividend in kind, the Company no longer consolidates the operations of Delek Real Estate in its financial statements.

As a result of the deconsolidation, total assets in the consolidated balance sheet decreased by NIS 23 billion (mainly due to investment property and available-for-sale assets) and total liabilities decreased by NIS 22 billion (mainly due to short- and long-term loans from banks and debentures issued by Delek Real Estate).

NOTE 3 – -BUSINESS COMBINATIONS AND INVESTMENTS IN INVESTEES (CONTD.)

A. Distribution of Delek Real Estate shares as a dividend in kind. (contd.)

The results of Delek Real Estate operations were presented separately in the statement of income under profit (loss) from a discontinued operation, with reclassification of comparative figures.

The table below presents information on the results of operations attributable to the discontinued operations.

	Nine months ended September 30		Three months ended September 30	Year ended December 31
	2009	2008	2008	2008
		Unaudited		Audited
Revenue	406	1,258	476	1,654
Cost of revenue	118	284	145	389
Gross profit	288	974	331	1,265
Appreciation (depreciation) of investment property, net	3	(262)	(300)	(746)
Selling and marketing expenses	2	11	4	16
General and administrative expenses	45	117	31	302
Other revenue (expenses), net	2	(106)	(68)	(30)
Profit from ordinary operations	246	478	(72)	171
Finance revenue	54	90	30	155
Finance expenses	251	1,301	616	2,244
	49	(733)	(658)	(1,918)
Group share in profits (losses) of associates and partnerships, net	3	(185)	(203)	(363)
Profit (loss) before income tax	52	(918)	(861)	(2,281)
Income tax (tax benefit)	35	(212)	(101)	(336)
Net profit (loss)	17	(706)	(760)	(1,945)

NOTE 3 – -BUSINESS COMBINATIONS AND INVESTMENTS IN INVESTEES (CONTD.)

A. Distribution of Delek Real Estate shares as a dividend in kind. (contd.)

The table below presents information on the comprehensive income attributable to discontinued operations.

	Nine months ended September 30		Three months ended September 30	Year ended December 31
	2009	2008	2008	2008
	Unaudited			Audited
Profit (loss) for available-for-sale assets, net	1	45	20	(50)
Loss for cash flow hedges, net	(63)	(1)	(65)	(136)
Adjustments for translation of financial statements of foreign operations	268	(902)	(297)	(1,009)
Company's share in other comprehensive income (loss) of affiliates	(8)	-	37	(87)
Revaluation of existing investment upon increase in control	-	20	-	20
Other comprehensive profit (loss) from discontinued operations, net	198	(838)	(305)	(1,262)

B. Insurance and finance operations

1. Further to Note 13(E)(6)(a) to the annual financial statements, under the agreements between The Phoenix Investments and Aharon Biram, Gil Deutsch and Esther Deutsch, the controlling shareholders of Excellence ("the sellers") and Bank Mizrahi, on April 9, 2006, The Phoenix Investments completed an acquisition of 40% of Excellence shares for NIS 322.5 million in cash (including legal fees and other direct costs for the acquisition amounting to NIS 365,000). Subsequent to the acquisition, The Phoenix Investments and the sellers became joint controlling shareholders in Excellence. Under the agreement, from January 1, 2009, The Phoenix Investments has a call option and from February 1, 2009, the sellers have a put option for the sale of an additional 40% of the shares to The Phoenix Investments. These options will expire on January 31, 2010.

   In addition, the agreement set forth adjustments to profit and equity to be included in calculation of the consideration. The Phoenix published details of the exercise formula in an immediate report on November 6, 2008.

   For information relating to the announcement of The Phoenix Investments in respect of termination of the agreement, including the put option, see details below.

   It is noted that the directors appointed by The Phoenix Investments and serving at Excellence objected to approval of the financial statements of Excellence as of March 31, 2009 and December 31, 2008, due to disagreements related to the accounting treatment of the figures in Excellence statements. Commencing from the approval date of the financial statements of Excellence as of June 30, 2009, the disputes were settled and the financial statements were approved without any objection.

   To determine the fair value of Excellence shares at December 31, 2008 in accordance with IFRS, the board of directors of The Phoenix Investments, and subsequently the board of directors of The Phoenix, decided to base the valuation on the assessment of independent assessors with valuation expertise and the required knowledge and experience ("the valuation").

NOTE 3 – -BUSINESS COMBINATIONS AND INVESTMENTS IN INVESTEES (CONTD.)

B. Insurance and finance operations (contd.)

1. (contd.)

According to the valuation, the value of Excellence shares (100%) at December 31, 2008, is NIS 988 million. Based on the valuation, the value of Excellence shares underlying exercise of the put option is NIS 404 million. The difference between this amount and the current value of the estimated consideration according to the put option of NIS 571 million is NIS 167 million. This amount was recorded as a provision for an onerous contract in the financial statements of 2008.

Under IFRS, commencing from January 1, 2009, which is the date for exercising the call option, The Phoenix Investments is required to consolidate Excellence in its financial statements, in view of the potential voting rights that are exercisable and that confer on The Phoenix Investments control in Excellence, notwithstanding the announcement by The Phoenix Investments regarding annulment of the agreement, as described below.

Following consolidation of the financial statements of Excellence, The Phoenix Investments recorded a liability for payment for the option to purchase the shares in an investee. At September 30, 2009, the balance of the liability is NIS 343 million. The amount of this liability is following the first payment, as described below.

In 2009, a disagreement arose between the sellers and The Phoenix regarding exercise of the put option and the existence of the agreement. On March 8, 2009, the sellers filed a claim in respect of this agreement in the Tel Aviv-Jaffa District Court against The Phoenix Investments and against Dr. Ehud Shapira, the chairman of the board of directors of The Phoenix and Asaf Bartfeld, a director at The Phoenix and CEO of the Group

In the third quarter of 2009, following the settlement agreement signed by the parties, as described below, the claim was removed.

On June 14, 2009, after lengthy negotiations, the sellers and The Phoenix Investments signed a settlement agreement. The main points of the agreement are as follows:

The Phoenix Investments will acquire from the sellers 6,958,842 shares of Excellence representing 40.88% of the share capital of Excellence, in five unequal lots (“Excellence shares” or “the shares”). First lot: 20.44% of the issued capital of Excellence; second to fifth lot: 5.11% of the issued capital of Excellence (the sellers may increase the third lot to 5.35% of the issued capital of Excellence, such that the fourth and fifth lots will be each be equivalent to 4.99% of the issued capital of Excellence). The acquisition date of the shares in the first lot will be on the third business day after the day on which all the preconditions are fulfilled, as described below. The acquisition date of the shares in each of the second to fifth lots will be up to 35 days after approval of the financial statements by Excellence in each of the years 2009 to 2012.

The total consideration for the shares will be between NIS 620 million and a maximum of NIS 730 million, linked to the index published on April 15, 2009, as follows: first payment – NIS 340 million plus annual interest at prime + 0.5%, starting on May 3, 2009. Second to fifth payments – based on the formula in the original agreement, subject to certain adjustments to the definition of the profit.

The minimum payment is NIS 70 million linked to the known index on May 3, 2009 (“the index”). The maximum payment is NIS 120 million linked to the index for the second lot, and NIS 90 million linked to the index for each of the third to fifth lots. The consideration will be adjusted for any dividend actually distributed to the sellers, within certain limitations set out in the agreement. Amounts paid as a dividend to the sellers will not be deducted from the amount obtained from the formula.

The Phoenix Investments may accelerate the purchase of Excellence shares at any time and the sellers may accelerate the purchase of the shares that have not been purchased on the acceleration date, in the circumstances set out in the agreement of June 14, 2009.

NOTE 3 – -BUSINESS COMBINATIONS AND INVESTMENTS IN INVESTEES (CONTD.)

B. Insurance and finance operations (contd.)

1. (contd.)

Up to payment date of the consideration for the second lot, which is expected to be in April-May 2010, the current controlling shareholders will continue to serve as directors in Excellence and there will continue to be equality in the appointment of directors to the board of directors of Excellence, between the Group and the former controlling shareholders. From the second lot onwards, the Group will be entitled to increase the number of its directors in Excellence and its subsidiaries, and in any event the number of directors in Excellence on the Group's behalf will be greater than all the other directors, including outside directors.

The Phoenix guaranteed all the undertakings of The Phoenix Investments for an unlimited amount, in accordance with the terms of the new agreement.

On August 25, 2009, all the required regulatory approvals were received and the transaction set out in the settlement agreement was completed. On the closing date, The Phoenix Investments acquired the first lot of 3,479,421 Excellence shares from the sellers, as stipulated in the settlement agreement, representing 20.44% of the issued and paid up share capital of Excellence, for NIS 343 million. Together with the existing holding of The Phoenix Investments in Excellence (40%), The Phoenix Investments held 60.44% of the issued and paid up share capital of Excellence.

2. As aforesaid, commencing from January 1, 2009, The Phoenix consolidates the financial statements of Excellence, which is a traded company operating in Israel in management of financial services. The transaction was accounted for with the acquisition method in accordance with IFRS 3.

The consolidated financial statements include the financial statements of Excellence commencing from January 1, 2009.

Following consolidation for the first time of Excellence, at the consolidation date, the assets and liabilities in the consolidated balance sheet increased by NIS 12 billion (mainly due to assets and liabilities of ETF presented in the balance sheet as current assets and current liabilities, respectively).

The Phoenix implemented temporary attribution of the acquisition cost based on an estimation of the fair value of the assets and liabilities that were acquired in the context of a business combination. The Phoenix intends to adapt the consideration of the acquisition and the fair value of the acquired assets and liabilities up to 12 months from the date of initial consolidation.

Under the new agreement that was signed on June 14, 2009, the liability for the acquisition of 40.88% of Excellence shares was adjusted. This liability is stated in the balance sheet on the basis of the expected estimated payment to a non-controlling interest under the formula defined in the new agreement. The liability for payment is capitalized to the end of the reporting period. The difference of NIS 93 million between the liability as calculated on the basis of the new agreement and the liability in the books as calculated on the basis of the original agreement of April 9, 2006 is recognized in goodwill and NIS 31 million is recognized in finance expenses.

Changes in the amount of the liability in subsequent periods, caused by a change in the estimated expected payment, are recognized in goodwill until the option is exercised, subject to a valuation that supports the fair value of the cash-generating units.
Independent assessors assessed the goodwill of The Phoenix Investments at June 30, 2009, following the increase in goodwill subsequent to signing the new agreement.

At the exercise date of the option, the proceeds from the exercise will be accounted for as payment of the liability.

The total cost of the investment in Excellence at September 30, 2009 amounted to NIS 799 million. The cost includes the liability for acquisition of Excellence shares and is based on the assessment of The Phoenix Investments regarding the estimated amount that will be paid according to the new agreement.

NOTE 3 – -BUSINESS COMBINATIONS AND INVESTMENTS IN INVESTEES (CONTD.)

B. Insurance and finance operations (contd.)

3. Subsequent to the balance sheet date, on November 24, 2009, The Phoenix Investments acquired 779,471 par value shares of Excellence for NIS 55.55 each in an off-floor transaction, for a total consideration of NIS 43 million. The amount of the acquired shares represents 4.58% of the issued and paid up share capital of Excellence. The excess cost of the acquisition, based on the equity method, amounts to NIS 20 million at this stage. Subsequent to the acquisition, The Phoenix Investments holds 65.02% of the issued and paid up share capital of Excellence.

4. As aforesaid, commencing from January 1, 2009, The Phoenix consolidates the financial statements of Excellence. Excellence issues and manages ETF through special purpose companies and acquires securities that are included in the relevant index for the ETF, including securities of the Group companies (the shares of the Company, subsidiaries and debentures issued by the Group companies).

   The Group assessed the accounting treatment for holding securities of the Group companies and concluded that, following discussions with the Securities Authority, the revaluation to market value of the securities carried out by the special purpose companies should be cancelled in the consolidated financial statements, and these holdings should be accounted for using accepted accounting principles for the acquisition (sale) of treasury shares, acquisition (sale) of other shares of subsidiaries and mutual holding of debentures.

   It is noted that securities of Group affiliates held by special purpose companies are presented in the Group's consolidated financial statements at their fair value (as presented in the financial statements of the special purpose companies).

5. On February 25, 2009 Excellence and companies under its control signed an agreement with Prisma Investment House Ltd. ("Prisma") to acquire Prisma's trust funds, ETF and portfolio management operations ("the agreement").

   Under the agreement, Excellence Nessuah Trust Fund Management (a subsidiary, "Excellence Funds"), which holds the trust fund operations of the Excellence Group, will acquire all the shares of Prisma Trust Funds Ltd (a wholly owned company of Prisma, "Prisma Funds") which holds Prisma Group's trust fund management operations. Prisma Funds will be transferred to Excellence Funds, as described above, when the balance of the bank loan amounts to NIS 130 million.

   The consideration for acquisition of Prisma shares and portfolio management operations, as describe above, will include the following components:

   a) Once Prisma Funds shares are transferred to Excellence Funds, the latter will allocate shares to Prisma representing 45% of the issued and paid-up shares in Excellence Funds ("the allocated shares"). During 2014-2017, Prisma will be required to sell to Excellence, and Excellence will be required to acquire from Prisma, all of the allocated shares, at the rates stipulated in the agreement and for a consideration that will be based on the formula in the agreement, which is based, inter alia, on the future profits of Excellence Funds ("the consideration for the shares").

   b) During the period that Prisma holds the allocated shares, Prisma Funds will distribute quarterly dividends at the maximum amount permitted by law and Excellence Funds will distribute all these dividends to its shareholders, with the exception of minimum amounts required to comply with the various legal requirements ("the quarterly dividends").

   (c) During the period that Prisma holds the allocated shares, Prisma Funds will pay amounts for the capital note that it had issued to Prisma (and for which payment dates had not been set). The payment amounts are according to the formula in the agreement, based, inter alia, on the future profits of Prisma Funds and the number of allocated shares held by Prisma ("payment of the capital note"). On termination of Prisma's holding of the allocated shares, Prisma will transfer all its rights in the capital note to Excellence Funds.

NOTE 3 – -BUSINESS COMBINATIONS AND INVESTMENTS IN INVESTEES (CONTD.)

B. Insurance and finance operations (contd.)

5. (contd.)

During the period that Prisma holds the allocated shares, there will be various financial and decision-making arrangements between the parties, as set forth in the agreement.

On June 9, 2009, the parties completed the transactions, under the terms described above, after fulfillment of all the preconditions that were set. The consideration of NIS 180 million for the transaction, which is the estimated acquisition cost and includes the three abovementioned components (consideration for the shares, quarterly dividends and payment of the capital note), at their present value, was recognized as a liability for a contingent consideration.

The surplus acquisition cost of NIS 315 million for the Company's share in the net fair value of the identifiable assets, liabilities and contingent liabilities that were recognized in the transaction was attributed mainly to goodwill.

In addition, at the completion date of the transaction, Prisma Funds and the banks signed a new financing agreement for extension of a loan of NIS 130 million to Prisma Funds. The loan is payable in equal installments over ten years. Under the agreement, Prisma Funds undertook to fulfill the financial covenants relating to EBITDA, turnover and net profit.

In addition, Excellence acquired Prisma's ETF companies and financial instruments for a consideration equivalent to the shareholders' equity, after adjustments of the acquired companies (NIS 27 million), with the addition of NIS 7 million. The portfolio management operations acquired as aforesaid were sold for NIS 7 million shortly after completion of the transaction. The consideration for the sale was offset from the acquisition cost.

6. In the nine months ended September 30, 2009, and following termination of the term of employment of office holders at The Phoenix prior to completion of the vesting period, 2,659,550 options warrants that were issued in the past by The Phoenix were foreclosed for employees.

   As a result of the aforesaid, in the reporting period, The Phoenix recorded income of NIS 7 million.

7. In August 2009, the board of directors of The Phoenix approved an allotment of 6,177,879 options, at no cost, to the incoming CEO of The Phoenix. Each option is exercisable into one ordinary share of The Phoenix.

   The options will vest in four equal lots commencing from June 1, 2010 and up to July 1, 2013 and will be exercisable up to July 1, 2014. The exercise price of each option is NIS 7.976 plus the addition of annual interest at a rate of 3.75%, which will be calculated for each lot of options, with the exception of the first lot. If the options are exercised, the CEO may receive a loan from The Phoenix for the payment of the exercise price. The loan will be secured solely by a first degree pledge on the exercise shares. The value of the options was, calculated by an independent assessor using the binomial model as NIS 30 million at the grant date.

   The following parameters were used to calculate the value:

Share price	NIS 10.07
Exercise price	NIS 7.976 – NIS 8.908
Standard deviation	79.96% - 46.57%
Risk-free interest rate	4.27% - 1.37%

   The options were allotted to the CEO of The Phoenix in return for the undertaking of The Phoenix to provide the CEO with a non-recourse loan to acquire The Phoenix shares.

8. In August 2009, The Phoenix issued 27,879,131 ordinary shares of NIS 1 par value to its shareholders by way of rights in consideration of NIS 126 million. The Group exercised the entire quantity of rights that it was offered in consideration of NIS 68 million.

9. In September 2009 there was a heavy hail storm in Texas, USA (in the area of Republic's operations). The Company recorded a loss of USD 20 million (before the impact of tax) as a result of this storm.

NOTE 3 – -BUSINESS COMBINATIONS AND INVESTMENTS IN INVESTEES (CONTD.)

C. Fuel operations in the US

1. Further to Note 13(E)(4)(b) to the annual financial statements, regarding the fire at the refinery in the US, in May 2009, the refinery continued operations.

   In the nine and three months ended September 30, 2009, Delek US received USD 100.2 million (NIS 404 million) and USD 12 (NIS 46 million), respectively, from the insurance company, including USD 64.1 million (NIS 258 million) and USD 6 million (NIS 23 million), respectively, for loss of profits and USD 36.1 million (NIS 145 million) and USD 6 million (NIS 23 million) for damage to property, which were recorded in the financial statements less costs in the amount of USD 11.4 million (NIS 46 million) and USD 0.2 million (NIS 1 million), respectively. Net income was recorded in the statement of income under other revenue.

   Subsequent to the balance sheet date, Delek US received additional compensation of USD 4.1 million (NIS 16 million) from the insurance company.

2. In September 2009, Delek US signed a new employment agreement with the CEO of Delek US. Under the agreement, the CEO was allotted, inter alia, 1,850,040 share appreciation rights (SARs) according to the 2006 compensation plan of Delek US. The options will vest from March 31, 2010 until October 31, 2013 at different exercise prices. The options will expire one year after termination of the CEO's employment or on October 31, 2014, whichever is earlier. The financial value of the options amounts to USD 2 million. The options are exercisable into ordinary shares or cash at the sole discretion of Delek US. In September 2009, the board of directors of Delek Israel approved an arrangement for 1,319,493 options that were allotted to the CEO of Delek USA under the previous employment agreement, which were not exercised. According to the arrangement the CEO of Delek USA will be able to receive, in shares, the difference between the share price on the stock exchange and the theoretic exercise price, as defined in the agreement.

D. Fuel operations in Europe

1. In the reporting period, Delek Benelux recognized a tax asset for losses for transfer that was not recognized when acquiring the European fuel operations in August 2007. As a result, Delek Benelux recognized expenses of NIS 38 million for amortization of goodwill, recognized under administrative and general expenses. On the other hand, Delek Benelux recognized deferred tax revenues in the same amount.

2. In February 2009, a new chairman was appointed to Delek Europe's board of directors ("the chairman"). The chairman also serves as a director in the Group. As part of the chairman's employment agreement, it was decided, inter alia, to allot him 225 phantom options.
   In August 2009, the parties agreed to terminate and annul the agreement and the options were not granted.

E. Fuel operations in Israel

1. In June 2009, Delek Petroleum sold 6.51% of Delek Israel shares for NIS 95 million. As a result of the sale, the Group's holding in Delek Israel fell to 79.17%. The profit arising from this sale amounted to NIS 31 million (before the effect of tax).

2. On March 19, 2009, the audit committee and board of directors of Delek Israel approved the appointment of David Kaminitz as CEO of Delek Israel and an agreement for supply of services between Delek Israel and a company wholly owned by David Kaminitz (the management company)

   Delek Israel also signed an agreement with the management company for allocation of options. Under the agreement, Delek Israel will grant the management company 300,000 options for Delek Israel shares representing 2.7% of the issued and paid up capital of Delek Israel (2.38% fully diluted) exercisable into Delek Israel shares in equal portions of 75,000 options each, commencing from March 1, 2010 until March 1, 2013. The options will expire on March 1, 2014 or on other dates as stipulated in the agreement. The nominal exercise increment is between NIS 134.24 and NIS 155.4 for each option warrant, subject to adjustments for a dividend.

NOTE 3 – -BUSINESS COMBINATIONS AND INVESTMENTS IN INVESTEES (CONTD.)

E. Fuel operations in Israel (contd.)

2. (contd.)

The management company may choose to exercise the option either through a cash payment of the exercise increment (in this case, the management company may receive a non-recourse loan from Delek Israel, linked to the CPI, bearing 4% interest), or by exercising the options into shares based on the value of the benefit. In this case, the nominal value of the shares underlying the exercise will be paid. It was further agreed that Delek Israel will apply to the income tax authorities for confirmation that the benefit for which the management company will be charged at the exercise date will be approved as an expense. If this approval is not received by February 1, 2010, Delek Israel may announce that the options will be replaced by payment of a phantom grant, which will be calculated at any date, after the management company submits a letter of demand, according to the difference between the share price and the exercise price. At the preparation date of the financial statements, Delek Israel has not yet received confirmation from the tax authorities and as Delek Israel expects that it will choose the option of a cash payment if the approval is not received, the transaction will be accounted for as a share-based payment settled in cash. The economic value of the options warrants on September 30, 2009 amounts to NIS 17.9 million, based on the Black & Scholes model. At September 30, 2009, Delek Israel included a provision of NIS 5.4 million for this plan in its financial statements.

The main assumptions and parameters used to calculate the economic value are as follows:
The value of an ordinary share at September 30, 2009 is NIS 167. The capitalization rate is based on the risk-free nominal yield curve in Israel for the life of the option (2.09%-3.92%).
The standard deviation in options warrants (Series 1) which are traded on the TASE is 30.45%.

3. On August 27, 2009, the board of directors of Delek Israel approved a system whereby the former CEO of the Company may exercise options based on the benefit component under the 2007 plan for the allotment of options, approved by the board of directors of Delek Israel on November 5, 2007. On September 22, 2009, the former CEO of Delek Israel exercised 437,930 options into 253,782 shares of Delek Israel. As a result, the Company's holdings in Delek Israel dropped to 77.4%. Exercise of the options resulted in a profit of NIS 8 million for the Group.

4. On August 31, 2009, the board of directors of Delek resolved to adopt a plan for allotment of options to employees, officers, consultants and service providers of Delek Israel and/or affiliates. The options are exercisable into 72,000 ordinary shares of Delek Israel of NIS 1 par value each, subject to payment of the exercise price of between NIS 165.11 and NIS 197.64 per share.

   The options are exercisable into shares in five equal lots from April 1, 2010 until April 1, 2014, and will expire on March 31, 2015. Of the allotted options, holders of 40,000 options are eligible for a non-recourse loan. The loan is linked to the CPI and bears annual interest of 4%. The loan is payable up to two months from the expiry date of the option warrants.

   The total fair value of the option warrants amounts to NIS 3 million.

   The fair value is based on the following information:

   Annual standard deviation: 32.01%
   Nominal annual capitalization rate: 1.87%-4.65%
   Share price: NIS 168.5

NOTE 3 – -BUSINESS COMBINATIONS AND INVESTMENTS IN INVESTEES (CONTD.)

F. Energy sector

1. Subsequent to the balance sheet date, in November 2009, the subsidiary Delek Energy Systems Ltd. ("DES") issued a shelf offering for holders of participating units of Avner Oil Exploration Limited Partnership (an affiliate partnership, "Avner") for the acquisition of up to 325,899,000 participating units of NIS 0.01 par value in consideration of up to 517,300 ordinary shares of DES of NIS 1 par value (in other words, one ordinary share for each 630 participating units).

   Following the tender offer, notices of allowance were received from the holders of 247,926,781 participating units in Avner (representing 7.63% of Avner's total participating units). In return, DES will issue 393,535 ordinary shares. As a result, DES's holding in Avner will be increased to 45.55% and the Group's holding in DES will be reduced to 81.9%. At this stage, the Group is reviewing the accounting implications of this transaction.

   Subsequent to the balance sheet date, in November 2009, a wholly-owned subsidiary sold 107,750 shares of DES representing 2.15% of the equity of DES (after completion of the exchange tender offer, as described above), to third parties, in consideration of NIS 94 million. At this stage, the Company is expected to record a profit of NIS 90 million for the sale (before the impact of tax) for the sale, which will be recognized in the income statement in the fourth quarter of 2009. Following this sale the Group holds 79.7% of the DES share capital.

G. Other operations

1. The Group holds 49% of the shares of IDE Technologies Ltd. ("IDE"). The Group's investment in IDE is accounted for using the equity method. The Group's share in the financial results of IDE for the nine months ended September 30, 2009 amounted to a profit NIS 136 million. The Group did not attach the financial statements of IDE to its financial statements, as the financial statements of IDE in the prior reporting year did not have a substantial effect on the Group's financial statements and they are not expected to have a substantial effect on the Group's results in the next reporting year.

2. In July 2009, a subsidiary of Delek Investments, IPP Delek Alon Tavor Ltd. (Delek Alon Tavor) signed an agreement with Tnuva Central Cooperative for the Marketing of Agricultural Produce in Israel Ltd (Tnuva) for the planning, financing, licensing, establishment, operation and maintenance of a cogeneration power station (to produce energy and steam) with an output of 55 MW, operated by natural gas, in the Tnuva plant site at Alon Tavor. The agreement is valid for 27 years, commencing from the closing date of financing for construction of the power station. During the agreement period, the land on which the power station will be built will be subleased to Delek Alon Tavor. The agreement is contingent on finalizing the financing arrangements by April 30, 2011 and construction of the power station by October 31, 2012, subject to the terms stipulated in the agreement in connection with postponing the aforesaid dates.

3. Subsequent to the balance sheet date, in November 2009, the Group signed an agreement with Cool Holdings Ltd, for the sale of 9,127,271 shares of HOT Communications Systems Ltd. ("HOT"), representing 12% of the share capital of HOT, at a price of NIS 44 per share. The consideration for the sale amounted to NIS 402 million. The transaction is subject to the approval of the Cable Authority and the waiving of the first right of refusal by other HOT shareholders. The closing date of the transaction is no later than December 23, 2009. After completion of the transaction, insofar as it is completed, the Group's direct holdings in HOT will drop to less than 5%. If the transaction is completed, the Group is expected to record a profit of NIS 195 million for the sale in the fourth quarter of 2009. On September 30, 2009, in view of the intention to exercise HOT shares at that time, the Group included a tax benefit receivable for NIS 50 million for the temporary differences attributed to the investment in HOT shares.

NOTE 3 – -BUSINESS COMBINATIONS AND INVESTMENTS IN INVESTEES (CONTD.)

H. Further to Note 13(E)(1)(h) to the annual financial statements, the Group held the full share capital of Delek Motorway Services UK (DMS) through Delek Real Estate (75%) and Delek Petroleum (25%). DMS holds the full share capital of a UK company (MSA), which owns 29 roadside service stations in the UK, operating under the RoadChef brand. Following distribution of Delek Real Estate shares as a dividend in kind as stated in Note 3(A) above, the Group indirectly holds 25% of DMS shares. The investment in DMS is presented under available-for-sale assets. At the end of 2008, Delek Petroleum and Delek Real Estate decided to sell their investment in DMS. In the reporting period, the Group recognized impairment of the investment in DMS amounting to NIS 25 million, for the change in the shekel value of the investment and the updated offer received for the acquisition of the investment. The change was recognized in the statement of income under other revenue (expenses), net. Subsequent to this impairment, the Group's investment in DMS amounts to NIS 227 million. At the approval date of the financial statements, the sales process and the negotiations in this respect are underway and the Group is of the opinion that it is highly likely that the process will be completed in the coming year**.**

NOTE 4 – INVESTMENTS IN OTHER FINANCIAL ASSETS

In August 2009, the board of directors of the Company resolved to approve the investment in an amount of USD 218 million to purchase shares in the American company, Noble Energy Inc. ("Noble"), which is traded on the NYSE. The investment in Noble shares is presented as a financial investment classified as an available for sale financial asset. In addition, the Group entered into an agreement with a foreign bank. Under the agreement, the bank provided the Company with a non-recourse loan of USD 120 million, repayable by May 31, 2012. The acquired Noble shares were pledged to secure the loan.

In August and September 2009, the Group acquired Noble shares amounting to USD 94 million. In September 2009, the Group sold Noble shares in consideration of USD 83 million, producing a profit of USD 9 million for the Group (before the impact of tax). The balance of the investment in Noble shares at September 30, 2009 amounted to USD 22 million. The Company purchases and/or sells Noble shares from time to time. Close to the approval date of the financial statements, the Group's investment in Noble shares amounted to USD 89 million.

NOTE 5 – INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION

A. Michal and Matan licenses

Delek Drilling and Avner each hold 15.6% of the Michal and Matan drilling licenses. Under these licenses, in 2008 drillings were conducted at Tamar 1, a deep sea offshore drilling west of Haifa.

In February 2009, the project operator, Noble Energy Ltd. ("Noble") announced that commercial quantities of gas were discovered in the drilling. Noble estimates that the economic potential of gas reserves at the Tamar formation at that time was BCM 142.

In April 2009, Noble started drillings at Tamar 2, to achieve a more accurate assessment of the gas reserves in the Tamar formation. In July 2009, Noble announced that according to the findings at the Tamar 2 drillings, the economic potential of gas reserves in the Tamar formation is BCM 178.

In addition, in August 2009, Noble announced that according to an appraisal of an independent engineering consultation company, the economic potential of the gas reserves in the Tamar formation is BCM 207. The natural gas reserves in the Tamar field, classified as proved and probable reserves (2P) upon confirmation of the development plan for the Tamar field (which will include a reasonable expectation for sale of the natural gas produced in the field), is estimated at 218 BCM.

At the balance sheet date, an amount of USD 216 million has been invested in Tamar 1 and Tamar 2 (the share of the Delek Drillings, the joint partnership, is USD 34 million).

NOTE 5 – INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (CONTD.)

A. Michal and Matan licenses (contd.)

In April 2009, the Commissioner of Petroleum Affairs in the Ministry of National Infrastructures ("the Petroleum Commissioner") confirmed that Tamar discovery is a commercial discovery. In view of the aforesaid, the Petroleum Commissioner approved the validity of the Matan license until December 2, 2009, in accordance with section 18(B) of the Petroleum Law. During this period, the Tamar 2 drilling was drilled as aforesaid and the application for a lease in the license area will be addressed.

In addition, in March 2009, the partners started to drill at Dalit 1 in the area of the Michal license. The drilling site is 60 km west of the Hadera coast. In April 2009, Noble announced that the productions tests at the drilling were successful and commercial quantities of gas were discovered. Noble estimates that the mean potential of gas reserves at the Dalit structure is 14.2 BCM.

Noble announced that the Dalit 1 discovery, if found to be commercial, could be part of the initial stage of the Tamar development plan, which is currently in its preliminary formulation stages, and should enable supply of natural gas to the Israeli market by 2012.

In April 2009, the Petroleum Commissioner confirmed that the Dalit 1 drilling is a commercial discovery. In view of the aforesaid, the Petroleum Commissioner approved the validity of the Michal license until December 2, 2009, in accordance with section 18(B) of the Petroleum Law. During this period, the application for a lease in the license area will be addressed.

At the balance sheet date, USD 57 million has been invested in the Dalit 1 drilling (the share of Delek Drilling, the joint partnership, is USD 9 million).

It is noted that the estimates of Noble in respect of the future production rate and economic potential of the gas reserves are estimates which are as yet uncertain. These estimates are expected to be adjusted as additional information is gathered and/or as a result of a range of factors related to oil and gas exploration and production projects, including as a result of continued analysis of drilling findings and production tests and an assessment of the proven reserves.

B. Oil and gas exploration off the shores of Vietnam

In April 2009, the National Petroleum Company of Vietnam announced that it will exercise its option to acquire 15% of the rights in the project in view of its declaration as commercial discovery. The consideration for acquisition of the rights will be calculated as the proportional part (15%) of the total costs investments in the project to date. After exercising the option, Delek Energy's holding in the project fell to 21.25%.

In addition, in July 2009, DES signed an agreement with Premier Oil ("Premier") to sell its full holdings in Delek Vietnam. DES received USD 83.9 million for the sale of Delek Vietnam. This amount includes USD 72 million as well as amounts from PetroVietnam's exercise of an option to buy 15% of the project and a refund of Delek Vietnam investments made subsequent to the effective date of the transaction (March 31, 2009). In addition to this amount, and subject to the conditions stipulated in the agreement, Premier agreed to pay DES USD 3 million one year after the start of commercial production from the Dua field, if and when that occurs. This amount is included in the financial statements at its present value at September 30, 2009, according to DES estimations of the expected production date. Premier also agreed to pay an additional amount of USD 7 million one year after the start of commercial production from other fields in Block 12 W (with the exception of Chim Sao and Dua fields, if and when that occurs). At this stage, and provided there are no discoveries in another field, DES does not record any revenue for Premier's liabilities. The amount of the loss from the transaction is not material.

NOTE 5 – INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (CONTD.)

C. Further to Note 16(G)(1) to the annual financial statements regarding the agreement with Israel Electric Corporation (IEC) for supply of natural gas, in August 2009, IEC and the Yam Tethys Group partners signed a memorandum of understanding for the supply of an additional 1 BCM of gas per year for five years (a total of 5 BCM). The financial scope of the agreement (for all partners) is estimated at USD 1 billion. The actual revenue of Yam Tethys Group from the sale of additional quantities to IEC will be affected by a number of conditions, mainly global fuel prices, supply schedule and other conditions.

NOTE 6 – DEBENTURES

A. On May 6, 2009, Delek Israel issued, in a private offering to classified investors, NIS 106,813,539 par value Debentures (Series A) of NIS 1 par value each in consideration of NIS 111 million ("the additional debentures"). The additional debentures are from the same series of NIS 760,000,000 Debentures (Series A) (the original debentures) that were issued under Delek Israel's prospectus of August 5, 2007. The terms of the additional debentures are the same as the terms of the existing debentures.

B. In June 2009, Delek Israel issued NIS 474,000,000 par value Debentures (Series A) for NIS 527 million and NIS 287,000,000 par value Debentures (Series B) for NIS 287 million. The Debentures (Series A) are from the same series as the NIS 760,000,000 Debentures (Series A) that were issued under Delek Israel's prospectus of August 5, 2007 (see also section 7 above). The terms of the additional debentures are the same as the terms of the existing debentures. Debentures (Series B) are unlinked and bear variable annual interest based on the annual interest of 817 Government Bonds with the addition of an annual margin of 3.6%, payable every three months on August 31, November 30, February 28 and May 31 of each year, commencing on August 31, 2009, and up to the date of the final payment on May 31, 2014. Debentures (Series B) are payable in three equal annual payments on May 31 of each of the years 2012-2014.

C. In May 2009, S&P Maalot announced the downgrading of Debentures (Series A, E-M, V and W) issued by the Company to A from AA with stable outlook. At this date, Midroog rating company announced a rating of A1 for Debentures (Series E-M, V and W) issued by the Company.

D. In July 2009, the Company issued, in a private offering to classified investors, NIS 293,220,657 par value registered Debentures (Series W) of NIS 1 par value each in consideration of NIS 308 million ("the additional debentures"). The additional debentures are from the same series of NIS 1,000,000,000 Debentures (Series W) that were issued under the Group's prospectus of May 30, 2007. The terms of the additional debentures are the same as the terms of the existing debentures.

E. In July 2009 the Company replaced unlisted Debentures (Series K) with Debentures (Series L). In the framework of the replacement, the Company acquired from the group of holders of Debentures (Series K) the debentures at a total par value of NIS 110,563,495 in consideration of 119,234,168 par value Debentures (Series N), and debentures from holders of Debentures (Series L) at a total par value of NIS 504,270,791 in consideration of 548,008,266 par value Debentures (Series O). The terms and payment dates of the new debentures are the same as those of Debentures (Series K) and Debentures (Series L), respectively, with the exception of linkage to the index, which was cancelled and the interest , which was adjusted to 8.5% (annual interest) for the two new debenture series. Replacement of the debentures was subject to listing the new debentures for trading by September 17, 2009.

On September 15, 2009 (following the shelf prospectus issued by the Company), Debentures (Series N) and Debentures (Series O) were listed for trading.

In the opinion of the Company, the replacement of the CPI-linked debentures with the new unlinked debentures constitutes a material change in the terms of the debentures in this case. Therefore, replacement of the debentures was accounted for in the financial statements as payment of the liabilities for the old debentures and new recognition of the liability for the debentures that were issued. The Group recorded a profit of NIS 38 million from this exchange (before the impact of tax).

NOTE 6 – DEBENTURES (CONTD.)

F. In September 2009, the Company issued the following:

1. NIS 260,000,000 par value registered Debentures (Series P) and Option Warrants (Series 6) exercisable into 260,000,000 Company shares of NIS 1 par value each.

   Debentures (Series P) are listed for trading, unlinked (principal and interest) to any index, and are payable in four unequal annual payments: three payments of 16.667% of the principal are each payable on September 1st of each of the years 2012 to 2014 and the remaining 50% of the principal is payable on the last payment date, which is September 1, 2015 (inclusive). Debentures (Series P) bear annual interest of 5.5%, payable twice a year on March 1st and September 1st of each year, commencing from March 1, 2010 and until the last payment date on September 1, 2015.

   Registered Option Warrants (Series 6) are exercisable into 260,000 Company shares of NIS 1 par value such that commencing from the listing date and until September 9, 2011, each Option Warrant (Series 6) will be exercisable for an exercise price of NIS 890, and commencing from September 10, 2011 and until September 9, 2013, for an exercise price of NIS 950. Option Warrants (Series 6) that are unexercised by September 10, 2013 will expire. The exercise price is not adjusted to any index or currency, however it is subject to adjustments for distribution of a dividend and so on.

   The total consideration for the issuance amounted to NIS 263 million, of which NIS 238 million is attributable to Debentures (Series P) and the remaining NIS 25 million is attributable to Option Warrants (Series 6).

2. 90,000,000 par value registered Debentures (Series Q). These debentures are unlinked (principal and interest) to any index and are payable in four unequal annual payments: three payments of 16.667% each of the principal are payable on September 1st of each of the years 2012 to 2014 and the balance of the principal, 50%, is payable on the last payment date, which is September 1, 2015 (inclusive). Debentures (Series R) bear variable quarterly interest based on the annual interest of 817 Government Bonds with the addition of an annual margin of 2.85%. Interest on the debentures is payable every three months on December 1st, March 1st and June 1st of each year commencing from December 1, 2009 and until the last payment date on September 1, 2015.

   The total consideration of the issuance amounted to NIS 90 million.

   On September 6, 2009, Midroog Ltd. ("Midroog") confirmed the rating of A1 with stable outlook for these debentures.

G. Subsequent to the balance sheet date, in October 2009, Delek Energy issued debentures at a par value of NIS 300,000,000 (Series C), linked to the CPI, bearing annual interest of 5.5% and payable in 2012-2015. To secure the payment of these debentures, Delek Energy pledged participating units of Delek Drilling and Avner Oil Exploration limited partnerships. The debentures were listed on the TASE.

H. Subsequent to the balance sheet date, in November 2009, the Company issued the following:

1. An additional 500,000,000 par value Debentures (Series O) by way of expansion of Debentures (Series O). These debentures are listed for trading. The consideration for the issuance amounted to NIS 521 million (less issuance expenses of NIS 4 million).

2. NIS 300,000,000 par value Debentures (Series R) in consideration for their par value. These debentures are CPI-linked and are listed for trading. Issuance expenses amounted to NIS 3 million. Debentures (Series R) are payable in six equal annual payments on October 31st of each of the years 2016 and 2017 and 2019 to 2022 (inclusive) and bear fixed annual interest of 6.05%. The interest on the debentures is payable twice a year on April 30th and October 31st of each year commencing from April 30, 2010 until their last payment date on October 31, 2022 (inclusive). The consideration of the issuance amounted to NIS 297 million (after deducting issuance expenses of NIS 3 million).

   On October 27, 2009, Midroog announced a rating of A1 with stable outlook for these debentures.

NOTE 6 – DEBENTURES (CONTD.)

I. Under the prospectus to raise capital that was issued on August 31, 2009, The Phoenix Capital Raising (a wholly-owned subsidiary of The Phoenix) issued 500 registered Debentures (Series A) of NIS 1 par value each, in consideration for their par value, payable (principal) in three equal annual payments. The Debentures (Series A) are payable on September 1st of each of the years 2016 to 2018 (inclusive), linked (principal and interest) to the CPI that was published for July 2009 and bear annual interest of 4.4%, payable twice a year on March 1st and September 1st of each of the years 2010 to 2018. Furthermore, Maalot rated the subordinated Debentures (Series A) that The Phoenix Capital Raising issued to the public at ilAA-/Negative.

NOTE 7 –CONTINGENT LIABILITIES AND AGREEMENTS

A. There are contingent claims against certain investees for significant sums that might reach several hundred million or even billions of shekels. In some cases, it is not possible to assess their outcome at this stage, therefore no provision was recorded in the financial statements as set forth below (see Notes 31(A) to the annual financial statements).

1. Several law suits amounting to several hundred million shekels have been filed against Gadot Biochemical Industries Ltd. ("Gadot") and others, for bodily injury and damage to property with regard to Gadot's activity in the Kishon River area (for details, see Gadot's financial statements, which are available to the public).

   Most of these suits are currently in the very early stages. In some cases, proceedings are yet to begin and in others, proceedings have only reached the preliminary stages. In some of the cases, evidentiary sessions are yet to be held and in most cases, the parties have not yet submitted all of the opinion papers and affidavits. Furthermore, in these cases there are serious factual disputes and there are many facts that need to be decided and are unknown to Gadot. Moreover, the aforementioned proceedings are very complex and problematic since, among other reasons, most of the suits pertain to ongoing events that occurred over decades, in which a very large number of entities are involved, including the State and local authorities, therefore it is not possible to assess the responsibility and the share of any one entity involved in the suits. It is also scientifically difficult to determine the degree of causal connection between the discharge of the wastewater and the damages alleged by the plaintiffs. In the estimate of the Group's management, based on the assessment of the management of Gadot and the opinion of legal counsel, considering all the uncertainties existing in the entirety of these cases and because of the complexities and inherent difficulties therein, the chances of the aforementioned suits and proceedings cannot be assessed at this stage and therefore provisions in their regard have not been included in these financial statements.

2. Several lawsuits were filed against HOT Cable Communication Systems Ltd. ("HOT") in previous years, including motions to recognize some of them as class actions, amounting to substantial sums (several hundred million NIS). Some of the suits relate to failure to meet the conditions of the Council for Cable and Satellite Broadcasting pertaining to the broadcasting of a specific channel and claims for alleged breach of copyrights of various producers and breach of agreements to purchase various broadcasting rights. The management of HOT estimates, based on the opinion of its legal counsel, that for most of the claims it is likely that the application to recognize the claim as a class action will be rejected and therefore no provisions were made in this respect in HOT's financial statements. For further information, see the financial statements of HOT as of June 30, 2009, which are available to the public.

3. In November 2006, three motions for certification as class actions were filed against Delek Israel, third parties and also against the former deputy CEO of Delek Israel, Mr. Yisrael Chelouche. The applicants claim that Delek Israel, together with the other defendants, acted, inter alia, in a fraudulent, misleading and negligent manner and violated their statutory duty. The motions and claims were filed following an investigation by the Israel Police concerning dilution of fuels at several gas stations marketing Delek Israel fuels and in view of possible damages that may have incurred as a result of this. The motions amount to NIS 1.4 billion.

NOTE 7 –CONTINGENT LIABILITIES AND AGREEMENTS (CONTD.)

A. (Contd.)

3. (contd.)

In all these proceedings, Delek Israel filed motions for summary dismissal, motions to try all three proceedings before the same judge and motions to extend the deadline for the submission of a response to the motion for approval until after the hearing of the motion for summary dismissal. The court granted the motion to try all three proceedings before the same judge.

In the third quarter of 2007, one motion, in the amount of NIS 90 million, was stricken off by consent and the court ordered the combination of the two remaining motions into one. Following combination of the two motions, the amount of the motion for certification as a class-action was reduced from NIS 1.4 billion to NIS 554 million. Similarly the former Deputy CEO of Delek Israel was removed from the petition. The applicants filed a motion for a stay of proceedings in the motion for certification as a class action until a peremptory decision is made against the additional defendants (but not against the Company) in a criminal proceeding instituted against them. The court allowed a stay of proceedings until a decision is made in a criminal proceeding. Delek Israel filed a motion for leave to appeal the decision for a stay of proceedings. In August 2009, the court denied the motion for leave to appeal and upheld the stay of proceedings.

The management of Delek Israel estimates, based on the opinion of its legal counsel, that until the applicants respond to the Company's response to the motion for certification as a class action, and until the decision that there will be a stay of proceedings until the ruling in the criminal proceeding and so long as the criminal proceeding is still in progress, the outcome of the motion cannot be assessed and therefore no provision was made in the financial statements.

4. Further to Note 31(A)(3) to the annual financial statements regarding the motion for certification as a class action against Delek Israel and against other fuel companies (the defendants), in which the applications claim that the defendants collected service fees unlawfully, without appropriate signs, in April 2009, a joint motion to dismiss was filed and the motion was accepted, ending this proceeding.

5. In November 2005, a motion for approval as a class action was filed against a subsidiary, Delek Oils Ltd. (formerly Delkol) and two other fuel companies. The plaintiff's suit amounts to NIS 450 million and the sum of the suit against Delek Oils, if the suit is certified as a class action, amounts to NIS 1.664 billion, plus compensation for mental distress in the amount of NIS 27.5 million.

   The motion for certification as a class action is based primarily on the allegation that Delek Oils marketed engine oils, claiming that they are in compliance with certain American and European standards. According to the applicant, such representation is false. The management of Delek Oils is of the opinion that Delek Oils acted within the law and the engine oil marketed by Delek Oils in Israel does indeed comply with the specifications of the standard.

   In November 2007, a settlement was negotiated between Delek Oils (and the other defendants) and the applicant, according to which the motion for certification as a class action and the suit will be withdrawn and Delek Oils (and the other defendants) will reimburse the applicant for expenses (which are not material). Accordingly, a joint motion to dismiss was filed in the court.

   In March 2009, the settlement agreement was approved and the motion was dismissed.

6. In August 2008, an application was filed for certification as a class action in the amount of NIS 150 million against Delek Israel and a number of other fuel companies. In accordance with the statement of claim, the defendants did not abide by their legal obligation to produce invoices for fuel purchases on paper that is durable for at least seven years (for submission to the tax authorities).

   In July 2009, the parties reached a settlement that was given the validity of judgment. The expenses of Delek Israel were not material.

NOTE 7 –CONTINGENT LIABILITIES AND AGREEMENTS (CONTD.)

A. (Contd.)

7. In November 2008, an application for certification of a class action was filed against Delek Israel. According to the applicant, due to the delay in installation of a vapor balance system at the Company's fuel terminal in Haifa, the applicant, residents of the Haifa Bay area and other people who were in the area during the period of the delay (allegedly from August 1, 2005 to April 22, 2007) non-monetary damage and emotional distress was caused in the amount of NIS 2,000 per person. The applicant did not specify the amount in the claim for all members of the group.

   On March 30, 2009, Delek Israel submitted a response, claiming that the application should be summarily dismissed. On April 6, 2009, in the hearing of the application, the court proposed that the parties agree to a continuance of the class action proceedings until the ruling in another case against the Company, relating to a similar issue of a continuance of class-action proceedings until the ruling on the criminal proceeding. In the meanwhile, the criminal proceedings in the plea bargain has ended, therefore the cause for the stay of proceedings for which the applicant applied no longer exists, and under these circumstances it is expected that the representative proceedings will be renewed in the near future.

   The Group estimates, based, inter alia, on the assessment of Delek Israel and the opinion of its legal counsel, and considering the preliminary stage of the motions, the chances of the proceedings cannot be assessed at this stage and therefore provisions in their regard have not been included in these financial statements.

8. In June 2009, a motion for certification as a class action was filed against Delek Israel and against a wholly-owned partnership (Delek Retail) and other Delek companies.

   The applicants claim that the respondents, including Delek Israel, misled them and the other members of the group (consumers of 96 octane gasoline in Israel) and charged them an inflated price for 96 octane gasoline. The applicants claim that from February 3, 2009, there is no difference between 96 octane gasoline and 95 octane gasoline, therefore there is no reason for the different gasoline prices. The grounds for the claims are as follows: Misleading consumers, fraud under section 56 of the Torts Law, taking advantage of a person's distress, unjust enrichment, negligence and false representation. The applicants estimate their claim at tens of millions of shekels in the relevant period (about four months). Delek Israel has yet to file a response.

   The Group estimates, based, inter alia, on the opinion of Delek Israel and its legal counsel, and in view of the fact that the public is aware of the change in the composition of 96 octane gasoline and the Ministry of National Infrastructures initiated and instructed the continuation of its sale at stations, which was also approved by the Knesset Finance Committee, that the likelihood of the application being accepted is less than 50% and therefore the financial statements do not include a provision for this.

9. Subsequent to the balance sheet date, in October 2009 a claim and application for its certification as a class action was filed against Delek Israel and against other fuel companies ("the defendants"). According to the claim and application for certification, when refueling at automatic pumps, the pumps start working immediately after entering the payment method, before fuel starts to flow from the pump and before the pump and payment meters start to run. The applicant alleges that in this way, tens of agurot are charged for fuel that has not been supplied and consumed whenever refueling at an automatic fuel pump at Delek Israel stations.

   The applicant is claiming declaratory relief, ordering Delek Israel to stop collecting these amounts and to refund any overpayment that was allegedly charged by Delek Israel. The total claim amounts to NIS 124.3 million. The proportionate share of Delek Israel in this amount is NIS 42.4 million.

   The Group estimates, based, inter alia, on the assessment of Delek Israel and the opinion of its legal counsel, that at this stage, it is not possible to assess the outcome of the claim and the amount involved, should the claim or the class action be accepted, therefore provisions in this respect have not been included in these financial statements.

NOTE 7 –CONTINGENT LIABILITIES AND AGREEMENTS (CONTD.)

A. (Contd.)

10. Subsequent to the balance sheet date, in October 2009, a claim and application for its certification as a class action was filed against Delek Israel. According to the claim, fuel vapor penetrated into packages of mineral water that were sold by Delek Israel and other companies after they were allegedly stored near the fuel pumps at the fuel stations.
    The plaintiff estimates that the total claim amounts to NIS 284 million. The proportionate share of Delek Israel in this amount is NIS 89 million.
    The Group estimates, based, inter alia, on the assessment of Delek Israel and the opinion of its legal counsel, that at this stage, it is not possible to assess the outcome of the claim and the amount involved should the claim be accepted, therefore provisions in this respect have not been included in these financial statements.

11. As described in Note 31(A)(15) to the annual financial statements, several lawsuits have been filed against The Phoenix, its investees and others, including motions for certification as class actions, amounting to significant sums (several hundred million shekels). Some of the suits relate to high insurance premiums that were collected unlawfully, damages at the time of insurance events for reduced amounts and more. For most of these claims, no provisions were included in these financial statements because, inter alia, in the estimation of the Group's management, based on the assessment of the management of The Phoenix and the opinion of its legal counsel, The Phoenix has defensive claims that are likely to result in dismissal of the claims.

    In addition, in 2009, a number of motions for certification as class actions were filed against investees of The Phoenix. As the claims were filed recently, in the initial stages it is not possible to estimate the chances of these motions and therefore no provisions were included in the financial statements.

12. As described in Note 31(A) to the annual financial statements, in 2006 and 2007, two motions for certification as class action suits were filed against subsidiaries of Republic, following a hurricane. The applicants allege that the subsidiaries are in breach of their insurance policies because they did not pay insurance claims as appropriate and did not apply the law properly on various matters. Furthermore, several claims for financial and declarative remedies were filed against subsidiaries of Republic, for unspecified amounts, in the aftermath of Hurricane Katrina.

    Some of the claims were recently split and refiled as regular suits. Republic and its subsidiaries have reached settlement agreements or are in the process of reaching such agreements.

    Based on information that is available at this stage, the management of Republic estimates that the results of the claim will not have a material effect on its financial position or the results of its operations and therefore no provision was made in the financial statements.

B. Agreements

As set out in Note 24(C)(1) to the annual financial statements, in March 2009, the Group and Delek Investments entered into an agreement with a bank in respect of a loan with a balance of NIS 1.3 billion at September 30, 2009. Pursuant to the agreement, the financial covenants determined in prior agreements were annulled and new covenants were established, as follows:

- The Company and Delek Investments have undertaken that the total amount of the collateral that they will provide, as defined in the loan agreement, will not exceed NIS 1.5 billion.
- The Group and Delek Investments must maintain certain financial ratios derived from the value of assets in relation to the total liabilities of the companies.
- According to the system that was established for distribution of dividends, in certain circumstances, the Group will bear the distribution cost and Delek Investments will repay a certain percentage of the bank loan.
- Furthermore, it was determined that if the Group's rating by Maalot and/or Midroog falls below A, this will be cause for immediate repayment of the bank loan.

Under the new agreement, the repayment dates of this loan and other loans were postponed to periods commencing in 2010.

NOTE 8 – INCOME TAX

Changes in the tax rates applicable to the Group

In July 2009, the Knesset passed the Economic Arrangements (Amendments for the Application of the Economic Plan for 2009 and 2010) Law, 5759-2009. The Law includes provisions for an additional gradual decrease of corporate tax, and tax on real capital gain commencing from 2011, at the following tax rates: 2011 – 24%; 2012 – 23%; 2013 – 22%; 2014 – 21%; 2015 – 20% and 2016 onwards – 18%.

Furthermore, in June 2009, the Knesset approved the Value Added Tax Order (Tax Rate on NPOs and Financial Institutions) (Temporary Order), 5769-2009, stipulating that from July 1, 2009 to December 31, 2010, the rate of profit tax that applies to a financial institution will be increased from 15.5% to 16.5%.

Following these changes, the total rate of tax that applies to financial institutions is as follows:

2009 – 36.2%; 2010 – 35.6%; 2011 – 34.2%; 2012 – 33.3%; 2013 – 32.4%; 2014 – 31.6%; 2015 – 30.7% and 2016 onwards – 29%.

As a result of these changes, in the reporting period, The Group recorded tax revenue of NIS 54 million.

NOTE 9 – SHARE-BASED PAYMENT

In June 2009, the board of directors of the Company approved a phantom options plan for senior managers and office holders. The options will be granted at no cost and will be exercisable into a cash grant equal to the difference between the increase in the market price of the Company's shares at the exercise date and the exercise price. The exercise price was set at NIS 503 per share, unlinked and will be subject to certain adjustments as stipulated in the allocation agreement.

According to the plan, the options will vest in three equal annual lots. The first lot will vest one year after the allotment approval date. The options will expire two years after the end of the vesting period. A total of 46,895 options were allocated under the plan. According to an appraisal received by the Company, the financial value of the options at September 30, 2009 is NIS 16 million.

Out of the total amount of the options, the audit committee and the board of directors also approved the allocation of 20,000 phantom options (0.17% of the fully diluted capital had this related to options for acquisition of the Company's shares) to the CEO of the Company. Based on the valuation received by the Company, at the allocation date, the economic value of the phantom options granted to the CEO under the plan is NIS 4.78 million.

Calculation of the financial value was based on the binomial average for pricing the options and based on the following assumptions:

Share price (NIS)	500
Exercise price of each option (NIS)	503.2
Standard deviation (%)	52.1
Capitalization rate (%)	4.7
Expected life (years)	5

The expense recognized in the statement of income for this plan is not material.

NOTE 10 – EQUITY

A. In May 2009, NIS 1,120,169 par value debentures of the Group were converted into 3,890 Group shares. Subsequent to the conversion, the issued and paid up share capital amounted to 11,690,253 shares.

B. In January 2009 the Company acquired 5,504 of its shares on the TASE for NIS 0.75 million. In addition, in July 2009, the Company acquired an additional 5,459 shares for NIS 2 million. Subsequent to the acquisition, the number of dormant shares amounted to 346,407 ordinary shares.

In addition, Delek Investments acquired 22,462 Company shares for NIS 10 million.

C. In the first quarter of 2009, the special purpose companies issuing ETF acquired Group shares at a net amount of NIS 19 million. In the second quarter of 2009, the Group's special purpose companies sold Group shares for a net consideration of NIS 31 million.

D. On March 27, 2009, the Group declared a distribution of a dividend to its shareholders totaling NIS 72 million (NIS 6.3 per share). See Note 3(A)(1) for details of the distribution of Delek Real Estate shares as a dividend in July 2009.

E. On August 30, 2009, the Group declared a distribution of a dividend to its shareholders totaling NIS 105 million (NIS 9.25 per share). The dividend was paid in September 2009.

F. Subsequent to the balance sheet date, on November 29, 2009, the Group declared the distribution of a dividend to its shareholders of NIS 33 million.

NOTE 11 – OPERATING SEGMENTS

A. General

Under IFRS 8, the Group's operating segments are determined on the basis of management reports, which are mainly based on the investments in each subsidiary.

The operating segments are as follows:

– Fuel operations in Israel: The main operation is marketing and sale of fuels and commodities at gas stations and other outlets and storage and production of fuels in facilities.

– Fuel operations in the US: The main operation is maintenance and operation of gas stations and convenience stores in the US, operation of a refinery and a crude oil pipeline, and marketing of fuels to various customers.

– Fuel operations in Europe: The main operation is marketing and sale of fuels and commodities at gas stations and other outlets in Europe.

– Vehicles and spare parts: The main operation is importing and marketing Mazda and Ford vehicles and spare parts.

– Insurance and finances in Israel: The main operation is carried out by The Phoenix.

– Insurance and finances in the US: The main operation is carried out by Republic.

– Oil and gas exploration and production: The main operation is carried out under the Yam Tethys joint venture, which operates in oil and gas exploration and production on the continental shelf of the State of Israel.

– Other: The main operation in investment in infrastructure, including mainly desalination and establishment of a power station and the biochemical operation that includes mainly production and marketing of fructose, citric acid and ingredients for nutritional additives.

In the past, the Group segments included the real estate segment. Following distribution of Delek Real Estate shares to Group shareholders as a dividend in kind (see Note 3A above), details of this segment were presented under discontinued operations and are not included in segment reporting.

NOTE 11 – OPERATING SEGMENTS

B. Segment reporting

1. Revenue:

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2009	2008	2009	2008	2008
	Unaudited				Audited
	NIS millions				
Fuel operations in Israel	3,079	4,896	1,180	1,877	5,813
Fuel operations in the US	7,215	14,448	3,204	5,067	17,118
Fuel operations in Europe	7,796	11,384	2,691	3,829	14,660
Automotive	3,392	4,231	1,395	1,352	4,770
Oil and gas exploration and production	329	346	161	141	447
Insurance operations abroad	1,311	1,083	410	336	1,490
Insurance and finance in Israel	8,093	2,348	2,703	235	1,201
Other segments	587	548	175	189	741
Total in statement of income	31,802	39,284	11,919	13,026	46,240

2. Segment results

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2009	2008	2009	2008	2008
	Unaudited				Audited
	NIS millions				
Fuel operations in Israel	188	296	103	114	222
Fuel operations in the US	253	233	(9)	(22)	188
Fuel operations in Europe	86	152	41	14	129
Automotive	289	780	98	264	872
Oil and gas exploration and production	199	149	126	75	240
Insurance operations abroad	36	(115)	(16)	(164)	(139)
Insurance and finance in Israel	280	54	115	(56)	(350)
Other segments	194	76	16	22	105
Adjustments *)	(223)	(5)	(112)	127	(271)
Total profit from ordinary operations	1,302	1,620	362	374	996
Finance expenses, net	722	1,130	372	430	1,458
Gain from disposal of investments in investees, net	35	44	4	9	69
Group share in profits (losses) of associates and partnerships, net	178	87	47	18	(12)
Profit (loss) before income tax	793	621	41	(29)	(405)

*) Including expenses not attributed to segments and the Company's share in operating profit of affiliates as included in the segment results.

3. Segment assets

Following consolidation of Excellence (see Note 3(B)), at September 30, 2009, assets of the insurance and finance segment increased by NIS 16.6 billion.

NOTE 12 – MINIMUM SHAREHOLDERS' EQUITY REQUIRED OF AN INSURER

1. The information below regarding the equity of The Phoenix Insurance is in accordance with Insurance Supervision Regulations (Minimal Equity Capital Required of an Insurer) (Amendment) Regulations, 5764-2004 ("the capital regulations") and the Supervisor's guidelines).

	September 30, 2009	December 31, 2008
	Unaudited	Audited
	NIS millions	
Minimum equity:		
Amount required under the capital regulations and Supervisor's guidelines (A)	1,382	1,413
Actual amount under the capital regulations and Supervisor's guidelines		
Primary capital	1,421	920
Secondary capital (subordinated notes)	776	497
	2,197	1,417
Surplus (B)	815	4
Investments in investees against which it is mandatory to place surplus capital under the Supervisor's guidelines, thereby constituting non-distributable surplus	308	259
Investments surplus (deficit) against surplus capital	507	(255)
Primary capital		
Minimum required amount under the regulations	83	80
Actual amount under the regulations	1421	920
Surplus	1,338	840
(A) The required amount includes capital requirements for:		
Deferred acquisition costs in life assurance and health insurance and for insurance portfolio acquisition expenses	662	704
Exceptional life assurance risks	190	184
Unrecognized assets as defined in the capital regulations (mainly loans and advance payments to agents)	87	94
	939	982

(B) Apart from the general requirements in the Companies Law, distribution of a dividend from surplus capital is subject to liquidity requirements and compliance with the investment regulations.

NOTE 12 – MINIMUM SHAREHOLDERS' EQUITY REQUIRED OF AN INSURER (CONTD.)

2. In June 2008, a circular was published relating to application of IFRS presentation guidelines and criteria for calculating the required and recognized equity of insurance companies, commencing from the financial statements of the second quarter of 2008. The objective of the circular is to set out guidelines for application of equity standards regarding investments in investees (including insurance companies and management companies controlled by insurance companies). According to the circular, the required equity in accordance with the capital regulations will continue to be based on stand-alone financial statements. To calculate the recognized equity in accordance with the capital regulations, the investment by an insurance company in an insurance company or a controlled management company and in other investees shall be calculated on the on the basis of the rate of the holdings linked to them.

3. In June 2009, a draft amendment was published to the Supervision of Financial Services (Provident Funds) (Minimum Equity Required from a Management Company) Regulations 5769-2009 ("the regulations").

   Pursuant to the regulations, it is recommended to expand the capital requirements from management companies. The new capital requirements will include capital requirements in accordance with the scope of the managed assets, but no less than the primary equity of NIS 10 million. In addition, capital requirements were determined for unrecognized assets, including for deferred acquisition expenses.

   Pursuant to the regulations, on the publication date of the regulations, a management company with equity that is lower than the equity required under the regulations, will be required to increase its equity to at least one half of the required amount by March 31, 2010, and the balance of the amount by December 31, 2010.

   At September 30, 2009, the total capital requirements from the management companies in the Group under the proposed model amount to NIS 102 million, therefore, based on the capital at the balance sheet date, the required complement amount is NIS 6 million.

4. On January 25, 2009, the Supervisor published a circular regarding relief for the capital required from insurance companies in respect of the rate of secondary capital and passive deviation, as follows:

   For any increase in primary capital created as a result of investment in the insurance company by its controlling shareholders, commencing from December 1, 2008 until June 30, 2009 ("the increase"), the insurance company may include in its recognized capital, secondary capital amounting to 75% of the total increase, instead of 50% as determined in the capital regulations, up to a limit of 60% of the total primary capital. Increase of the secondary amount as stated in section above will be decreased in a straight line commencing from June 30, 2009 and up to June 30, 2010.

   On March 11, 2009 and March 31, 2009, The Phoenix received approval to recognize, as part of its recognized equity, secondary capital of 75% for the injection of primary capital of NIS 350 million. At September 30, 2009, as part of the recognized equity, The Phoenix recognized additional secondary capital of NIS 66 million, beyond the 50% ceiling.

   An asset held in contravention of the investment regulations (an unrecognized asset) will not be considered as an unrecognized asset as defined in the capital regulations, provided the deviations from the restrictions and the conditions were created subsequent to October 1, 2008, and due to the change in the market value of the investment assets, a decrease in the total par value of a marketable security, a decrease in the rating of the security or the rating of a reinsurer, a change in the liabilities of the insurer or a change in the insurer's equity or a deviation from the investment regulations for which specific approval was received, but in any case, not due to a new investment in an investment asset subject to the prior approval of the Supervisor.

   The Phoenix received approval for the deviations from the investment regulations

NOTE 12 – MINIMUM SHAREHOLDERS' EQUITY REQUIRED OF AN INSURER (CONTD.)

5. In accordance with the Supervisor's circular of March 30, 2009, commencing from the financial statements for 2008 and until December 30, 2010, an insurance company and a management company require the consent of the Supervisor before distributing a dividend, and in any event, the amount of the dividend shall not exceed 25% of the profit permitted for distribution.

6. On March 29, 2009, The Phoenix Insurance invested NIS 200 million for allocation of shares to increase the equity of The Phoenix Insurance.

7. In accordance with the US National Association of Insurance Commissioners (NAIC), Republic requires minimum equity of USD 54 million. At September 30, 2009, Republic is in compliance with the capital requirements.

8. In September 2009, an amendment was published for the Financial Services Control Regulations (Minimum Equity Required from an Insurer) (Amendment) 5769-2009 ("the amendment").

   The amendment includes, in addition to the existing capital requirements, capital requirements for the following categories:

   1. Plans ensuring returns on life assurance, against which or against part of which, there are no designated debentures
   2. Operational risks
   3. Credit risks, as a percentage of the assets, based on the extent of the risk characteristic of the various assets.
   4. Catastrophe risks in general insurance
   5. Capital requirements for guarantees
   6. Capital requirements for the insurer's holding in management companies of provident funds and pension funds.

   In addition, exemptions were granted for the following instances:

   – Calculation of capital for information system development expenses, subject to the Supervisor's approval

   – Deduction of the reserve for tax created for unrecognized assets held contrary to the investment regulations or contrary to the Supervisor's instructions

   It was determined that the Supervisor may allow, subject to terms that he defines, a reduction of the capital requirements of 35% of the original difference, for acquisition of provident fund operations or a provident fund management company, for an insurer whose equity deficit is due to a capital requirement in this amount only.

   In the amendment, the definition of basic capital was deleted, definitions of primary and secondary capital were changed and a definition for tertiary capital was added. The definitions of secondary and tertiary capital are subject to the conditions and rates determined by the Supervisor. Furthermore, and according to the Supervisor's intention to implement Solvency II, the EU directive for regulating the solvency of insurers, in November 2009 a draft circular was published for institutions – Composition of an Insurer's Recognized Equity. The draft provides provisions for the structure of an insurer's recognized capital, and principles for recognizing capital components and classifying them into the different capital levels. The Phoenix Insurance is studying the draft regulations and at this stage, is unable to estimate its implications, inter alia, as the implications of the draft on the primary and secondary capital of The Phoenix Insurance are unclear. The insurance companies and the Supervisor are expected to discuss the issue.

   In this respect, the Supervisor issued a temporary order stating that in the period from the effective date of the amendment until the date announced by the Supervisor, the definitions, structure and calculation method for the existing capital will remain unchanged.

NOTE 12 – MINIMUM SHAREHOLDERS' EQUITY REQUIRED OF AN INSURER (CONTD.)

Under the amendment, by the publication date of the financial statements, an insurer is required to increase its equity for the difference between the capital required pursuant to the regulations, before and after the amendment ("the difference"). The difference will be calculated at each reporting date. The equity will be increased at the dates and rates set out below:

- Up to the publication date of the financial statements as at December 31, 2009, at least 30% of the difference
- Up to the publication date of the financial statements as at December 31, 2010, at least 60% of the difference
- Up to December 31, 2011, the entire difference will be paid.

These rates will be increased by 15% at the publication dates of the six-month financial statements subsequent to the abovementioned dates of the financial statements.

Based on this amendment, the minimum required additional capital at September 30, 2009, had the amendment been in effect at that date, is NIS 651 million.

The excess existing capital (less investments in investees that are held against the excess capital), as set out in section 2 above, amounts to NIS 507 million, therefore The Phoenix will be required to gradually increase its equity, as aforesaid, in the amount of NIS 144 million.

Based on the aforesaid rates of addition, The Phoenix will not be required to increase its capital by the end of 2009.

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