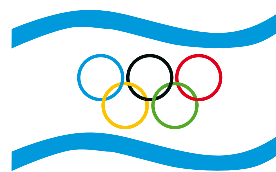
Delek Group

FINANCIAL STATEMENTS

UNAUDITED

AS OF SEPTEMBER 30, 2014

Delek Group



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IMPORTANT

This document is an unofficial translation for convenience only of the Hebrew original of September 30, 2014 financial report of Delek Group Ltd. that was submitted to the Tel-Aviv Stock Exchange and the Israeli Securities Authority on November 27, 2014.

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

FINANCIAL STATEMENTS
UNAUDITED
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Delek Group

Chapter A

Corporate Description

Update of Chapter A (Description of the Corporation's Business)
to the Board of Directors' Report of the Delek Group Ltd. (("the Company") for 2013[1]

Description of Company Operations by Segment:

1. Dividend distributions

Referring to Section 1.4.1 to the periodic report - On August 28, 2014, the Company's Board of Directors decided to distribute a total of NIS 150 million in dividends. This dividend was paid on September 29, 2014. For more information, see the Company's immediate report of August 28, 2014 (ref. no. 2014-01-145650), included herein by way of reference.

2. Energy

2.1 Referring to Section 1.7.4(d) to the periodic report and Section 1.7.13(b) to the periodic report -

A. On May 5, 2014, the Partnerships, Avner Oil Exploration Limited Partnership and Delek Drilling Limited Partnership (jointly - "the Partnerships") and the other partners in the Tamar Project ("the Tamar Partners") signed a non-binding letter of intent with Union Fenosa Gas SA ("UFG"). Pursuant to this letter of intent, the parties are negotiating an binding agreement for the supply of natural gas from the Tamar Project to UFG ("the Binding Agreement") at an estimated annual volume of 4.5 BCM for a period of 15 years, as feedstock for UFG's existing liquefaction facilities in Egypt ("the Liquefaction Facilities") as detailed in the Company's immediate reports of May 7, 2014, and November 6, 2014 (ref. no. 2014-01-057585 and 2014-01-189117, respectively), included herein by way of reference. As the Liquefaction Facilities have an annual capacity of 7 BCM, the Tamar Partners and UFG are considering the possibility of significantly increasing the annual scope to be supplied as aforesaid, without increasing the maximum overall amount specified in the said letter of intent.

Gas quantities supplied under the Binding Agreement (should such agreement be signed) will require that the Tamar Partners to significantly increase the supply capacity from the Tamar Project. As such, Noble Energy Mediterranean Ltd. ("the Operator") is considering, among other things, expansion options which would raise annual production processing capacities to 20.4 BCM, with an annual supply capacity of 16 BCM to the local market.[2]

Expansion of production capacities is planned to include up to three additional production wells, which will be connected to the production system; an additional supply pipeline from the Tamar Field to the Tamar platform; and an upgrade to the Tamar and Mari B platforms. Furthermore, a pipeline will be built from the Tamar platform to UFG's facilities in Egypt. The cost of building and operating this pipeline will be shared by the Tamar Partners and UFG, so that the Tamar Partners will cover construction and operating costs up to a point, to be determined, on the Israeli-Egyptian border, and UFG will cover construction and operating costs from this point and up to UFG's facilities. According to the Operator's preliminary assessments, and assuming that the Binding Agreement will be signed, supply of natural gas from the Tamar Project to UFG's facilities in Egypt is planned to start in 2017.

The Tamar Partners estimate their share (100%) in the costs of increasing production capacity as aforesaid is estimated at USD 1.5-2 billion (the Partnerships' share is estimated at USD 468-624 million).

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[1] The update contains material changes or developments in the Company's business during the third quarter of 2014 and up to immediately prior to the date of this report, in any matter which must be disclosed in the periodic report and which was not updated in the quarterly report for the second quarter of 2014, as published on August 28, 2014 (ref. no. 2014-01-145599). The update refers to the section numbers in Chapter A - Description of the Company's Business in the Periodic Report for 2013 ("the Periodic Report") and supplements the content disclosed therein.

[2] As of the reporting date, the maximum annual supply capacity of natural gas from the Tamar Project is 10 BCM. Upon completion of works to add compressors and auxiliary systems, the maximum annual gas supply capacity of the Tamar Project is expected to grow to 12 BCM. For more information, see Section 1.7.4(d)(3) to the periodic report.

B. On October 17, 2014, the Tamar Partners signed a non-binding letter of intent with Dolphinus Holdings Limited ("Dolphinus"), whereby the parties confirmed their intent to conduct exclusive negotiations for an agreement to supply natural gas from the Tamar Project to Dolphinus through the existing gas pipeline operated by East Mediterranean Gas Limited, to be marketed exclusively to clients in Egypt. For more information, see the Company's immediate report of October 19, 2014 (ref. no. 2014-01-176757), included here by way of reference.

Warning concerning forward-looking information - The Partnerships' assessments as aforesaid concerning planned actions and development plans, assessments concerning the cost of increasing supply capacities which are preliminary assessments still under review, time frames, production rates, agreement terms, costs, components thereof and the sharing of costs between the parties, and the planned supply capacity and volumes in the Tamar Project constitute forward-looking information as defined in the Securities Law, 1968 ("the Securities Law") and are based on assessments made by the general partners in the Partnerships concerning each of the above and are all based on information and assessments received by the general partners in the Partnerships from the Operator. These assessments may differ materially from the above assessments and depend, among other things, on the Tamar Partners making the relevant decisions, the signing of binding agreements, completion of tests and detailed planning phases for components of the said actions, receipt of offers from contractors, applicable regulation, technical abilities, economic viability, changes in the global supplier and raw materials market, geopolitical developments, etc.

2.2 Referring to Section 1.7.5(a) to the periodic report, Section 1.7.7(c) to the periodic report, and Section 1.7.25(d) to the periodic report - On November 19, 2014, the Partnerships announced a decision by the Minister of National Infrastructures, Energy and Water ("the Energy Minister") to approve the change in the borders of the Alon A license and the Leviathan North lease.

2.3 Referring to Section 1.7.5(a) to the periodic report and Section 1.7.5(d) to the periodic report - On November 15, 2014, the Partnerships announced a decision by the Oil Commissioner in the Ministry of National Infrastructures, Energy and Water ("the Commissioner") to extend the Hannah license until December 14, 2014.

2.4 Referring to Section 1.7.5(i)(1) to the periodic report - On November 19, 2014, the Partnerships announced that no change had been made in the assessment concerning natural gas and condensate resources in the Leviathan Reservoir located in the I/14 Leviathan South and I/15 Leviathan North leases, as detailed in the Company's immediate report of July 13, 2014 (ref. no. 2014-01-112446).

2.5 Referring to Section 1.7.5(i)(1)(e) to the periodic report -

A. The roadmap for developing the Leviathan Reservoir is mainly comprised of two phases: The first phase is planned to include supply to the local and regional markets through construction of a floating production and storage (FPSO) unit, for production and processing of up to 1.6 BCF of natural gas a day (16 BCM, annualized). The second phase is mainly planned to include exports of natural gas. For more information, see Section 1.7.5(i)(1) to the periodic report.

B. Pursuant to the terms of the deeds to the I/14 Leviathan South and I/15 Leviathan North leases ("the Lease Deeds") where the Leviathan Reservoir is located, in September 2014 the Operator submitted to the Commissioner a preliminary development plan for the said first phase ("the Draft Development Plan"). In November 2014, the Commissioner's remarks to the Draft Development Plan were received. As of the reporting date, the partners in the Leviathan Project are studying the Commissioner's remarks.

C. According to the Operator's preliminary assessment, the cost of developing the first phase in the Leviathan Reservoir is estimated at USD 6-7 billion (100%) ("the Estimated Budget").

Should the first phase development plan be approved by the Leviathan Partners in the first quarter of 2015, the Operator believes the overall development budget in 2014-2015 will amount to 20%-30% of the Estimate Budget; and in 2016, 2017, and 2018 will amount to 30%-40%, 30%-40%, and 5%-10% of the Estimated Budget, respectively.

It is clarified that the first phase development plan for the Leviathan Reservoir, including the budget and time frames, have yet to be approved by the Partnerships and the other partners in the Leviathan Reservoir. The aforesaid notwithstanding, in November 2014, the board of directors of the general partners in each of the Partnerships authorized the Partnerships' management to approve contracts and expenses in connection with the above development works, up to a total amount of USD 200 million (100%) (the Partnerships' share - USD 90.6 million), from time to time and as necessary to purchase and order long lead equipment and service items which will enable the timely completion of the said development works, when ultimately approved. It is emphasized, that some of the above budget will be allocated to other oil assets held by the Partnerships.

D. The Partnerships believe that supply of natural gas from the Leviathan Reservoir will begin at the start of 2018.

E. Furthermore, in October 2014, the Government of Israel approved the terms of National Zoning Plan 37 (Receipt and Processing of Natural Gas - from Offshore Discoveries Up to the National Pipeline).

F. The partners in the Leviathan Project are also continuing to consider options for carrying out the second phase development plan for the Leviathan Reservoir, including possible construction of an FLNG facility.

Warning concerning forward-looking information - The Partnerships above assessments concerning planned actions and development plans, time frames and budgets in the Leviathan Project constitute forward-looking information as defined in the Securities Law, based on the assessments of the general partners in the Partnerships concerning the above, which are all based on assessments received from the Operator. The development plan, time frames and budgets may differ materially from the above assessments and depend, among other things, on the satisfaction of the pre-conditions specified in Section 1.7.5(i)(1)(e) to the periodic report, completion of detailed planning works on the project components, actual implementation of this complex project, and a range of factors related to the implementation of the development plan. In particular, it is emphasized that the development plan (including its budget) is currently being studied by the Operator and the other partners and has yet to be approved by these parties, nor has the project been sanctioned yet.

2.6 Referring to Section 1.7.6(a) to the periodic report - On September 1, 2014, the Partnerships announced the Commissioner's decision to extend the Ruth C license until February 28, 2016.

2.7 Referring to Section 1.7.7 to the periodic report - On September 15, 2014, the Partnerships announced the Commissioner's decisions to extend the Alon A and Alon C licenses (where the Tanin and Karish natural gas reservoirs are respectively located) until March 1, 2015, and to extend the Alon D license until December 31, 2014.

2.8 Referring to Section 1.7.9 to the periodic report - As of the reporting date, the partners in Block 12 in Cyprus, along with the Government of Cyprus, are considering regional development options for exporting natural gas from the Aphrodite Reservoir, including using pipelines to regional markets, including the Egyptian market. The partners in Block 12 and the Cypriote Government plan to formulate a development plan for the Aphrodite Reservoir pursuant to the franchise agreement which will include, among other things, construction of the necessary infrastructure for exporting natural gas.

2.9 Referring to Section 1.7.9(k) to the periodic report - For information concerning an update to assessments as to contingent and prospective natural gas and condensate reserves in the Aphrodite Reservoir located in the Block 12 area in Cyprus ("the Aphrodite Reservoir"), see the Company's immediate report of November 18, 2014 (ref. no. 2014-01-197376), included here by way of reference.

2.10 Referring to Section 1.7.10(a) to the periodic report - On November 17, 2014, the partners in the Eran License, including the Partnerships, petitioned Israel's Supreme Court concerning the non-extension of the Eran license.

2.11 Referring to Section 1.7.10(a) and Section 1.7.26(j) to the periodic report - On September 15, 2014, the Partnerships announced the Energy Minister's decision to deny the appeal against the Commissioner's decision concerning the non-extension of the Ruth D and Alon E licenses.

2.12 Referring to Section 1.7.10(a) and Section 1.7.26(k) to the periodic report - On September 15, 2014, the Partnerships announced the Energy Minister's decision to deny the appeal against the Commissioner's decision concerning the non-extension of the Keren and Avia licenses.

2.13 Referring to Section 1.7.13(d)(2) to the periodic report - As of the publication date, Antitrust Commissioner has yet to issue his decision concerning the exemption from approval of a restrictive trade arrangement filed by the Tamar Partners. However, the Tamar Partners have received no-action letters from the Antitrust Commissioner, stating that no enforcement actions will be taken until January 29, 2015, on agreements for the supply of natural gas from the Tamar Project to Oil Refineries Ltd., private power producers, industrial customers, and natural gas marketing companies.

2.14 Referring to Section 1.7.13(e)(2) to the periodic report - For information concerning the Operator's signing on behalf of a marketing company not yet established, with National Electric Power Company Limited ("the Buyer") a non-binding letter of intent, whereby the parties confirmed their intention to negotiate a binding agreement for the supply of natural gas from the Leviathan Project to the Buyer as aforesaid, see the Company's immediate report of September 3, 2014 (ref. no. 2014-01-150537), included here by way of reference. It is clarified that the said marketing company, which is to be the seller under the binding agreement, should it be signed, will be responsible for buying gas from the partners in the Leviathan Project, including the Partnerships, for the Buyer.

2.15 Referring to Section 1.7.16(b) to the periodic report - For information concerning the extension of the offer to supply natural gas to Cyprus via pipeline from the Leviathan Reservoir as part of a tender issued by the Cypriote Government, see the Company's immediate report of November 18, 2014 (ref. no. 2014-01-197376), included here by way of reference.

2.16 Production data from the Tamar Project for the first three quarters of 2014:

		2014					
		Q1		Q2		Q3	
		Natural gas	Condensate	Natural gas	Condensate	Natural gas	Condensate
Total output in the period (attributable to the Company's share) (MMCF for natural gas, and MBBL for condensate)[3]		9,620	13.1	9,658	14.1	13,335	18
Average price per output unit (attributable to the Company's share) (USD per MCF and BBL)		5.9	101.6	5.9	102	5.6	90.7
Average royalties (each payment derived from the output of the producing asset, including the gross income from the oil asset) paid per output unit (attributable to the Company's share) (USD per MCF and BBL)	The State	0.7	11.5	0.6	11.2	0.7	10.4
	Third parties	0.1	1.7	0.1	1.6	0.1	1.5
	Principle shareholders	0.2	2.7	0.2	2.6	0.2	2.4
Receipts for average royalties (each payment derived from the output of the producing asset, including the gross income from the oil asset) received per output unit (attributable to the Company's share) (USD per MCF and BBL)		0.2	3.5	0.2	3.4	0.2	3.1
Average production costs per output unit (attributable to the Company's share) (USD per MCF and BBL)4		0.6	3.2	0.7	3.6	0.5	2.6
Average net proceeds per output unit (attributable to the Company's share) (USD per MCF and BBL)		4.5	86	4.5	86.4	4.3	76.9

3. Fuel Operations in Israel

3.1 Referring to Section 1.8 to the periodic report - On November 16, 2014, the board of directors of Delek The Israel Fuel Corporation Ltd. ("Delek Israel") approved Delek Israel's decision to seek to amend the deeds of trust and the terms of the Debentures (Series A, C, and D) ("the Debentures") by adding provisions for full early redemption of the Debentures by Delek Israel .

3.2 Referring to Section 1.8.16(e) to the periodic report - On September 22, 2014, Maalot Standard & Poor's announced that it was affirming its ilBBB+/Stable rating for Delek Israel's Debentures (Series A).

[3] Production data for the first and second quarter of 2014 do not include 731 MMCF and 813 MMCF, respectively, of natural gas produced in the Tamar Project and supplied to customers of the Yam Tethys project, under an operational gas swap agreement. For information concerning the setoff made in connection with the operational gas swap agreement, see Note 4C(4) to the financial statements.

[4] Production costs were attributed based on production per unit of energy of natural gas and condensate, in MMCF.

4. Fuel Products in Europe

Referring to Section 1.9.1 to the periodic report - On August 28, 2014, the Company announced the completion of a transaction for selling all interests held by Delek Europe Holdings Ltd., a wholly-owned Company subsidiary, in Delek Europe BV, and the receipt of the first payment of EUR 90 million. On September 14, 2014, the Company announced the advancement of the additional payment from completion of the transaction, to the amount of EUR 90 million, which were to be paid at the end of 12 months from the transaction completion date, as aforesaid. For more information, see the Company's immediate reports of August 28, 2014 and September 14, 2014 (ref. no. 2014-01-145482 and 2014-01-156648, respectively), included herein by way of reference.

5. Motorway Service Areas in the UK:

Referring to Section 1.10.1 to the periodic report - On September 11, 2014, the Company (through its wholly-owned subsidiary) signed a binding agreement for the sale of all its holdings (100%) in Roadchef Ltd. On September 30, 2014, the transaction was completed and the consideration of GBP 153 million (NIS 915 million) was paid in full. For more information, see the Company's immediate reports of September 14, 2014 and October 1, 2014 (ref. no. 2014-01-156630 and 2014-01-156648, respectively), included herein by way of reference.

6. Insurance Operations in Israel

6.1 Referring to Section 1.11.11 to the periodic report - On October 10, 2014, Dr. Moshe Bareket ceased serving as Chairman of the Board of The Phoenix Holdings Ltd. and The Phoenix Insurance Ltd. (jointly - "The Phoenix"), and on October 29, 2014, Mr. Asaf Bartfeld, CEO of the Company, was appointed as Chairman of The Phoenix.

6.2 Referring to Section 1.11.14(c) to the periodic report - On October 6, 2014, Midroog announced that it was confirming an Aa1 Stable rating for The Phoenix Insurance Ltd., and on November 12, 2014, it announced that it was confirming an Aa3 Stable rating for debentures issued by The Phoenix Holdings Ltd.

7. Insurance Operations in the US

Referring to Section 1.12.1 to the periodic report - On October 23, 2014, the Company announced the completion of a transaction for selling 34% of its holdings in Republic Companies Inc., and that from that date onwards the Company would no longer consolidate its financial statements. For more information, see the Company's immediate reports of October 26, 2014 (ref. no. 2014-01-180624), included here by way of reference.

8. Matters Relating to the Company as a Whole

Legal actions

For material updates referring to Section 1.25 to the periodic report, see Note 5 to the consolidated interim financial statements as of September 30, 2014.

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Delek Group Ltd.
Date: 26 November, 2014
Names and titles of signatories:
Gabriel Last, Chairman of the Board
Asaf Bartfeld, CEO

Chapter B

Board of Directors Report on the State of the Company's Affairs

November 26, 2014

Delek Group Ltd.

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

For the nine months ended September 30, 2014

The Board of Directors of the Delek Group Ltd. ("the Company"), hereby presents the Company's Board of Directors' Report for the nine months ended September 30, 2014.

A. The Board's explanations on the state of the Company's affairs

1. Description of the Company and its business environment

The Company is a holdings and management company controlling a number of corporations (for the sake of convenience, the Company and its investees shall henceforth be referred to as "the Group" or "the Delek Group") with a range of investments in Israel and overseas in the fields of energy and infrastructure, finance and insurance, automobiles, and others. The Company's strategy is to focus on developing gas and oil assets as detailed below and to identify new opportunities in these operations.

Following the Board of Directors' instructions, Management is in the advanced stages of studying and preparing for listing the Company's shares for trading on the London Stock Exchange and for issuing its shares on that exchange (in addition to its listing in Israel), based on the Company's 2014 financial statements, in lieu of splitting the Company's operations.

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

2. Principal Operations

General

A. The Company's strategy is to focus on developing its core assets in the energy segment, which primarily include oil and gas exploration, production, transport, and marketing. Therefore, last year, the Company began implementing its strategy by selling off assets not related to these core operations. These initiatives occasionally require a change in accounting principles applied to such assets, and their classification as held-for-sale.

B. The Company's comprehensive income in the third quarter of 2014 amounted to NIS 800 million, as compared to a comprehensive loss of NIS 26 million in the same period last year, an increase of NIS 826 million. [1]

The Company's net profit in the third quarter of 2014 amounted to NIS 150 million, as compared to a profit of NIS 74 million in the same period last year, an increase NIS 76 million

[1] In this translation of the Board of Directors' Report, all amounts should be understood by the reader to be rounded to the nearest billion, million, or thousand, as the case may be.

C. Results for the first nine months of 2014 were significantly affected by these changes in accounting principles, and included a number of accounting write-downs due to changes in the value of assets measured at market value or based on market value, following the Company's plans to dispose of these assets and their actual sale.

Following the sale of 18% of Delek USA's shares in the second quarter of the year, and since the Company now holds a 7.5% interest in Delek USA's shares, the Company has ceased accounting for this investment as per the equity method, and has recognized a loss of NIS 263 million in the second quarter of 2014. It is noted that this loss was previously written-down from the Company's equity, and so does not affect its equity balance. The investment in Delek USA shares is accounted for as a financial investment and is recognized according to Delek USA's market capitalization.

In light of non-binding actions taking for selling control in The Phoenix, and the increased probability that the Company will dispose of its investment in The Phoenix within a period of less than six years (pursuant to the Market Concentration Law), the Company recognized a NIS 50 million impairment on its investment in The Phoenix in the third quarter of 2014 (in the first nine months of the year - a total write down of NIS 450 million).

As part of the sale of the Company's holdings in Delek Europe, a seller's loan of NIS 821 million (EUR 175 million) was extended for a period of 5.5 years, with 5% interest. Under GAAP, the Company estimated the fair value of this loan and wrote down a total of NIS 188 million from its nominal value. It is noted, that this write-down, plus the nominal interest on the loan, will be recognized as income over the duration of the loan, for an income of NIS 80 million a year. The total loss on the sale of the Company's holding in Delek Europe (including the write down of the loan), amounted to NIS 210 million.

Following completion of its holdings in Roadchef, the Company recognized gains of NIS 253 million in the third quarter of 2014.

After signing an agreement for selling control in American insurance company Republic, the Company recognized an impairment of NIS 60 million in the first quarter of 2014.

Following completion of the sale of all the Company's holdings in Barak Capital, the Company recognized an impairment of NIS 34 million.

Summary of key one-time write-downs in the reporting period:

	1-9/2014
The Phoenix	450
Recognition of currency differences on the investment in Delek USA	263
One-time expenses in natural gas operations	103
Republic	60
Barak Capital	34
Total principal one-time write-downs	**910**

For more information concerning the accounting write-downs, see Note 3 to the financial statements.

Gas and oil

A) In May 2014, a non-binding letter of intent for exporting natural gas was signed by the Tamar Partners and Union Fenosa Gas SA, with an estimated annual volume of 4.5 BCM for a period of 15 years. In November 2014, the letter of intent was extended through the end of the negotiations. See also Note 4C(1) to the financial statements.

Furthermore, in June 2014, a non-binding letter of intent for exporting natural gas was signed by the Leviathan Partners and BG International Limited, with an estimated annual volume of 7 BCM for a period of 15 years. See Note 4A(4) to the financial statements.

B) In May 2014, Delek Drilling Limited Partnership and Avner Oil Explorations Limited Partnership (“the Limited Partnerships”) announced that the parties to the memorandum of understanding From February 7, 2014, for including Australian company Woodside Petroleum Ltd. to the Leviathan Project, had decided to cancel the non-binding memorandum of understanding.

C) On March 27, 2014, an agreement was reached with the Antitrust Authority on a consensual decree, in lieu of the Antitrust Authority’s decision concerning a restrictive trade arrangement in the Leviathan Reservoir, whereby the Limited Partnerships and Noble Energy (“the Sellers”), will sell all their holdings in the 366/Alon C license in which the Karish natural gas reservoir is located, as well as all their holdings in the 364/Alon A license (“the Alon A License”) in which the Tanin natural gas reservoir is located (jointly: “the Asset”), subject to conditions including, inter alia, the Sellers’ commitment to sell their holdings in the Asset no later than the date specified in the agreement; an option not to sell the rights to condensate in the Asset to a potential buyer; and the Sellers’ being entitled to hold on to the right to royalties from the sale of any oil found in the Asset up to the maximum rate specified in the agreement. The agreement supersedes an Antitrust Authority determination concerning a restrictive trade arrangement between the partners in the Leviathan Reservoir, and was made without the Limited Partnerships and the other partners in the Leviathan Reservoir admitting the existence of any such restrictive arrangement.

D) On March 27, 2014, the Ministry of National Infrastructures, Energy, and Water’s Oil Commissioner (“the Ministry of Infrastructures” and “the Commissioner", respectively) granted the Limited Partnerships and the other partners in the licenses, two leases in lieu of their licenses - Lease I/14 Leviathan South, and Lease I/15 Leviathan North (“the Leases”). The Leases cover the Leviathan gas field, with the I/14 Leviathan South lease included in the area of the Rachel license, and the I/15 Leviathan North lease included in the area of the Amit License.

E) On May 19, 2014, the Limited Partnerships completed a bonds issue to a total amount of USD 2 billion. The Limited Partnerships will use the proceeds of this issue (net of issuance costs) primarily to repay the project financing and bridge loans received for the Tamar Project (to the amount of USD 1 billion); to deposit the safety buffers (to the amount of USD 100 million); and the remainder will mainly be used to finance the Limited Partnerships’ operating activities, including upcoming investments in the Limited Partnerships’ oil assets.

F) On June 17, 2014, the Limited Partnerships and the trustees approved the distribution of profits to participation unit holders, to a total amount of USD 100 million in each partnership. These amounts were distributed on July 10, 2014.

Sale of Delek USA shares

G) In March 2014, the Group sold 3,000,000 shares in Delek USA in consideration for NIS 315 million. Post-sale, the Company holds a 25.4% interest in Delek USA.

In May 2014, the Group issued a sales offer for the sale of shares in Delek USA. The price quoted in the tender was USD 30 per share. In all, 10,580,000 shares in Delek USA were sold in the offer (including the underwriters' exercised options), for a total consideration (before fees) of NIS 1,097 million. Post-sale the Group holds a 7.5% interest in Delek USA's shares. See also Note 3 to the financial statements.

Delek Europe

H) In August 2014, a Group subsidiary completed the transaction to sell of all its holdings in Delek Europe B.V. (“DEBV”) and to sell the loans extended by the subsidiary to DEBV, for a total consideration of EUR 355 million (NIS 1.7 billion). Consideration was paid as follows:

1) EUR 180 million received in cash in the third quarter of 2014.
2) The remaining consideration, to the amount of EUR 175 million, was provided by the subsidiary to the buyer as a loan with a term of 5 years and 6 months, which shall bear 5% annual interest.
3) A mechanism was also established for adding/ deducting from the remaining consideration subject to various terms.

For more information, see also Note 3 to the financial statements.

Republic

I) In October 2014, Delek Finance US Inc. (a wholly-owned overseas subsidiary - “Delek Finance”), completed a transaction selling 34% of Republic’s share capital for a total consideration of USD 75 million (NIS 280 million) in cash.

The buyers were granted controlling rights in Republic from the transaction completion date, which will be returned to the Company at the end of three years should the buyers not exercise one of the options given them to buy shaves in Republic, as detailed below, which would grant them an interest of more than 50% in Republic’s share capital. As aforesaid, in addition to the said consideration received in cash, the buyers were granted an option to buy Republic’s remaining shares (66%), in consideration for an additional exercise payment. Exercise of these options would grant the buyers a 100% interest in Republic, as follows:

- An option to buy an additional 45% of Republic’s share capital, for a period of two years from the transaction completion date, subject to such terms as specified in the agreement.
- An option to buy 21% of Republic’s share capital, for a period of up to three years from the transaction completion date, subject to such terms as specified in the agreement.

Should the said options be exercised, consideration shall be based on a valuation of USD 220 million for Republic plus annual interest as specified for each period, at an average annual rate of 5.5%, according to the exercise period for each option. See also Note 3 to the financial statements.

The Phoenix

J) In July 2014, the Company signed a non-binding memorandum of understanding detailing principles for reaching a binding agreement to sell control of The Phoenix Holdings Ltd. (47% of its share capital). The memorandum of understanding includes a number of principal conditions for the binding agreement. The consideration was set at an amount equal to The Phoenix's equity as of December 31, 2013, plus interest as specified up to the transaction completion date.

The binding agreement will be subject to all regulatory approvals required by law. The exclusivity period set in the memorandum of understanding and the dates set for signing the agreement have passed, but the parties are continuing their discussions. See also Note 3 to the financial statements.

Dividend

K) In March 2014, the Company's Board of Directors resolved to distribute a dividend of NIS 160 million. The dividend was distributed in April 2014.

In August 2014, the Company's Board of Directors resolved to distribute a dividend of NIS 150 million. The dividend was distributed in September 2014.

Subsequent to the financial position statement date, in November 2014, the Company’s Board of Directors resolved to distribute a dividend of NIS 150 million.

3. Results of Operations

A) Contribution to net profit (loss) (attributable to Company shareholders) from principal operations (NIS millions):

	1-3/2014	4-6/2014	7-9/2014	1-9/2014		1-3/2013	4-6/2013	7-9/2013	1-9/2013	2013
Oil and gas exploration and production operations	38	56 **)	53	147		(5)	10	41	46	70
Fuel operations in Europe	(29)	25	-	(4)		-	19	27	46	14
Fuel operations in Israel	40	4	(5)	39		1	13	16	30	34
Motorway service area operations in the UK	(22)	6	14	(2)		(21)	-	24	3	(2)
Insurance and finance operations in Israel	94	22	71	187		144 *)	93 *)	59 *)	296 *)	368
Overseas insurance operations	30	(32)	19	17		37	(16)	17	38	65
Automotive operations	30	21	44	95		51	33	24	108	125
Fuel operations in the USA	10	-	-	10		138	63	(7)	194	194
Contribution of operations before capital and other gains	**191**	**102**	**196**	**489**		**345**	**215**	**201**	**761**	**868**
Capital and other gains (losses) (1)	(386)	(702)	(46)	(1,134)		(289)	298	(127)	(118)	(128)
Net profit (loss) attributable to Company shareholders	**(195)**	**(600)**	**150**	**(645)**		**56**	**513**	**74**	**643**	**740**

*) Re-stated, see Note 2D to the financial statements.

**) Adjusted for one-time expenses

(1) In the nine months ended September 30, 2014, and in light of actions to dispose of several assets as aforesaid, the Company included a number of accounting write downs due to changes in the fair value of such assets, including Delek USA, Republic, and The Phoenix. For information concerning these write downs, see Section 2 above. In the third quarter of 2014, the item includes gains of NIS 250 million on the sale of Roadchef shares, offset by losses of NIS 210 million of the sale of Delek Europe. This item also includes the results of other operations, unattributed finance expenses, other expenses, and tax expenses.

B) Revenues from operating activities

The Group's revenues in the reporting period totaled NIS 15 billion, similar to its revenues in the same period last year, as detailed in the table below (NIS millions):

	1-9/2014	1-9/2013 **)	7-9/2014	7-9/2013 **)		2013 **)
Oil and gas exploration and production operations	1,014	921	397	383		1,283
Fuel operations in Israel	4,493	4,948	1,519	1,628		6,492
Insurance and finance operations in Israel *)	9,011	9,110	3,169	3,457		12,589
Other segments including adjustments	379	365	124	128		486
Total revenues	**14,897**	**15,344**	**5,209**	**5,596**		**20,850**

*) Represents insurance premiums on self-retention in life insurance and general insurance.

**) Re-stated and re-classified, see Note 2D to the financial statements.

See also Note 7 to the financial statements - Information Regarding Operating Segments.

C) Operating profit (NIS millions):

	1-9/2014	1-9/2013 *)	7-9/2014	7-9/2013 *)		2013 *)
Oil and gas exploration and production operations	547	282	203	177		415
Fuel operations in Israel	66	109	17	45		126
Insurance and finance operations in Israel	582	893	259	210		1,143
Other segments	37	(1)	14	(3)		(18)
Operating profit (before impairment)	**1,232**	**1,283**	**493**	**429**		**1,666**
Impairment and other write-downs	(477)	(42)	(54)	(7)		(221)
Operating profit	**755**	**1,241**	**439**	**422**		**1,445**

*) Re-stated and re-classified, see Note 2D to the financial statements.

D) The Group's share in the profits of associate companies and partnerships, net (NIS millions):

The following table details the Group's share in the results of its principal associates:

	1-9/2014	1-9/2013 *)	7-9/2014	7-9/2013 *)		2013 *)
Delek Automotive	95	100	43	16		118
IDE	49	31	37	23		55
The Phoenix associates	19	32	(1)	(5)		52
Other (**)	(13)	203	(15)	146		205
Total	**150**	**366**	**64**	**180**		**430**

*) Re-stated and re-classified, see Note 2D to the financial statements.

**) In 2013 periods - includes the cancellation of a provision for impairment of Delek Automotive.

E) Highlights from the Company's consolidated income statements (NIS millions):

	1-9/2014	1-9/2013 *)	7-9/2014	7-9/2013 *)		2013 *)
Revenues	14,897	15,344	5,209	5,596		20,850
Cost of revenues	11,346	11,979	3,924	4,414		16,227
Gross profit	**3,551**	**3,365**	**1,285**	**1,182**		**4,623**
Sales, marketing and gas station operating expenses	1,377	1,294	467	435		1,755
General and administrative expenses	949	912	320	305		1,261
Other income (expenses), net	(470)	82	(59)	(20)		(162)
Profit from operating activities	**755**	**1,241**	**439**	**422**		**1,445**
Finance income	203	169	84	89		109
Finance expenses	970	1,150	276	505		1,316
Profit (loss) after financing	**(12)**	**260**	**247**	**6**		**238**
Gains (loss) from disposal of investments in investees and others, net	-	3	-	-		(8)
The Group's share in the profits of associate companies and partnerships, net	150	366	64	180		430
Profit before income tax	**138**	**629**	**311**	**186**		**660**
Income tax (tax benefit)	122	415	120	153		492
Profit from continuing operations	**16**	**214**	**191**	**33**		**168**
Profit (loss) from discontinued operations, net	(385)	912	78	61		1,167
Net profit (loss)	**(369)**	**1,126**	**269**	**94**		**1,335**
Attributable to -						
Company shareholders	(645)	643	150	74		740
Non-controlling interest	276	483	119	20		595
	(369)	1,126	269	94		1,335

*) Re-stated and re-classified, see Note 2D to the financial statements.

F) Movement in comprehensive income (loss) (NIS millions):

	1-9/2014	1-9/2013 *)	7-9/2014	7-9/2013 *)		2013 *)
Net profit (loss)	**(369)**	**1,126**	**269**	**94**		**1,335**
Other comprehensive income (loss) from operating activities (post-tax):						
Actuarial gain (loss) on defined benefit plans, net	2	(5)	(1)	(4)		2
Gain (loss) from available-for-sale financial assets, net	120	94	34	54		209
Transfer to profit or loss from disposal of available-for-sale financial assets	(193)	(131)	(52)	(38)		(204)
Transfer to profit or loss for impairment of available-for-sale financial assets	8	11	2	5		9
Gain (loss) from cash flow hedges	2	24	(2)	11		(3)
Adjustments from translation of overseas operations	597	(690)	621	(196)		(649)
Group's share of other comprehensive income (loss) of associates, net	81	(15)	41	(11)		(24)
Total other comprehensive income (loss) from continuing operations	**597**	**(712)**	**643**	**(179)**		**(660)**
Total profit (loss) from discontinued operations	**551**	**-**	**282**	**-**		**(198)**
Total comprehensive income (loss)	**779**	**414**	**1,194**	**(85)**		**477**
Attributable to:						
Company shareholders	262	187	800	(26)		206
Non-controlling interests	517	227	394	(59)		271
	779	**414**	**1,194**	**(85)**		**477**

(*) Re-stated and re-classified, see Note 2D to the financial statements.

4. Financial Position

The Group's total assets as of September 30, 2014, amounted to NIS 135 billion, compared with NIS 130 billion as of December 31, 2013.

Below is a description of the principal changes in assets and liabilities as of September 30, 2014, compared with December 31, 2013:

Cash and cash equivalents and short-term investments

The Group has cash and short-term investment balances of NIS 7.1 billion, consisting mainly of balances of NIS 3.4 billion in the headquarters companies, NIS 1.2 billion in The Phoenix, and NIS 2.3 billion in Delek Energy and the gas partnerships.

Total current assets

The Group's total current assets (excluding assets held for sale) as of September 30, 2014, amounted to NIS 54.1 billion, compared with NIS 47.7 billion as of December 31, 2013. This change was mainly attributable to an increase in current assets following an increase in cash balances and short-term investments item in finance operations. On the other hand, following the de-consolidation of Delek Europe and Roadchef’s current assets, and the classification of Republic’s current assets as held-for-sale, current assets were reduced by NIS 3 billion.

Held-for-sale assets (liabilities attributed to held-for-sale assets)

Following the signing of an agreement to sell shares in Republic, its assets and liabilities are presented separately in the financial position statement as of September 30, 2014 (see also Note 3 to the financial statements).

Total non-current assets

The Group’s total non-current assets, as of September 30, 2014, amounted to NIS 76 billion, as compared to NIS 82 billion as of December 31, 2013, a decrease of NIS 6 billion. This decrease was mainly due to the de-consolidation of Delek Europe and Roadchef’s assets, and classification of assets from overseas insurance operations as held for sale under current assets.

Balance of short- and long-term financial liabilities

Total financial liabilities (to banks, others, and debenture holders) amounted to NIS 21.5 billion as of September 30, 2014, as compared to NIS 22.2 billion as of December 31, 2013. This decrease was mainly attributable to the de-consolidation of Delek Europe and Roadchef’s liabilities, and classification of liabilities from overseas insurance operations as liabilities associated with held for sale assets, under current liabilities. However, long-term liabilities grew by NIS 2 billion, due to a debenture issue in the Tamar Project by the Delek Drilling and Avner Partnerships.

Contingent claims

In their review, the Company's auditors draw attention to legal actions brought against the Company and Group companies. For details, see Note 5 to the financial statements.

Additional information

For additional information regarding repayments of principal and interest on the debts of headquarter companies, see Appendix A to the Board of Directors' Report.

5. Sources of Finance and Liquidity

The net financial debt of the Company and the headquarters companies as of September 30, 2014:[2]

	NIS millions
Liabilities	
Debentures	(6,473)
Bank loans	(1,693)
Other	(517)
Total liabilities	**(8,683)**
Assets	
Cash	3,359
Financial investments (*)	563
Loans to investees(**)	1,112
Dormant shares	445
Total assets	**5,479**
Net financial liability - headquarters companies	**(3,204)**

(*) Included for under this item, is the Company's investment in Delek USA shares, to an amount of NIS 545 million (holdings of 4,456,432 par value, at a share price of USD 33.12 as of September 30, 2014). This change was made as the Company no longer applies the equity method and the investment is accounted for as a financial investment measured at market value.

(**) Composition of loans to investees:

Borrower	Loan balances as of September 30, 2014 (NIS millions)
Seller loans - Delek Europe (*)	631
Seller loans - Barak Capital	139
IPP	250
Other	92
Total	**1,112**

(*) The seller's loan to Delek Europe totals EUR 175 million (NIS 820 million). The loan is recognized based on the valuation which measured its fair value as NIS 631 million.

[2] Headquarters companies: Delek Group, Delek Petroleum, Delek Power Plants Limited Partnership, Delek Europe Israel, and Delek Hungary.

The Company has a separate working capital deficit of NIS 51 million. As a holdings and investment management company engaged in oil and gas exploration and production, infrastructures, gas stations, insurance and finance, automotive and other operations, the Company tests is liquidity at the headquarters (separate) level, and for each investee at the individual investee level. It is noted, that the Group has numerous and varied options for recycling or repaying its debt, due inter alia to the fact that the bulk of the Group's assets are free of any liens and are mostly marketable. This provides the Group with a high level of financial flexibility, which can be realized through the sale of its holdings and/or the Group's ability to recycle its debt and/or obtain additional loans against the pledge of its unencumbered assets. Moreover, the low yields on the Group's bonds also provide it with a real option of recycling its debts on the capital market or through the banks.

Furthermore, the management of the Group's subsidiaries believe that they can secure cash flows for continuing their investments and repaying their liabilities, inter alia, in light of their ability to generate cash flows from operating activities, the significant volume of assets which can be sold if necessary, dividend payments from companies presented as per the equity method, and in light of their assessment that they can continue raising short- and long-term funding from financial entities and the capital market.

The various considerations detailed above indicate that the Company's separate working capital deficit does not indicate any liquidity problems.

As of the financial statements' approval date, the Company and the headquarters companies have liquid balances of NIS 1.6 billion (furthermore and in addition to these liquid balances, the Company has guaranteed, unutilized credit facilities of NIS 1.1 billion).

6. Analysis of Operations by Segment

A) Oil and Gas Exploration and Gas Production Operations

Operations are mainly carried out through the limited partnerships Delek Drilling ("Delek Drilling") and Avner Oil Exploration ("Avner") (jointly, "the Partnerships"), which engage in oil and gas exploration, development and production operations in the exclusive economic zone off the coast of Israel and Cyprus, and sell natural gas and condensate to a variety of customers. In the reporting period, the Partnerships' operations focused on commercial production of natural gas from the Tamar Project and the expansion of this project; and development feasibility studies in the Leviathan Project.

Below are the results of oil and gas exploration and production operations as included in the Group's results (NIS millions):

	1-9/2014	1-9/2013	7-9/2014	7-9/2013	2013
Revenues from gas sales net of royalties	1,014	921	397	383	1,283
Operating profit	547	282	203	177	415
EBITDA	931	871	338	354	1,159
Finance expenses, net	393	199	104	105	263
Net profit attributable to Company shareholders	63	46	38	41	70
Gas sales in BCM (*)	5.5	4.5	2.2	2.1	6.4
Condensate sales - thousands of barrels (**) 15	262	152	104	84	246

(*) The data relate to sales of natural gas (100%) from the Yam Tethys and Tamar projects, rounded to one tenth of one BCM.

(**) The data relate to condensate sales (100%) from the Tamar Project, rounded to thousands of barrels.

Analysis of the results of operations in the gas segment:

Net profit attributable to Company shareholders

The Company's share in the results of oil and gas exploration and production in the third quarter of 2014 yielded a profit of NIS 38 million, as compared to a profit of NIS 41 million in the same quarter last year. It is noted that a NIS 15 million write-down was recognized in the third quarter of 2014 on the Noa reservoir.

Oil and gas exploration and production in the reporting period yielded a profit of NIS 63 million, as compared to a profit of NIS 46 million in the corresponding period last year.

Net profit attributable to Company shareholders was up in the reporting period, as compared to the same period last year, mainly due to an increase in revenues from natural gas and condensate sales in the Tamar Project, which were first recognized in the second quarter of 2013, net of the Partnerships' expenses on LIBOR hedges as detailed below, and the write-down on the Noa reservoir as aforesaid.

Revenues

In the reporting period, the Company recorded revenues from gas and oil sales, net of royalties, to the amount of NIS 1,014 million, as compared to NIS 921 million in the same period last year. This increase in revenues was due mainly to recognition of net revenues from natural gas and condensate sales to a variety of customers in the Tamar Project, offset after adjustments to royalties due to previous years. It is further noted that, in the corresponding period last year, income only started to be recognized in the second quarter.

Operating profit

Operating profit in the reporting period amounted to NIS 547 million, compared to NIS 282 million in the same period last year. This increase in operating profit was mainly due to the start of gas production in Tamar in the second quarter of 2013, and the recognition of depreciation expenses in the same period last year on the investment in developing the Noa and Pinnacles gas reservoirs following deterioration of these reserves' production capacity and a decrease in proved reserves.

Finance expenses, net

Net finance expenses in the reporting period amounted to NIS 393 million, compared to NIS 199 million in the same period last year, an increase of NIS 194 million.

Finance expenses were up mainly due to finance agreements signed by the Partnerships in connection with the Tamar Project and the Leviathan Project's funding. In the corresponding period last year, the Partnerships discounted their finance expenses for development costs in the Tamar Project (during its construction) and investments in the Leviathan Project. Finance expenses were also up due to the issue of debentures in the second quarter of 2014 in lieu of repaid loans; recognition of NIS 35 million in borrowing costs on such repaid loans; and due to the Partnerships' recognition of finance expenses in the reporting period in connection with LIBOR hedges totaling NIS 112 million.

Finance expenses in the second quarter of the year amounted to NIS 104 million, compared to NIS 105 million in the same period last year.

Additional information

For more information on oil and gas exploration operations, see Note 4 to the financial statements.

B) **Fuel operations in Israel**

Data from the financial statements of Delek Israel as included in the Group's statements (NIS millions):

	1-9/2014	1-9/2013	7-9/2014	7-9/2013	2013
Revenues	4,493	4,948	1,519	1,628	6,492
Gross profit	565	563	199	205	739
Operating profit	66	109	17	45	126
EBITDA	201	182	53	69	224
Other finance expenses (income), net	(4)	64	19	21	80
Delek Israel's share in results of associates	(67)	(2)	(50)	5	2
Net profit (loss)	(17)	37	(46)	17	38
Attributable to:					
Delek Israel shareholders	(17)	36	(46)	17	36
Non-controlling interests	-	1	-	-	2
	(17)	37	(46)	17	38

As of the financial position statement date, the Group maintains a 100% interest in Delek Israel (Delek Israel's statements are available to the public).

Revenues

Revenues in the reporting period amounted to NIS 4,493 million, compared with NIS 4,948 million in the same period last year, a decrease of 9%. Third quarter revenues amounted to NIS 1,519 million, compared with NIS 1,628 million in the same quarter last year, a decrease of 8%.

Sales turnover in Company-operated and franchise-operated Menta convenience stores in the reporting period and in the third quarter of 2014, totaled NIS 297 million and NIS 105 million, respectively. This, as compared to NIS 279 million and NIS 102 million, in the respective periods last year, for an increase of 6% and 3%, respectively.

Gross profit

Gross profit in the reporting period amounted to NIS 565 million, compared with NIS 563 million in the same period last year, an increase of 0.3%. Gross profit in the third quarter amounted to NIS 199 million, compared with NIS 205 million in the same period last year, a decrease of 2.9%.

Gross profit was up in the reporting period due to a NIS 8 million decrease in inventory losses as compared to the same period last year; increased revenues and margins in the containerization and distribution segment; and increased margins in convenience store operations. This increase was offset by lower revenues and gross profits in the direct marketing segment.

In the third quarter of the year, gross profit was down mainly due to a NIS 6 million decrease in inventory losses as compared to the same quarter last year; the effects of Operation Protective Edge; and lower revenues and gross profits in the direct marketing segment. This decrease was offset by increased revenues and margins in the containerization and distribution segment.

Sales, gas station operation and general and administrative expenses

In the reporting period, sales and gas station operation expenses totaled NIS 406 million, compared with NIS 405 million in the same period last year. In the third quarter of 2014, these expenses totaled NIS 137 million, as compared to NIS 134 million in the same quarter last year, an increase of 2%.

In the 2014 reporting period, general and administrative expenses totaled NIS 75 million, compared with NIS 68 million in the same period last year, an increase of 10%. In the third quarter of 2014, these expenses totaled NIS 31 million, as compared to NIS 23 million in the same quarter last year.

Sales, gas station operation and administrative expenses were up due to price increases in some of the gas station operation expense items, namely - municipal taxes, electricity and water utilities fees, and environmental protection costs. Expenses were also up due to an increase in the provision for doubtful debts. However, this increase was offset by Delek Israel's streamlining initiatives and a reduction in current expenses.

Share in the results of associates

In 2014, amounts are mainly attributable to Delek Israel's share (20%) in Delek Europe, including disposal of DEBV. See Section 2 above.

Finance expenses (income), net

Net finance income in the reporting period amounted to NIS 4 million, as compared to net finance expenses of NIS 64 million in the same period last year. This increase in finance expenses was attributable to the recognition of gains on the sale of Delek Israel's shares in Pi Gliloth Ltd. In all, recognized finance income amounted to NIS 58 million.

For more information concerning Delek Israel's operations, see Notes 3 and 5 to the financial statements.

C) **Insurance and finance operations in Israel and abroad**

As of September 30, 2014, the Group holds approximately 52.3% of the shares of The Phoenix Holdings Ltd. and all the shares of Republic, which is an elementary insurance company operating in the US.

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

For information concerning a non-binding memorandum of understanding for the sale of control in The Phoenix, see Chapter A above.

Below are the principal data from The Phoenix's consolidated income statements (NIS millions):

(It is noted that The Phoenix's financial statements for September 30, 2013, were re-stated due to a change in the measurement of land assets in AD 120 Ltd. See Note 2D to the financial statements):

	1-9/2014	1-9/2013	7-9/2014	7-9/2013		2013
Gross premiums earned	5,785	5,512	1,884	1,840		7,474
Premiums earned in retention	5,312	5,019	1,715	1,672		6,826
Net gains on investments, and finance income	2,715	3,236	1,114	1,500		4,547
Income from management fees	690	608	232	235		875
Payments and changes in liabilities for insurance contracts and investment contracts in retention	6,677	6,567	2,330	2,687		9,105
Commission, marketing, and other purchasing expenses	950	866	323	293		1,187
General and administrative expenses	774	731	257	246		1,027
Other expenses	22	32	9	13		99
Finance expenses	93	160	43	72		181
Share in the results of investees accounted for as per the equity method	19	32	(1)	(5)		52
Profit for the period	**385**	**565**	**141**	**119**		**760**
Profit for the period attributable The Phoenix shareholders	**367**	**547**	**133**	**113**		**739**

A significant part of The Phoenix's asset portfolio is invested on the capital market. Therefore, capital market returns for the various investment channels have a material effect on the yields achieved for The Phoenix's customers and on The Phoenix's profits. Gains and losses on investments reflect capital market movements in Israel and abroad, and fluctuations in the Israeli CPI and the NIS exchange rates against primary currencies, whose aggregate effect on the financial margin is the main cause for fluctuations in the reported results.

Results for the reporting period were materially affected by lower market interest rates. In the first nine months of the year, lower interest rates caused an increase in insurance liabilities, for which an expense was recognized of NIS 248 million (pre-tax) and NIS 154 million (post-tax). Of these amounts, in the third quarter of 2014, the effect totaled NIS 21 million (pre-tax), and NIS 13 million (post-tax).

Revenues from management fees were up NIS 82 million in the reporting period, as compared to the same period last year. This increase was mainly attributable to the fact that in the first quarter of 2013, The Phoenix only collected part of the variable fees on profit-sharing policies marketed up to 2003, due to the cumulative negative real yield on these policies as of December 31, 2012. It is noted, that had it not been for the cumulative negative real yield recorded on these policies as of December 31, 2012, variable management fees collected in the first nine months of 2013 would have increased by an additional NIS 62 million.

Key data according to The Phoenix's operating segments:

	1-9/2014	1-9/2013	7-9/2014	7-9/2013		2013
Profit from life insurance and long term savings segment	60	269	49	88		372
Profit from health insurance segment	74	197	25	28		219
Profit from general insurance segment	239	277	74	75		353
Profit from financial services segment	90	59	38	16		72
Total profit from operating segments	**463**	**802**	**186**	**207**		**1,016**
Profit not attributed to reporting segments	107	51	41	12		134
Company's share in the net results of investees not included in the reported segments	6	20	(6)	(9)		28
Profit before income tax	**576**	**873**	**221**	**210**		**1,178**
Income tax	191	308	80	91		418
Profit for the period	**385**	**565**	**141**	**119**		**760**
Net profit for the period attributable The Phoenix shareholders	**367**	**547**	**133**	**113**		**739**

Additional information

On May 27, 2014, The Phoenix issued its report on the embedded value of the long-term insurance operations of its subsidiary, The Phoenix Insurance Company Ltd. ("The Phoenix Insurance"). As of December 31, 2013, The Phoenix Insurance had an embedded value (EV) of NIS 6,353 million, as compared to an EV of NIS 5,438 million as of December 31, 2012.

Value of new business (VNB) on 2013 sales in the life, health and pension insurance segments amounted to NIS 386 million, as compared to NIS 336 million in the same period of the previous year, an increase of 15%.

It is emphasized that embedded value does not include the embedded value of general insurance operations, nor does it include ability to generate future business (goodwill). Furthermore, embedded value does not take into account certain risks as detailed in the embedded value report.

It is understandable that, in light of the aforesaid, embedded value does not reflect The Phoenix Insurance's market value or economic value.

It is clarified that analysis of embedded value and the value of new business relies on forecasts, assessments and estimates regarding future events whose materialization is not certain and are outside the Company's control, and so constitutes "forward-looking information" as defined in Section 32A of the Securities Law, 1968. It is possible that these forecasts, assessments and estimates, or any one of them, will fail to materialize or will materialize in a manner that is different from that presented in the embedded value report. Therefore, actual results may differ from projected results.

Additional information

For more information on The Phoenix's operations, see Note 3 to the financial statements.

2) **Republic Companies, Inc**

Republic Companies, Inc ("Republic") is one of the oldest companies in the US dealing in property and accident insurance (over 100 years of history). Republic holds insurance companies and agencies which deal primarily in property and other general insurance, particularly in Texas, Louisiana, Oklahoma, Mississippi, Arkansas, and New Mexico, in the US. In addition, Republic holds insurance licenses in 48 other states, with one company in the group generating fronting insurance revenues for Republic.

For information concerning the agreement to sell the Company's holdings in Republic, see Chapter A above.

The results of Republic's operations as included under discontinued operations (USD millions):

	1-9/2014	1-9/2013	7-9/2014	7-9/2013		2013
Gross premiums earned	492	540	190	190		705
Premiums earned in retention	180	218	61	71		288
Investment and other income, net	26	24	10	7		31
Total revenues	**206**	**241**	**71**	**78**		**319**
Increase in insurance liabilities less reinsurers	126	146	35	43		183
Purchasing and other expenses	41	51	15	17		70
General and administrative expenses	25	28	9	9		37
Impairment of goodwill	17	-	-	-		-
Finance expenses	3	4	1	1		5
Total expenses	**212**	**229**	**60**	**70**		**295**
Profit (loss) before income tax	**(6)**	**12**	**11**	**8**		**24**
Net profit (loss) attributable to Company shareholders	**(10)**	**11**	**7**	**6**		**19**

Republic's loss, as presented in the Group's statements for the first nine months of 2014, amounted to USD 17 million, as compared to a profit of USD 6 million in the same period last year. The present-period loss was attributable to a USD 17 million impairment of goodwill, based on Republic's value as derived from the transaction value following the subsidiary Delek Finance's plans to sell Republic.

For more information on overseas insurance operations (Republic), see Note 3 to the financial statements.

D) **Automotive operations**

As of the financial position statement date, the Group holds 24.2% of Delek Automotive (Delek Automotive is a public company which publishes its financial statements). The investment in Delek Automotive is presented as per the equity method.

The results of Delek Automotive's operations are included under the 'Group's share in the profits of associates, net' item. Below is an analysis of the results of automotive operations.

Following are the results of Delek Automotive Systems Ltd.'s ("Delek Automotive') operations (as included in the Delek Group's statements (*)) (NIS millions):

	1-9/2014	1-9/2013	7-9/2014	7-9/2013		2013
Revenues	3,055	2,843	908	747		3,467
Gross profit	572	463	160	138		570
Sales, marketing, and general and administrative expenses	102	81	32	24		114
Operating profit	469	383	128	115		460
EBITDA	481	394	133	119		475
Finance income (expenses), net (*)	143	182	146	11		208
Net profit	**446**	**412**	**198**	**95**		**502**

(*) Delek Automotive recognized the revaluation of its investment in Mobileye in profit or loss, while the Group recognized the changes in the fair value of the investment in other comprehensive income. In the third quarter of 2014, Delek Automotive recognized NIS 203 million in income, net of taxes, in profit or loss for appreciation of its investment in Mobileye, while the Group recognized this appreciation under comprehensive income. However, in the third quarter of the year, the Company recognized profits of NIS 27 million (the Company's share) following cancellation of part of the other comprehensive income balance after revaluation of Mobileye.

Analysis of the results of Delek Automotive's operations in the reporting periods:

Breakdown of Delek Automotive's sales by number of cars sold:

	1-9/14	1-9/13	7-9/14	7-9/13	2013
MAZDA vehicles	13,997	8,354	3,967	1,968	10,689
FORD vehicles	7,252	11,106	2,037	2,973	12,802
BMW vehicles	1,809	1,640	645	405	1,942
Total vehicles sold	23,058	21,100	6,649	5,346	25,433
The Company's share of all new vehicles sold in Israel (based on Licensing Bureau data)	12%	12%	11%	10%	12%

Delek Automotive's gross margin in the nine month period was 18.7%, up from 16.3% in the same period last year. This increase in gross margins was attributable to vehicle sales, mainly due to changes in the vehicle mix.

For more information on automotive operations, see Note 3 to the financial statements.

E) **Additional Operations**

1) Infrastructures

The Group’s infrastructures operations are carried out through Delek Power Plants Limited Partnership ("Delek Power Plants"), which coordinates the development and operation of power plants in Israel through its subsidiaries. The Group also holds 50% of IDE Technologies Ltd. ("IDE"). The infrastructures segment's contribution to the Group's net profit in the reporting period amounted to NIS 73 million, compared with a profit of NIS 32 million in the same period last year. This contribution is due to IDE’s profit of NIS 49 million, and a profit of NIS 26 million recorded by the Ashkelon power plant (“Delek Ashkelon”).

In the reporting period, IPP Delek Sorek signed several agreements with a gas supplier, and build-operate-maintain contractors for constructing and operating the power plant.

In March 2014, Delek Power Plants signed a financing agreement with Bank Leumi LeIsrael Ltd. (“Bank Leumi"), whereby Bank Leumi provided Delek Power Plants with a loan of NIS 120 million, based on Delek Ashkelon’s projected surplus cash flows.

On May 13, 2014, a finance agreement was signed between Delek Sorek, the Group and Delek Power Plants, and Bank Hapoalim Ltd. and Poalim Trust Services Ltd., to finance construction of the power plant in Sorek. The agreement is subject, as specified in the criteria issued by the Public Utility Authority - Electricity, to the Electricity Authority approving the rates. Under the financing agreement, the Group provided guarantees, while Delek Sorek and Delek Power Plants pledged assets and rights.

2) Biochemicals

Gadot Biochemical Industries Ltd. (“Gadot”), is a manufacturer of food supplements and chemicals for the food, detergents and toiletries industries, in which the Group holds a 100% interest as of the financial position statement date.

Gadot’s contribution to the Group's net profit in the reporting period amounted to a loss of NIS 41 million, compared with a loss of NIS 54 million in the same period last year.

In July 2014, following early redemption of its debentures, Gadot ceased being a reporting entity.

For more information on additional operations, see Notes 3 and 5 to the financial statements.

B. Market Risk Exposure and Management

1. A) Company operations focus mainly on holding and managing shares in its subsidiaries. These are long-term investments and therefore these holdings are not hedged.

   Risk management in subsidiary and associate companies is determined and carried out directly by the investees. Some of these companies are public companies and are listed on the stock exchange, and therefore proper disclosure of this subject is made in their financial statements.

   B) The currency risk management officer in the Company is Mr. Ido Adar, MBA. In recent years, Mr. Adar has served as Company Treasurer.

2. **Description of market risks**

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

   B) Changes to market risks in the reporting period were mainly attributable to a decrease in risk related to Delek Europe and Roadchef's operations, following the sale of these companies in the third quarter. As concerns other operations, no material change has occurred in the Company's policies for managing market risk and exposure thereto, including sensitivity tests, as compared to the Group's disclosure in this matter for the year ended December 31, 2013. This, except for cash balances held, as of the reporting date, in Australian Dollars (as detailed in the linkage balance table below). These balances were disposed of subsequent to the financial position statement date, with gains of NIS 25 million.

   (3) The following table details Israeli CPI data and exchange rates for the primary currencies used by the Company:

	EUR representative exchange rate	USD representative exchange rate	GBP representative exchange rate	Known CPI
As of	**NIS**	**NIS**	**NIS**	**Points**
Sept. 30, 2014	4.648	3.695	5.977	120.01
Sept. 30, 2013	4.773	3.537	5.707	120.01
Dec. 31, 2013	4.782	3.471	5.742	119.89
% Change	%	%	%	%
Sept. 30, 2014 (first nine months of 2014)	(2.8)	6.5	4.1	0.1
Sept. 30, 2013 (first nine months of 2013)	(3.0)	(5.3)	(5.5)	2.0
2013	(2.8)	(7.0)	(4.9)	1.9

3 **Linkage bases report as of September 30, 2014:**

	September 30, 2014											
	Israeli Currency		Foreign Currency									
	Un-linked	CPI-linked	USD	Australian Dollar	EUR	GBP	Fair Value	ETNs	Insurance Business Items	Monetary Items in Overseas Operations in USD	Non-Monetary Item	Total
Assets												
Current assets	1,794	13	603	2,188	5	899	4	-	-	2,464	299	8,269
Non-current assets	329	76	70	-	631	-	619	-	-	418	19,504	21,647
Insurance business assets	735	839	51	-	-	12	-	38,016	56,490	4,938	3,828	104,909
Total assets	**2,858**	**928**	**724**	**2,188**	**636**	**911**	**623**	**38,016**	**56,490**	**7,820**	**23,631**	**134,825**
Liabilities												
Current liabilities	1,677	2,557	919	-	10	30	4	-	-	602	-	5,799
Non-current liabilities	2,490	5,265	105	-	-	-	2	-	-	7,538	2,396	17,796
Insurance business liabilities	414	2,337	34	-	-	-	-	37,528	55,654	4,162	141	100,270
Total liabilities	**4,580**	**10,159**	**1,058**	**-**	**10**	**30**	**6**	**37,528**	**55,654**	**12,302**	**2,537**	**123,865**
Assets less liabilities, net	**(1,723)**	**(9,231)**	**(334)**	**2,188**	**626**	**881**	**617**	**488**	**836**	**(4,482)**	**21,094**	**10,960**

C. Aspects of Corporate Governance

1. Disclosure on the financial statements' approval process

The Company's Board of Directors is the corporate organ charged with overall supervision and approval of the financial statements. The Company's Board of Directors has appointed a committee for examining the financial statements. This committee is not the Audit Committee, and is separate from the Audit Committee, although the committees share the same members.

A) The committee and its members

The committee comprises 3 members as follows: Mr. Yoseph Dauber, committee chairman (external director); Prof. Ben-Zion Zilberfarb (external director); and Mr. Avi Harel. All three members have accounting and financial expertise. Prior to their appointment, all committee members have submitted declarations detailing their skills, education, and experience, and based on these signed declarations, the Company has determined that they are able to read and understand financial statements.

B) The financial statements approval process

1) The Financial Statements Examination Committee formulated its recommendations to the Company's Board of Directors in its meeting of November 23, 2014.

2) All committee members participated in the above meeting.

3) In addition to the committee members, the November 23, 2014 meeting was attended by the Chairman of the Board, Mr. Gabi Last; the Company's CEO, Mr. Asaf Bartfeld; the Company's CFO, Mr. Barak Mashraki; the Company's legal counsel, Mrs. Liora Prat-Levin; the Company's comptroller, Mr. Amit Kornhauser; the Company's external auditors; and other Company personnel.

4) The committee examined the assessments and estimates used in the financial statements, whether full and adequate disclosure was made in the financial statements, adopted accounting policies and accounting methods applied on material matters in the Corporation, valuations, including underlying assumptions and estimates, which serve as the basis for data included in the financial statements. The committee's discussions were based on materials brought before the committee on these matters by the Company's management, and questions and answers discussed during the meeting including the external auditor's remarks on these issues.

5) The committee unanimously recommended that the Board of Directors approve the financial statements for the third quarter of 2014.

6) The Board of Directors discussed the Financial Statements Examination Committee's recommendations and the financial statements on November 26, 2014. The Board of Directors' meeting was attended by the following directors: Mr. Gabi Last (Chairman); Prof. Ben-Zion Zilberfarb (external director); Mr. Yoseph Dauber (external director); Mr. Yitzhak Tshuva; Mr. Avi Harel; Mrs. Mazal Braunstein; Mr. Moshe Amit; Mrs. Carmit Elroy, and Mr. Moshe Bareket. The meeting was also attended by the Company's senior officers and its accountants.

7) The Board of Directors believes that the Financial Statements Examination Committee's recommendations were submitted a reasonable amount of time prior to the Board of Director's meeting.

8) The Company's Board of Directors has adopted the Financial Statements Examination Committee's recommendations and has resolved to approve the Company's financial statements for the third quarter of 2014.

D. Disclosure relating to the Company's financial reporting

1. Critical accounting estimates

No changes have occurred in the reporting period as compared to the 2013 annual report.

2. Events after the financial position statement date

For details of material events after the financial position statement date, see Chapter A to the Board of Directors' Report.

E. Dedicated disclosure for debenture holders

Series	Issue date	Original par value	Par value balance as of Sept. 30, 2014	Stated interest rate	Linkage	Carrying amount as of Sept. 30, 2014	Interest accrued in the books	Repayment years	Stock exchange value as of Sept. 30, 2014	Material series	Trustee
		NIS millions	NIS millions			NIS millions	NIS millions				
B11	7/2006	468	357	5.40%	CPI	425	5	2018	Non-marketable	No	BLL Trust Company 8 Rothschild Blvd. Tel Aviv Tel.: 03-5170777 – Idit Prizar
B12	11/2006	1,100	596	5.35%	CPI	715	17	2015-2017	Non-marketable	Yes	Reznick Trusts Ltd. 14 Yad Harutzim St. Tel Aviv Tel: 03-6393311 – Liat Bachar-Segal
B13	3/2007	913	548	Until listing +5.1% - after listing - 4.6%	CPI	666	-	2013-2014, 2019-2021	774	Yes	Hermetic Trust (1975) Ltd. 113 Hayarkon St. Tel Aviv Tel: 03-5274867 – Dan Avnon
B14	7/2009+6/2010	419	419	8.5%	-	419	7	2018	523	No	Clal Finance Trusts 2007 Ltd. 37 Begin Road Tel Aviv Tel: 03-6274827 – Yuval Likber
B15	7/2009 + 7/2013 +11/2009 +11/2013	1,486	1,486	8.5%	-	1,486	57	2015-2017	1,749	Yes	Clal Finance Trusts 2007 Ltd. 37 Begin Road Tel Aviv Tel" 03-6274827 – Yuval Likber
B16	9/2009	260	173	5.5%	-	130	1	2013-2015	135	No	Strauss Lazar Trust Ltd. 17 Yitzchak Sadeh, Tel Aviv Tel: 03-6237777 – Uri Lazar
B17	9/2009	90	60	Variable	-	45	-	2013-2015	46	No	Strauss Lazar Trust Ltd. 17 Yitzchak Sadeh, Tel Aviv Tel: 03-6237777 – Uri Lazar
B18	+ 11/2009 6/2010+7/2013	1,062	1,062	6.1%	CPI	1,159	30	2016-2022	1,455	Yes	Clal Finance Trusts 2007 Ltd. 37 Begin Road, Tel Aviv Tel: 03-6274827 – Yuval Likber
B19	11/2010	560	560	4.65%	CPI	596	11	2019-2022	709	Yes	Gafni Trusts Ltd. Hataas 4, Ramat Gan Tel: 03-6070370 – Tzuri Galili
B22	6/2007	500	375	4.50%	CPI	453	5	2012, 2019-2021	530	Yes	Aora Fidelity Trust Ltd. 12 Begin Rd., Ramat Gan Tel: 03-7510566 – Iris Shalbin
B23	10/2007+ 7/2009	1,293	323	4.75%	CPI	382	8	2013-2014	389	Yes	Strauss Lazar Trust Ltd.17 Yitzchak Sadeh, Tel Aviv Tel: 03-6237777 – Uri Lazar

Notes:

1. The Company meets all the terms of the debentures. Furthermore, the Company meets all the terms of its obligations under the deed of trust.
2. Information regarding the debenture ratings:

Series		Rating company	Current rating	Rating upon issue		Rating Company	Current Rating	Rating upon issue
B11		Midroog	A1	-		S&P Maalot	A	AA
B12		Midroog	A1	-		S&P Maalot	A	AA
B13		Midroog	A1	-		S&P Maalot	A	AA
B14		Midroog	A1	A1		S&P Maalot	-	-
B15		Midroog	A1	A1		S&P Maalot	-	-
B16		Midroog	A1	A1		S&P Maalot	-	-
B17		Midroog	A1	A1		S&P Maalot	-	-
B18		Midroog	A1	A1		S&P Maalot	-	-
B19		Midroog	A1	A1		S&P Maalot	-	-
B22		Midroog	A1	-		S&P Maalot	A	AA
B23		Midroog	A1	-		S&P Maalot	A	AA

Details of the Company's liability certificates:

In June 2014, S&P Maalot confirmed its A rating for S&P Maalot-rated debenture series.

F. Additional Information

1. Dividends

In March 2014, the Company's Board of Directors resolved to distribute a dividend of NIS 160 million. The dividend was distributed in April 2014.

In August 2014, the Company's Board of Directors resolved to distribute a dividend of NIS 150 million. The dividend was distributed in September 2014.

Subsequent to the financial position statement date, in November 2014, the Company's Board of Directors resolved to distribute a dividend of NIS 150 million.

2. Company employees

The Board of Directors would like to thank the Company's management, the management of the Company's investees, and to all the employees for their dedicated work and their contribution to the advancement of the Company.

Sincerely

Gabriel Last	Asaf Bartfeld
Chairman of the Board	CEO

Signature date: November 26, 2014

Appendix A to the Board of Directors' Report

Breakdown of principal and interest payments on the debentures and bank loans of the headquarters companies as of September 30, 2014 (NIS millions):

Delek Group - Headquarters

		Q4/2014	2015	2016	2017	2018	2019 onwards	Total
Debentures	Principal	382	908	927	927	844	2,490	6,478
	Interest	165	379	316	248	166	257	1,531
Bank loans	Principal	6	31	79	34	142	-	293
	Interest	8	10	8	5	-	-	30
	Total	**561**	**1,328**	**1,330**	**1,214**	**1,152**	**2,747**	**8,332**

The Delek Group also has guaranteed bank credit facilities of NIS 1.1 billion, and short-term bank loans of NIS 0.3 billion, which as of September 30, 2014, have been fully utilized, and which as of the financial statements’ approval date are not utilized.

Appendix B to the Board of Directors' Report

The following is a current rating report issued by Standard & Poor's Maalot Ltd., for the Company's debentures.

Chapter C

Financial Statements

Delek Group Ltd.

Consolidated Interim Financial Statements as of September 30, 2014

Unaudited

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Consolidated Balance Sheets

	September 30		December 31
	2014	2013	2013
	Unaudited		Audited
	NIS million		
Current assets			
Cash and cash equivalents	5,235	3,400	2,716
Performance-based cash and cash equivalents in insurance companies	2,568	2,037	2,241
Short-term investments of the finance sector (mainly exchange-traded funds and deposits)	38,582	29,590	32,494
Short-term investments in insurance companies	1,566	1,859	1,989
Other short-term investments	1,861	736	711
Trade receivables	1,613	2,462	2,432
Insurance premium receivable	652	1,050	920
Other receivables	747	1,024	934
Current tax assets	77	8	48
Reinsurance assets	489	1,739	1,799
Inventory	280	891	889
Deferred acquisition costs in insurance companies	440	483	470
	54,110	45,279	47,643
Assets held for sale	4,938	69	69
	59,048	45,348	47,712
Non-current assets			
Financial investments of insurance companies	45,874	41,682	43,296
Long-term loans, deposits and receivables	1,458	764	700
Investments in other financial assets	618	125	65
Financial derivatives	-	-	67
Investments in associates	2,131	4,133	4,381
Investment property	2,893	2,717 *)	2,782
Investments in oil and gas exploration and production	15,471	14,441	14,307
Reinsurance assets	967	1,511	1,460
Property, plant and equipment, net	2,436	4,971 *)	5,021
Deferred acquisition costs in insurance companies	910	815	840
Structured bonds	425	2,778	2,760
Goodwill	1,742	3,779	3,555
Other intangible assets, net	650	2,324	2,318
Deferred taxes	202	399	409
	75,777	80,439	81,961
	134,825	125,787	129,673

*) Restated, see Note 2D

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

Consolidated Balance Sheets

	September 30		December 31
	2014	2013	2013
	Unaudited		Audited
	NIS million		
Current liabilities			
Interest bearing loans and borrowings	3,967	6,024	6,360
Trade payables	754	1,436	1,724
Other payables	2,994	4,403	4,441
Exchange-traded funds and deposit	37,102	29,028	31,967
Current tax liabilities	385	345	330
Financial derivatives	4	13	26
Dividend payable	-	-	70
Liabilities for insurance contracts	3,903	6,049	5,976
	49,109	47,298	50,894
Liabilities attributable to assets classified as held for sale	4,162	-	-
	53,271	47,298	50,894
Non-current liabilities			
Loans from banks and others	780	5,696	5,035
Debentures	16,757	11,469	10,826
Structured bonds	426	2,779	2,758
Financial derivatives	2	126	116
Liabilities for employee benefits	134	276	213
Liabilities for insurance contracts	49,167	43,071	44,734
Provisions and other liabilities	458	676	693
Deferred taxes	2,870	3,524 *)	3,499
	70,594	67,617	67,874
Capital			
Share capital	13	13	13
Share premium	1,917	1,917	1,917
Retained earnings	3,194	4,087 *)	4,156
Adjustments arising from translation of financial statements of foreign operations	(20)	(721)	(822)
Capital reserve from transactions with holders of non-controlling interests	328	392 *)	363
Other reserves	4	(89)	(108)
Treasury shares	(162)	(162)	(162)
Total equity attributable to equity holders of the Company	5,274	5,437	5,357
Non-controlling interests	5,686	5,435 *)	5,548
Total capital	10,960	10,872	10,905
	134,825	125,787	129,673

*) Restated, see Note 2D

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

November 26, 2014			
Date of approval of the financial statements	Gabriel Last Chairman of the Board	Asi Bartfeld CEO	Barak Mashraki CFO

Consolidated Statements of Income

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2014	2013 *)	2014	2013 *)	2013 *)
	Unaudited				Audited
	NIS million (Other than earnings (loss) per share)				
Revenues	14,897	15,344	5,209	5,596	20,850
Cost of revenues	11,346	11,979	3,924	4,414	16,227
Gross income	3,551	3,365	1,285	1,182	4,623
Selling, marketing and gas station operating expenses	1,377	1,294	467	435	1,755
General and administrative expenses	949	912	320	305	1,261
Other revenues (expenses), net	(470)	82	(59)	(20)	(162)
Operating income	755	1,241	439	422	1,445
Finance income	203	169	84	89	109
Finance expenses	(970)	(1,150)	(276)	(505)	(1,316)
	(12)	260	247	6	238
Gain (loss) from disposal of investments in partnerships and investees, net	-	3	-	-	(8)
Group's share in earnings of associates, net	150	366	64	180	430
Income before taxes on income	138	629	311	186	660
Taxes on income	122	415	120	153	492
Gain from continuing operations	16	214	191	33	168
Income (loss) from discontinued operations, net	(385)	912	78	61	1,167
Net income (loss)	(369)	1,126	269	94	1,335
Attributable to:					
Equity holders of the Company	(645)	643	150	74	740
Non-controlling interests	276	483	119	20	595
	(369)	1,126	269	94	1,335
Net earnings (loss) per share attributable to equity holders of the Company (NIS)					
Basic earnings(loss) from continuing operations	(22.52)	(0.44)	6.24	1.13	(14.3)
Basic earnings (loss) from discontinued operations	(33.35)	57.18	6.76	5.32	79.3
Basic earnings (loss)	(55.87)	56.74	13.00	6.45	65.0
Diluted earnings (loss) from continuing operations	(22.52)	(0.45)	6.24	1.13	(14.4)
Diluted earnings (loss) from discontinued operations	(33.35)	49.58	6.76	5.28	78.9
Diluted earnings (loss)	(55.87)	49.13	13.00	6.41	64.5

*) Restated and reclassified, see Note 2D

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

Consolidated Statements of Comprehensive Income

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2014	2013 *)	2014	2013 *)	2013 *)
	Unaudited				Audited
	NIS million				
Net income (loss)	(369)	1,126	269	94	1,335
Other comprehensive income (loss) from continuing operations (net of tax effect):					
Amounts not reclassified to profit or loss:					
Actuarial gain (loss) for defined benefit plans	-	(5)	(1)	(4)	2
Total	-	(5)	(1)	(4)	2
Amounts classified or reclassified to profit or loss under specific conditions:					
Gain from available-for-sale financial assets	120	94	34	54	209
Transfer to statement of income for disposal of available-for-sale financial assets	(193)	(131)	(52)	(38)	(204)
Transfer to statement of income for impairment of available-for-sale financial assets	8	11	2	5	9
Gain (loss) for cash flow hedges	2	24	(2)	11	(3)
Adjustments arising from translation of financial statements of foreign operations	579	(690)	621	(196)	(649)
Other comprehensive income (loss) attributable to associates, net	81	(15)	41	(11)	(24)
Total	597	(707)	644	(175)	(662)
Total other comprehensive income (loss) from continuing operations	597	(712)	643	(179)	(660)
Total other comprehensive income (loss) from discontinued operations, net	551	-	282	-	(198)
Total other comprehensive income (loss)	1,148	(712)	925	(179)	(858)
Total comprehensive income (loss)	779	414	1,194	(85)	477
Attributable to:					
Equity holders of the Company	262	187	800	(26)	206
Non-controlling interests	517	227	394	(59)	271
	779	414	1,194	(85)	477

*) Restated and reclassified, see Note 2D

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

Consolidated Statements of Changes in Equity

	Attributable to equity holders of the Company									
	Share capital	Share premium	Retained earnings	Adjustments arising from translation of financial statements of foreign operations	Reserve from transactions with non-controlling interests	Other reserves *)	Treasury shares	Total	Non-controlling interests	Total equity
	Unaudited									
	NIS million									
Balance as of January 1, 2014 (audited)	13	1,917	4,156	(822)	363	(108)	(162)	5,357	5,548	10,905
Net income (loss)	-	-	(645)	-	-	-	-	(645)	276	(369)
Other comprehensive income (loss)	-	-	(7)	802	-	112	-	907	241	1,148
Total comprehensive income (loss)	-	-	(652)	802	-	112	-	262	517 *)	779
Dividends	-	-	(310)	-	-	-	-	(310)	-	(310)
Dividend to holders of non-controlling interests	-	-	-	-	-	-	-	-	(357)	(357)
Cost of share-based payment, net	-	-	-	-	-	-	-	-	4	4
Deconsolidation of a company	-	-	-	-	-	-	-	-	(15)	(15)
Acquisition of non-controlling interests	-	-	-	-	(35)	-	-	(35)	(12)	(47)
Issue of shares to holders of non-controlling interests	-	-	-	-	-	-	-	-	1	1
Balance as of September 30, 2014	13	1,917	3,194	(20)	328	4	(162)	5,274	5,686	10,960

*) Composition of comprehensive income of non-controlling interests:

Net income attributable to non-controlling interests	276
Loss from available-for-sale financial assets, net	(9)
Exchange differences on translation of foreign operations	250
Total comprehensive income attributable to non-controlling interests	517

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

Consolidated Statements of Changes in Equity

	Attributable to equity holders of the Company										
	Share capital	Share premium	Options and proceeds for conversion option	Retained earnings	Adjustments arising from translation of financial statements of foreign	Reserve from transactions with non-controlling interests	Other reserves **)	Treasury shares	Total	Non-controlling interests	Total equity
	Unaudited										
	NIS million										
Balance as of January 1, 2013 (audited) ***)	13	1,631	25	3,980	(274)	(181)	(85)	(152)	4,957	7,921	12,878
Net income	-	-	-	643 ***)	-	-	-	-	643 ***)	483 ***)	1,126 ***)
Other comprehensive loss	-	-	-	(5)	(447)	-	(4)	-	(456)	(256)	(712)
Total comprehensive income (loss)	-	-	-	638 ***)	(447)	-	(4)	-	187 ***)	227 ****)	414 ***)
Reissuance of treasury shares	-	66	-	-	-	-	-	31	97	-	97
Acquisition of treasury shares	-	-	-	-	-	-	-	(41)	(41)	-	(41)
Exercise of options for Company shares	- *)	220	(25)	-	-	-	-	-	195	-	195
Dividends	-	-	-	(531)	-	-	-	-	(531)	-	(531)
Cost of share-based payment, net	-	-	-	-	-	-	-	-	-	28	28
Expiry of options in a subsidiary	-	-	-	-	-	10	-	-	10	(10)	-
Deconsolidated company (see Note 3B)	-	-	-	-	-	-	-	-	-	(2,915)	(2,915)
Acquisition of shares from holders of non-	-	-	-	-	-	(9) ***)	-	-	(9)	(117) ***)	(126) ***)
Sale of shares to holders of non-controlling interests, net	-	-	-	-	-	591	-	-	591	469	1,060
Options exercised for subsidiary shares	-	-	-	-	-	(19)	-	-	(19)	13	(6)
Dividend to holders of non-controlling	-	-	-	-	-	-	-	-	-	(181)	(181)
Balance as of September 30, 2013	13	1,917	-	4,087 ***)	(721)	392 ***)	(89)	(162)	5,437 ***)	5,435	10,872

*) Amounts to less than NIS 1 million
**) Mainly capital reserve for available-for-sale financial assets
***) Restated, see Note 2D
****) Composition of comprehensive income of non-controlling interests:

Net income attributable to non-controlling interests	483
Gain from available-for-sale financial assets, net	11
Adjustments arising from translation of financial statements of foreign	(267)
Total comprehensive income attributable to non-controlling interests	227

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

Consolidated Statements of Changes in Equity

	Attributable to equity holders of the Company									
	Share capital	Share premium	Retained earnings	Adjustments arising from translation of financial statements of foreign operations	Reserve from transactions with non-controlling interests	Other reserves	Treasury shares	Total	Non-controlling interests	Total equity
	Unaudited									
	NIS million									
Balance as of July1, 2014	13	1,917	3,198	(615)	363	(55)	(162)	4,659	5,420	10,079
Net income	-	-	150	-	-	-	-	150	119	269
Other comprehensive income (loss)	-	-	(4)	595	-	59	-	650	275	925
Total comprehensive income	-	-	146	595	-	59	-	800	394 *)	1,194
Dividends	-	-	(150)	-	-	-	-	(150)	-	(150)
Cost of share-based payment, net	-	-	-	-	-	-	-	-	(5)	(5)
Deconsolidation of a company	-	-	-	-	-	-	-	-	(15)	(15)
Acquisition of non-controlling interests	-	-	-	-	(35)	-	-	(35)	(12)	(47)
Dividend to holders of non-controlling interests	-	-	-	-	-	-	-	-	(96)	(96)
Balance as of September 30, 2014	13	1,917	3,194	(20)	328	4	(162)	5,274	5,686	10,960

*) Composition of comprehensive income of non-controlling interests:

Net income attributable to non-controlling interests	119
Loss from available-for-sale financial assets, net	(7)
Exchange differences on translation of foreign operations	282
Total comprehensive loss attributable to non-controlling interests	394

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

Consolidated Statements of Changes in Equity

	Attributable to equity holders of the Company										
	Share capital	Share premium	Options and proceeds for conversion option	Retained earnings	Adjustments arising from translation of financial statements of foreign operations	Reserve from transactions with non-controlling interests	Other reserves **)	Treasury shares	Total	Rights non for non-controlling interests	Total Capital
						Unaudited					
						NIS million					
Balance as of July1, 2013	13	1,777	16	4,177 ***)	(610)	399 ***)	(104)	(140)	5,528	5,426 ***)	10,954***)
Net income	-	-	-	74	-	-	-	-	74	20	94
Other comprehensive loss	-	-	-	(4)	(111)	-	15	-	(100)	(79)	(179)
Total comprehensive income (loss)	-	-	-	70	(111)	-	15	-	(26)	(59) ****)	(85)
Acquisition of treasury shares	-	-	-	-	-	-	-	(22)	(22)	-	(22)
Exercise of options for Company shares	*)	140	(16)	-	-	-	-	-	124	-	124
Acquisition of shares from holders of non-controlling interests	-	-	-	-	-	(7)	-	-	(7)	69	62
Dividends	-	-	-	(160)	-	-	-	-	(160)	-	(160)
Dividend to holders of non-controlling interests	-	-	-	-	-	-	-	-	-	(1)	(1)
Balance as of September 30, 2013	13	1,917	-	4,087	(721)	392	(89)	(162)	5,437	5,435	10,872

*) Amounts to less than NIS 1 million
**) Mainly capital reserve for available-for-sale financial assets
***) Restated, see Note 2D
****) Composition of comprehensive loss of non-controlling interests:

Net income attributable to non-controlling interests	20
Gain from available-for-sale financial assets, net	10
Adjustments arising from translation of financial statements of foreign operations	(89)
Total comprehensive income attributable to non-controlling interests	(59)

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

Consolidated Statements of Changes in Equity

	Attributable to equity holders of the Company										
	Share capital	Share premium	Options and proceeds for conversion option	Retained earnings	Adjustments arising from translation of financial statements of foreign operations	Reserve from transactions with non-controlling interests	Other reserves **)	Treasury shares	Total	Non-controlling interests	Total equity
	Audited										
	NIS million										
Balance as of January 1, 2013	13	1,631	25	3,980	(274)	(181)	(85)	(152)	4,957	7,921	12,878
Net income	-	-	-	740	-	-	-	-	740	595	1,335
Other comprehensive income (loss)	-	-	-	37	(548)	-	(23)	-	(534)	(324)	(858)
Total comprehensive income (loss)	-	-	-	777	(548)	-	(23)	-	206	271 ***)	477
Acquisition of treasury shares	-	-	-	-	-	-	-	(41)	(41)	-	(41)
Sale of treasury shares	-	66	-	-	-	-	-	31	97	-	97
Dividends	-	-	-	(601)	-	-	-	-	(601)	-	(601)
Cost of share-based payment, net	-	-	-	-	-	-	-	-	-	28	28
Exercise of options for Company shares	- *)	220	(25)	-	-	-	-	-	195	-	195
Exercise of options for shares by non-controlling interests	-	-	-	-	-	(19)	-	-	(19)	13	(6)
Dividend to holders of non-controlling interests	-	-	-	-	-	-	-	-	-	(237)	(237)
Expiry of options in a subsidiary	-	-	-	-	-	10	-	-	10	(10)	-
Acquisition of non-controlling interests	-	-	-	-	-	(9)	-	-	(9)	(116)	(125)
Deconsolidation of a company	-	-	-	-	-	-	-	-	-	(2,915)	(2,915)
Sale of shares to holders of non-controlling interests, net	-	-	-	-	-	562	-	-	562	593	1,155
Balance as of December 31, 2013	13	1,917	-	4,156	(822)	363	(108)	(162)	5,357	5,548	10,905

*) Amounts to less than NIS 1 million
**) Mainly capital reserve for available-for-sale financial assets
***) Composition of comprehensive income of non-controlling interests:

Net income attributable to non-controlling interests	595
Gain from available-for-sale financial assets, net	3
Actuarial gain for defined benefit plans, net	2
Adjustments arising from translation of financial statements of foreign operations	(328)
Share in other comprehensive loss, net of associates	(1)
Total comprehensive income attributable to non-controlling interests	271

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

Consolidated Statements of Cash Flows

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2014	2013	2014	2013	2013
	Unaudited				Audited
	NIS million				
Cash flows from operating activities					
Net income (loss)	(369)	1,126 *)	269	94 *)	1,335
Adjustments to reconcile cash flows from operating activities (a)	1,863	625 *)	(276)	163 *)	1,020
Net cash flows from (used in) operating activities	1,494	1,751	(7)	257	2,355
Cash flows from investing activities					
Purchase of property, plant and equipment, investment property and intangible assets	(582)	(913)	(126)	(225)	(1,180)
Proceeds from sale of property, plant and equipment and investment property	17	59	6	12	73
Proceeds from sale (acquisition) of financial assets, net	3	21	(1)	2	21
Repayment (provision) of loans to associates, net	13	9	(3)	3	2
Short-term investments, net	(1,182)	(4)	(986)	(120)	31
Repayment of (investment in) in long-term bank deposits	(105)	(33)	3	(11)	(238)
Increase in joint ventures for oil and gas exploration	(481)	(1,226)	(119)	(310)	(1,338)
Proceeds from lease of oil and gas assets	123	-	31	-	-
Proceeds from sale of investments in associates, net (including taxes paid)	1,198	316	(196)	162	384
Cash added (derecognized) from disposal of investments in previously consolidated subsidiaries (c)	800	(1,420)	800	(2)	(1,420)
Investment in associate companies and partnerships	(30)	(12)	(30)	-	(14)
Acquisition of operations (b)	-	(24)	-	-	(24)
Repayment (provision) of loans to others, net	(58)	17	(67)	2	241
Net cash used for investment activities	(284)	(3,210)	(688)	(487)	(3,462)

*) Restated, see Note 2D

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

Consolidated Statements of Cash Flows

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2014	2013	2014	2013	2013
	Unaudited				Audited
	NIS million				
Cash flow from finance activities					
Short-term loans from banks and others, net	608	(962)	1,326	560	(1,170)
Sale of shares to holders of non-controlling interests, net	-	941	-	(212)	1,035
Acquisition of shares from holders of non-controlling interests	(47)	(165)	(47)	-	(168)
Receipt of long-term loans	886	2,251	191	69	2,376
Repayment of long-term loans	(5,196)	(1,602)	(42)	(108)	(1,705)
Issue of shares to holders of non-controlling interests in a subsidiary	1	-	-	-	-
Exercise of options for subsidiary shares	-	4	-	-	4
Dividend paid	(380)	(531)	(150)	(160)	(531)
Dividend paid to holders of non-controlling interests in subsidiaries	(357)	(176)	(357)	-	(231)
Exercise of options for Company shares	-	195	-	124	195
Acquisition of treasury shares	-	(41)	-	(22)	(41)
Sale of treasury shares	-	97	-	-	97
Payment of contingent liability for a put option to holders of non-controlling interests	-	(60)	-	(59)	(60)
Issue of debentures (less issuance expenses)	7,237	211	393	-	211
Payment for acquisition of an investee	-	(85)	-	-	(87)
Repayment of debentures	(1,025)	(977)	(515)	(561)	(1,645)
Net cash flows from (used in) finance activities	1,727	(900)	799	(369)	(1,720)
Exchange differences on balances of cash – foreign operations	41	(116)	69	(1)	(128)
Change in cash and cash equivalents attributable to operations held for sale	(132)	-	849	-	-
Increase (decrease) in cash and cash equivalents	2,846	(2,475)	1,022	(600)	(2,955)
Cash and cash equivalents at the beginning of the period (including performance-based balance)	4,957	7,912	6,781	6,037	7,912
Cash and cash equivalents at the end of the period (including performance-based balance)	7,803	5,437	7,803	5,437	4,957

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

Consolidated Statements of Cash Flows

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2014	2013	2014	2013	2013
	Unaudited				Audited
	NIS million				
(a) Adjustments to reconcile cash flows from operating activities:					
Adjustments to profit or loss					
Depreciation, depletion, amortization and impairment of assets	1,397	1,367 *)	305	323 *)	1,983
Deferred taxes, net	342	865	225	205	967
Increase (decrease) in employee benefit liabilities, net	6	(5)	(6)	(8)	(4)
Decrease (increase) of loans granted, net	(10)	47	5	(7)	60
Loss (gain) from the sale of property, plant and equipment, real estate and investments, net	135	(173)	(101)	1	(117)
Group's share of losses (gains) of associates, net (1)	368	140	101	(165)	(203)
Gain from the disposal and revaluation of an investment in a deconsolidated subsidiary	(43)	(1,365)	(43)	1	(1,365)
Change in fair value of financial assets and financial derivatives, net	20	(48)	(21)	8	(65)
Increase in long-term liabilities, net	103	215	64	163	165
Increase in deferred acquisition costs	(124)	(84)	(38)	(16)	(98)
Gain from disposal of an available for sale financial asset	(60)	-	-	-	-
Cost of share-based payment	9	38	(4)	4	51
Benefit for a shareholder in subsidiaries	3	-	3	-	-
Change in financial investments of insurance companies, net	(2,109)	(2,626)	(977)	(1,342)	(2,343)
Investments net of proceeds from the sale of available-for-sale assets in insurance companies, net	(1,992)	(907)	(1,085)	(811)	(3,035)
Increase in reserves and other provisions in insurance companies	4,717	9,773	1,547	2,837	13,106
Acquisition of investment property for performance-based contracts and other investment property in insurance companies	(108)	(847)	(60)	(103)	(866)
Increase in reinsurance assets	(349)	(71)	(178)	(40)	(116)
Change in fair value of investment property	(1)	(41) *)	(7)	(15) *)	(84)
Changes in operating assets and liabilities:					
Decrease (increase) in trade receivables	(53)	(227)	32	198	(196)
Decrease (increase) in other receivables	(53)	(8)	45	133	43
Decrease (increase) in inventory	74	(405)	(16)	(26)	(391)
Increase in other assets, net	(246)	(97)	(27)	(94)	(246)
Increase (decrease) in trade payables	(119)	127	(76)	(136)	299
Increase (decrease) in other payables	(44)	(5,043)	36	(947)	(6,525)
	1,863	625 *)	(276)	163 *)	1,020
(1) Net of dividends and earnings received	275	166	165	25	234

*) Restated, see Note 2D

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

Consolidated Statements of Cash Flows

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2014	2013	2014	2013	2013
	Unaudited				Audited
	NIS million				
(b) Acquisition of activities					
Fixed assets, net *)	-	(24)	-	-	(24)
(c) Cash added (deducted) from disposal of investments in previously consolidated companies					
Working capital, net	(1,105)	(277)	(1,105)	-	(277)
Non-current assets	5,701	4,539	5,701	(1)	4,539
Non-current liabilities	(3,443)	(1,164)	(3,443)	-	(1,164)
Non-controlling interests attributable to deconsolidation of a company	(15)	(2,915)	(15)	-	(2,915)
Loan provided to a buyer less clearing	(633)	-	(633)	-	-
Investment in a company accounted for at equity	-	(2,352)	-	-	(2,352)
Capital reserves for deconsolidated companies	252		252		
Gain from revaluation and disposal of an investment in former subsidiaries, net	43	749	43	(1)	749
	800	(1,420)	800	(2)	(1,420)
(d) Significant non-cash activities					
Purchase of property, plant and equipment and intangible assets	14	12	14	-	81
Dividend payable by associates	-	-	-	-	21
Investment in oil and gas assets	72	161	72	161	148
Leasing assets against receivables	-	247	-	247	275
Liability for disposal of assets against oil and gas assets	50	9	-	9	30
Receivables for disposal of available-for-sale financial assets	35	-	-	-	-
Dividend payable to equity holders of the Company	-	-	-	-	70
Transfer of loans and shares from holders of non-controlling interests in subsidiaries	-	7	-	7	7
Provision of loan against consideration from disposal of a previously consolidated company	633	-	633	-	-

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

Consolidated Statements of Cash Flows

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2014	2013	2014	2013	2013
	Unaudited				Audited
	NIS million				
(e) Cash and cash equivalents					
Cash and cash equivalents at the beginning of the period:					
Cash and cash equivalents	2,716	6,212	4,042	3,452	6,212
Performance-based cash and cash equivalents in insurance companies	2,241	1,700	2,739	2,585	1,700
	4,957	7,912	6,781	6,037	7,912
Cash and cash equivalents at the end of the period					
Cash and cash equivalents	5,235	3,400	5,235	3,400	2,716
Performance-based cash and cash equivalents in insurance companies	2,568	2,037	2,568	2,037	2,241
	7,803	5,437	7,803	5,437	4,957
(f) Additional information on cash flows					
Cash paid during the period for:					
Interest	866	972	96	333	1,577
Taxes on income	497	626	249	321	793
Cash received during the period for:					
Interest	738	829	286	228	857
Dividends	399	174	277	30	299
Taxes	34	94	-	1	86

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

NOTE 1: GENERAL

These financial statements have been prepared in condensed format as of September 30, 2014 and for the nine and three months then ended ("the Consolidated Interim Financial Statements"). The financial statements should be read in the context of the Company's annual financial statements as of December 31, 2013 for the year then ended, and their accompanying notes ("the Annual Financial Statements").
For information about assets held for sale and discontinued operations, see Note 3 below.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

A. Preparation format of the Consolidated Interim Financial Statements

The Consolidated Interim Financial Statements have been prepared in accordance with generally accepted accounting principles for the preparation of interim financial statements as prescribed in 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 the provisions of these standards apply to insurance subsidiaries, insofar as the provisions of these standards apply to insurance subsidiaries.

B. Adoption of new standards, interpretations and amendments for the first time

The main accounting policy and calculation methods applied in the preparation of these Consolidated Interim Financial Statements are consistent with those applied in the preparation of the Annual Financial Statements, except for the following:

Amendment to IAS 32 Financial Instruments: Presentation, regarding offsetting financial assets and financial liabilities

The IASB published amendments to IAS 32 regarding offsetting financial assets and financial liabilities. The Amendments to IAS 32 clarify the meaning of "currently has a legally enforceable right to set off".

Application of the Amendments to IAS 32 for the first time did not have a significant effect on the financial statements.

C. Disclosure of new IFRSs in the period prior to their adoption

Amendments to IFRS 11, Joint Arrangements, regarding acquisition of an interest in a joint operation which constitutes a business as defined in IFRS 3

On May 6, 2014, the IASB published amendments to IFRS 11, Joint Arrangements ("the Amendments"), which address the accounting treatment for acquisition of interests in a joint operation constituting a business as defined in IFRS 3.

In accordance with the Amendments, interests acquired in a transaction will be accounted for as a business combination under IFRS 3 and additional relevant standards, including measurement of identifiable assets and liabilities at fair value, recognition of deferred tax assets and liabilities, accounting for transaction costs, and recognition of goodwill or gain on a bargain purchase.

The Amendments will be applied prospectively in financial statements for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

IFRS 15, Revenue from Contracts with Customers

In May 2014, IASB published IFRS 15.

IFRS 15 provides a five-step model to be applied to all revenue arising from contracts with customers:

Step 1: Identify the contract with the customer, including reference to combining contracts and accounting for contract modifications.
Step 2: Identify the distinct performance obligations in the contract.
Step 3: Determine the transaction price, including reference to variable consideration, significant financing component, non-cash consideration, and consideration payable to a customer.
Step 4: Allocate the transaction price to each distinct performance obligation based on relative standalone selling prices, using observable prices if available, or estimates and assessments.
Step 5: Recognize revenue when the entity satisfies a performance obligation, differentiating between an obligation at a point in time and an obligation over time.

IFRS 15 also provides guidance on accounting for incremental costs of obtaining a contract and the direct costs incurred in fulfilling a contract.

The amendment to IFRS 15 is effective retrospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted.

The Company believes that IFRS 15 is not expected to have a material effect on the financial statements.

IFRS 9, Financial Instruments

Further to Note 2 to the Annual Financial Statements regarding disclosure of new IFRSs in the period prior to their adoption with regard to IFRS 9, in July 2014, the IASB published the final and full version of IFRS 9, Financial Instruments ("the Final Standard"), which includes the following issues: classification and measurement, impairment and hedge accounting.

The main changes in the Final Standard compared to the steps in the standard published prior to publication of the Final Statement, are as follows:

Classification and measurement
The Final Standard includes an additional category for classification and measurement of financial assets that are debt instruments. Financial assets classified in this category will be measured at fair value through other comprehensive income (FVOCI), and the differences recognized in other comprehensive income will be reclassified to profit or loss under certain conditions, such as upon derecognition of the asset.

Impairment
The Final Standard includes impairment of financial assets, which determines the expected credit loss instead of the existing model in IAS 39, which is an incurred credit loss. The expected credit loss model is applied to assets representing debt instruments measured at amortized cost or at fair value through other comprehensive income and to the receivables item. The model presents a general and simplified approach for calculation of impairment:

The final standard is effective retrospectively, subject to certain exemptions set out therein, for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

The Company is assessing the effect of the new standard on its financial statements.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

D. Restatement and reclassification (see also Note 2(II) to the Annual Financial Statements)

1. Further to Note 2(II) to the Annual Financial Statements, the Group's financial statements as of September 30, 2013 and for the nine and three months then ended were restated by way of reconciliation to reflect retrospectively the change in accounting treatment of Ad 120 Residence Centers for Senior Citizens Ltd. ("Ad 120"), held by the subsidiary The Phoenix Holdings Ltd.("The Phoenix"), for the assisted living units owned by the Group, as investment property instead of presentation in fixed assets, as in the past.
The Group believes that the nature and extent of the services provided by Ad 120 to the tenants are not significant compared to the overall arrangement with the tenants.

2. Further to Note 3 below, regarding the disposal of and/or agreements for disposal of the holdings in the following companies: Delek US Holdings, Inc., Delek Europe BV, Roadchef Ltd., Republic Companies Inc., and Barak Capital Ltd. ("Delek US", "DEBV", Roadchef, Republic" and "Barak Capital", respectively, the operating results of these companies were reclassified in the statement of income under income from discontinued operations, net.

3. The table below presents the effect of the change in accounting policy following presentation of the assisted living units as investment property and the effect of reclassification on the results of discontinued operations in the statement of income, as aforesaid:

Consolidated balance sheet as of September 30, 2013

	As previously reported	Restated (1)	As presented in these financial statements
		Unaudited	
		NIS million	
Investment property	1,644	1,073	2,717
Property, plant and equipment, net	5,721	(750)	4,971
Deferred taxes	(3,442)	(82)	(3,524)
Retained earnings	(3,979)	(108)	(4,087)
Capital reserve for transactions with non-controlling interests	(366)	(26)	(392)
Non-controlling interests	(5,328)	(107)	(5,435)

(1) The effects of the change in accounting policy following restatement for investment property

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

D. Restatement and reclassification (see also Note 2(II) to the Annual Financial Statements) (contd.)

Consolidated statements of income for the nine months ended September 30, 2013

	As previously reported	Reclassification (1)	Restated (2)	As presented in these financial statements
	Unaudited			
	NIS million (other than net earnings (loss) per share)			
Revenues	28,381	(13,051)	14	15,344
Cost of revenues	23,102	(11,123)	-	11,979
Gross income	5,279	(1,928)	14	3,365
Selling, marketing and gas station operating expenses	2,691	(1,397)	-	1,294
General and administrative expenses	1,171	(223)	(36)	912
Other revenue, net	81	1	-	82
Operating income	1,498	(307)	50	1,241
Finance expenses, net	1,136	(155)	-	981
Gain from disposal of investments in partnerships and investees, net	2	1	-	3
Group's share in earnings of associates, net	26	340	-	366
Income before taxes on income	390	189	50	629
Taxes on income	374	25	16	415
Gain from continuing operations	16	164	34	214
Income from discontinued operations, net	1,076	(164)	-	912
Net income	1,092	-	34	1,126
Attributable to:				
Equity holders of the Company	625	-	18	643
Non-controlling interests	467	-	16	483
Total comprehensive income	1,092	-	34	1,126
Net earnings (loss) per share attributable to equity holders of the Company (NIS)				
Basic earnings per share from continuing operations	(16.50)	14.47	1.59	(0.44)
Basic earnings per share from discontinued operations	71.65	(14.47)	-	57.18
Basic earnings	55.15	-	1.59	56.74
Diluted loss per share from continuing operations	(16.51)	14.47	1.59	(0.45)
Diluted loss per share from discontinued operations	71.05	(14.47)	-	49.58
Diluted earnings	54.54	-	1.59	49.13

(1) Due to presentation of the operating results of Delek US, DEBV, Roadchef, Republic, and Barak Capital under profit (loss) from discontinued operations, net (see Note 3)
(2) Effects of the change in accounting policy for assisted living units

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

D. Restatement and reclassification (see also Note 2(II) to the Annual Financial Statements) (contd.)

Consolidated statements of income for the three months ended June 30, 2013

	As previously reported	Reclassification (1)	Restated (2)	As presented in these financial statements
	Unaudited			
	NIS million (other than net earnings per share)			
Revenues	9,644	(4,055)	7	5,596
Cost of revenues	7,757	(3,343)	-	4,414
Gross income	1,887	(712)	7	1,182
Selling, marketing and gas station operating expenses	922	(487)	-	435
General and administrative expenses	390	(73)	(12)	305
Other expenses, net	20	-	-	20
Operating income	555	(152)	19	422
Finance expenses, net	471	(55)	-	416
Loss from disposal of investments in partnerships and investees, net	(1)	1	-	-
Group share in earnings of associates, net	190	(10)	-	180
Income before taxes on income	273	(106)	19	186
Taxes on income	189	(45)	9	153
Gain from continuing operations	84	(61)	10	33
Income from discontinued operations, net	-	61	-	61
Net income	84	-	10	94
Attributable to:				
Equity holders of the Company	70	-	4	74
Non-controlling interests	14	-	6	20
Total comprehensive income	84	-	10	94
Net earnings per share attributable to equity holders of the Company (NIS)				
Basic earnings per share from continuing operations	6.10	(5.32)	0.35	1.13
Basic earnings per share from discontinued operations	-	5.32	-	5.32
Basic earnings	6.10	-	0.35	6.45
Diluted earnings per share from continuing operations	6.09	(5.28)	0.32	1.13
Diluted loss per share from discontinued operations	-	5.28	-	5.28
Diluted earnings	6.09	-	0.32	6.41

(1) Due to presentation of the operating results of Delek US, DEBV, Roadchef, Republic, and Barak Capital under profit (loss) from discontinued operations, net (see Note 3)
(2) Effects of the change in accounting policy for assisted living units

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

D. Restatement and reclassification (see also Note 2(II) to the Annual Financial Statements) (contd.)

Consolidated Statements of Income for the Year Ended December 31, 2013

	As previously reported	Reclassification (1)	As presented in these financial statements
	Audited		
	NIS million (Other than earnings (loss) per share)		
Revenues	38,455	(17,605)	20,850
Cost of revenues	31,304	(15,077)	16,227
Gross income	7,151	(2,528)	4,623
Selling, marketing and gas station operating expenses	3,653	(1,898)	1,755
General and administrative expenses	1,551	(290)	1,261
Other revenue, net	201	(39)	162
Operating income	1,746	(301)	1,445
Finance expenses, net	1,415	(208)	1,207
Loss from disposal of investments in partnerships and investees, net	(8)	-	(8)
Group's share in earnings of associates, net	437	(7)	430
Income before taxes on income	760	(100)	660
Taxes on income	501	(9)	492
Gain from continuing operations	259	(91)	168
Income from discontinued operations, net	1,076	91	1,167
Net income	1,335	-	1,335
Attributable to:			
Equity holders of the Company	740	-	740
Non-controlling interests	595	-	595
Total comprehensive income	1,335	-	1,335
Net earnings (loss) per share attributable to equity holders of the Company (NIS)			
Basic earnings per share from continuing operations	(6.3)	(8.0)	(14.3)
Basic earnings per share from discontinued operations	71.3	8.0	79.3
Basic earnings	65.0	-	65.0
Diluted loss per share from continuing operations	(6.3)	(8.1)	(14.4)
Diluted loss per share from discontinued operations	70.8	8.1	78.9
Diluted earnings	64.5	-	64.5

(1) Due to presentation of the operating results of Delek US, DEBV, Roadchef, Republic, and Barak Capital under profit (loss) from discontinued operations, net (see Note 3)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

D. Restatement and reclassification (see also Note 2(II) to the Annual Financial Statements) (contd.)

Statements of changes in equity	As previously reported	Presentation Restated (1)	As presented in these financial statements
		NIS million	
January 1, 2013 (audited)			
Retained earnings	3,890	90	3,980
Non-controlling interests	7,787	134	7,921

Statements of changes in equity	As previously reported	Presentation Restated (1)	As presented in these financial statements
		NIS million	
July 1, 2013 (unaudited)			
Retained earnings	4,073	104	4,177
Non-controlling interests	5,323	103	5,426

(1) Effects of the change in accounting policy for assisted living units

NOTE 3: INVESTMENTS IN INVESTEES AND DISCONTINUED OPERATIONS

A. Fuel operations in the United States

1. In March 2014, Delek Hungary Holdings Ltd. (a wholly-owned foreign subsidiary, linked --"Delek Hungary") sold 3,000,000 shares of Delek US for NIS 315 million. Subsequent to the sale, Delek Hungary held 25.4% of the share capital of Delek US. Following the sale, the Group included a loss of NIS 16 million in the first quarter of 2014.

2. As of March 31, 2014, the Group assessed the recoverable amount of the balance of its investment in Delek US, partially due to the decrease in the market value of Delek US. Due to the difference between the carrying amount of the investment in Delek US in the financial statements of Delek Hungary and its recoverable amount (fair value less selling costs), in the first quarter of 2014, the Group included a provision of NIS 240 million for impairment of the investment in Delek US, which was included in the item gain (loss) from discontinued operations (net).

3. In May 2014, Delek Hungary issued, through Delek US, an offering for Delek US shares owned by Delek Hungary ("the Seller"). The price was set at USD 30 per share. 10,580,000 shares of Delek US were sold in the offering (including underwriting options that were exercised) for a total consideration of NIS 1.097 billion (before fees). Subsequent to the exercise, Delek Hungary holds 7.5% of the shares of Delek US. Following the sale, in the second quarter of 2014, the Group recognized a gain of NIS 59 million (after tax, and including a gain of NIS 13 million following disposal of the credit balance of a cash flow hedge fund). In addition, following the low rate of Delek US shares held by Delek Hungary, and since the equity method is no longer applied for this investment as set out below, the Group concluded that following the decrease in the rate of holding in Delek US and the fact that the decrease in the rate of the holding is equal to fundamental dissolution of Delek Hungary, it should dispose of the reserves arising from translation of the financial statements of Delek Hungary amounting to NIS 263 million and recognize the loss for their recognition in the statement of income. The total loss from disposal of Delek US shares in the second quarter of 2014, as set out above, amounted to USD 204 million.

NOTE 3: INVESTMENTS IN INVESTEES AND DISCONTINUED OPERATIONS (CONTD.)

A. Fuel operations in the United States (contd.)

In view of the decrease in the holding as set out above, Delek Hungary no longer applies the equity method for its investment in Delek US as from the second quarter of 2014, and recognizes its investment in Delek US at its market value, with market value changes recognized in the statement of income. In the third quarter of 2014, the Group recognized finance revenue of NIS 84 million (net of tax) in the statement of income for change in the market value of Delek US, and as of September 30, 2014, the investment in Delek US amounts to NIS 545 million.

4. Following the sale of Delek US shares, as described above, and discontinuation of the equity method, the Company's share in the results of Delek US up to May 2014, including the results for the sale of the shares in May 2014, were presented in the statement of income under net profit (loss) from discontinued operations, until the date of loss of control, with reclassification of comparative figures.

a) The table below presents information on the results of operations attributable to the discontinued operations of Delek US.

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2014	2013	2014	2013	2013
	Unaudited				Audited
	NIS million				
Gain (loss) from disposal of investments in partnerships and investees, net	(230)	1	-	1	-
Group share in earnings (losses) of associates, net *	(229)	383	-	6	(47)
Income (loss) before taxes on income	(459)	384	-	7	(47)
Taxes on income (tax benefit)	(82)	61	-	(28)	-
Gain (loss) from discontinued operations of Delek US, net	(377)	323	-	35	(47)

b) Composition of net cash flows attributable to the discontinued operations of Delek US:

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2014	2013 *)	2014	2013 *)	2013 **)
	Unaudited				Audited
	NIS million				
Net cash from operating activities	20	198	-	3	500
Net cash flows from (used in) investment activities	1,392	(1,523)	-	149	(798)
Net cash from finance activities	-	656	-	-	867
	1,412	(669)	-	152	569

*) As included up to the date of loss of control in June 2013 plus cash flows in the third quarter of 2013

**) As included up to the date of loss of control in June 2013 plus cash flows up to the end of 2013.

NOTE 3: INVESTMENTS IN INVESTEES AND DISCONTINUED OPERATIONS (CONTD.)

B. Fuel operations in Europe

In June 2014, Delek Europe Holdings Ltd. ("Delek Europe") signed an agreement for the sale of its entire holdings in DEBV and the loans provided by Delek Europe to DEBV, for EUR 355 million (approximately EUR 1.7 billion). In August 2014, all the preconditions were fulfilled and the transaction was completed. On the completion date of the transaction, the first installment of EUR 90 million was paid, and in September 2014, the buyer paid the second installment of EUR 90 million ahead of its due date (12 months after completion of the transaction), so that in the third quarter of 2014, a total consideration of EUR 180 million was received for this sale. Delek Europe provided the remaining consideration of EUR 175 million to the buyer as a loan for five years and six months. The loan bears annual interest at a rate of 5%. All parent company shares held by the acquiring company were provided as collateral for the loan to Delek Europe. In addition, so long as the loan is not fully repaid, the loan agreement sets out terms for appointing an observer to the board of directors of DEBV on behalf of Delek Europe and information that the buyer is required to disclose to Delek Europe. The agreement includes a mechanism for additional compensation, limited to a maximum of an additional EUR 40 million, if the buyer sells the shares while achieving the yield defined in the agreement, and a mechanism for reduction of up to EUR 11.5 million depending on DEBV's results in 2014.
The Company estimated the fair value of the transaction consideration (including contingent consideration) at EUR 315 million (approximately NIS 1.478 billion) and accordingly, in the third quarter of 2014, the Company recognized a loss of NIS 210 million (less selling costs and recognition of negative capital reserves in profit or loss). In this context, it is noted that the Group, through an independent external assessor, estimated that the fair value of the loan provided to the buyer as described above (EUR 175 million) amounts to EUR 135 million, based on an annual discount rate of 10.1%.
In view of completion of the transaction, as described above, the operating results of DEBV, including the loss from disposal, were presented in the statement of income under profit (loss) from discontinued operations, net, with reclassification of comparative figures.

1. Carrying amount of the assets and liabilities of DEBV at the deconsolidation date:

	Unaudited
	NIS million
Current assets	
Cash and cash equivalents	858
Trade receivables	831
Inventory	498
Other current assets	98
	2,285
Non-current assets	
Property, plant and equipment, net	2,176
Goodwill	694
Other intangible assets, net	552
Other non-current assets	282
	3,704
Total assets	5,989
Current liabilities	
Liabilities for trade payables	(761)
Other payables	(1,306)
Other current liabilities	(177)
	(2,244)
Non-current liabilities	
Loans from banks and others	(1,870)
Provisions and other liabilities	(232)
Other non-current liabilities	(246)
	(2,348)
Total liabilities	(4,592)

NOTE 3: INVESTMENTS IN INVESTEES AND DISCONTINUED OPERATIONS (CONTD.)

B. Fuel operations in Europe (contd.)

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

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2014	2013	2014	2013	2013
	Unaudited				Audited
	NIS million				
Revenues	7,146	11,358	-	3,484	15,401
Cost of revenues	6,209	9,839	-	2,937	13,446
Gross income	937	1,519	-	547	1,955
Selling and gas station operating expenses	789	1,212	-	428	1,646
General and administrative expenses	69	108	-	33	138
Other expenses (income), net	5	1	-	-	(3)
Operating income	74	198	-	86	174
Finance expenses, net	68	82	-	29	110
	6	116		57	64
Group's share in earnings of associates, net	7	7	-	2	11
Income before taxes on income	13	123	-	59	75
Taxes on income (tax benefit)	(1)	42	-	18	13
Profit from discontinued DEBV transactions prior to sale of the shares	14	81	-	41	62
Loss from disposal of shares	(210)	-	(210)	-	-
Income (loss) from discontinued operations of DEBV, net	(196)	81	(210)	41	62

3. Composition of net cash flows attributable to the discontinued operations of DEBV:

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2014 *)	2013	2014	2013	2013
	Unaudited				Audited
	NIS million				
Net cash from operating activities	336	304	-	218	424
Net cash flows from (used in) investment activities	696	(382)	846	(126)	(443)
Net cash flows from (used in) finance activities	81	(76)	-	11	(38)
	1,113	(154)	846	103	(57)

NOTE 3: INVESTMENTS IN INVESTEES AND DISCONTINUED OPERATIONS (CONTD.)

C. Delek Motorways Services UK

In September 2014, MSA Acquisitions Co. Ltd., (a wholly-owned subsidiary, linked) signed an agreement for the sale of its entire holdings in Roadchef for GBP 153 million (approximately NIS 910 million). At the end of September 2014, the transaction was completed and the consideration was paid in full.

Following completion of the transaction, in the third quarter of 2014, the Group recognized a gain of NIS 253 million (less selling costs and recognition of negative capital reserves in profit or loss).

In view of completion of the agreement for the sale, as described above, the operating results of Roadchef, including the gain from disposal of the shares, were presented in the statement of income under profit (loss) from discontinued operations, net, with restatement of comparative figures.

1. Carrying amount of the assets and liabilities of Roadchef at the deconsolidation date:

	Unaudited
	NIS million
Current assets	
Cash and cash equivalents	86
Trade receivables	35
Inventory	23
Other current assets	15
	159
Non-current assets	
Property, plant and equipment, net	428
Goodwill	877
Other intangible assets, net	693
	1,998
Total assets	2,157
Current liabilities	
Credit from banks and others	236
Liabilities for trade payables	41
Other payables	149
	426
Non-current liabilities	
Loans from banks and others	207
Debentures	744
Provisions and other liabilities	31
Other non-current liabilities	119
	1,101
Total liabilities	1,527

NOTE 3: INVESTMENTS IN INVESTEES AND DISCONTINUED OPERATIONS (CONTD.)

C. Delek Motorways Services UK (contd.)

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

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2014	2013	2014	2013	2013
	Unaudited				Audited
	NIS million				
Revenues	815	810	321	291	1,046
Cost of revenues	747	752	277	253	969
Gross income	68	58	44	38	77
General and administrative expenses	3	4	1	1	7
Other expenses, net	-	-	-	-	12
Operating income	65	54	43	37	58
Finance expenses, net	64	61	23	22	81
Income (loss) before taxes on income	1	(7)	20	15	(23)
Taxes on income (tax benefit)	3	(10)	6	(9)	(21)
Gain (loss) from Roadchef operations prior to gain from disposal of shares	(2)	3	14	24	(2)
Gain from disposal of shares	253	-	253	-	-
Income (loss) from discontinued operations of Roadchef, net	251	3	267	24	(2)

3. Composition of net cash flows attributable to the discontinued operations of Roadchef:

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2014	2013	2014	2013	2013
	Unaudited				Audited
	NIS million				
Net cash from operating activities	127	106	72	67	129
Net cash flows from (used in) investment activities	816	(39)	857	(16)	(58)
Net cash flows from (used in) finance activities	2	15	4	9	(58)
	945	82	933	60	13

D. Insurance and finance operations abroad

In April 2014, Delek Finance US Inc. ("Delek Finance"), a wholly owned foreign subsidiary of the Company, signed an agreement (which was amended in July 2014) for the sale of 34% of the share capital of Republic for USD 75 million (approximately NIS 263 million) in cash. Subsequent to the balance sheet date, in October 2014, the transaction was completed.

The buyers were granted rights of control in Republic as from the completion date of the transaction, which will be returned to the Company after three years if the buyers do not exercise any of the options granted to them for acquisition of Republic shares, as described below, and which will bring their holding to at least 50% of the share capital of Republic.
In addition to the above consideration, which was received in cash, the buyers were granted options to acquire the remaining Republic shares (66%) for an exercise addition, which will result in the buyers' holding reaching 100% of Republic, as described below:

NOTE 3: INVESTMENTS IN INVESTEES AND DISCONTINUED OPERATIONS (CONTD.)

D. Insurance and finance operations abroad (contd.)

- An option to acquire an additional 45% of the share capital of Republic for two years from completion of the transaction, in accordance with the mechanism set out in the agreement.
- An option to acquire 21% of the share capital of Republic, for up to three years from completion of the transaction, in accordance with the mechanism set out in the agreement.

If the options are exercised, the consideration of the exercise will be based on a value of USD 220 million for Republic plus annual interest set for each period at an annual average rate of 5.5%, in accordance with the periods for exercising the different options

As of September 30, 2014, the Group's investment in Republic arising from this transaction amounted to USD 210 million, taking into account the estimated value of the options described above (approximately NIS 775 million). In the reporting period, the Company included its share of USD 16 million (approximately NIS 101 million) in the comprehensive income of Republic, and on the other hand, included a loss of USD 19 million (approximately NIS 66 million) for impairment of goodwill attributable to Republic, in view of the estimated value of Republic, as stated above.

In view of the agreement for the sale of Republic shares, as stated above, the assets and liabilities of Republic are presented in Republic's balance sheet as of September 30, 2014 under groups of assets and liabilities held for sale. In addition, items of profit or loss for Republic were presented in the statement of income under income (loss) from discontinued operations, net, with reclassification of comparative figures.

Upon completion of the transaction and the decrease in control in Republic, Delek Finance will no longer consolidate the financial statements of Republic. The Group is assessing the accounting treatment of its investment in Republic shares subsequent to completion of the transaction.
As of September 30, 2014, the balance of capital reserves from translation of financial statements and others amounts to debt balance of NIS 76 million.

1. Groups of assets and liabilities relating to Republic's operations classified as held for sale:

	Unaudited
	NIS million
Current assets	
Cash and cash equivalents	131
Insurance premium receivable	318
Reinsurance assets	1,433
Other current assets	636
	2,518
Non-current assets	
Financial investments of insurance companies	711
Reinsurance assets	1,503
Goodwill	48
Other non-current assets	158
	2,420
Total assets	4,938
Current liabilities	
Other payables	338
Liabilities for insurance contracts	2,238
Other current liabilities	46
	2,622
Non-current liabilities	
Debentures	328
Liabilities for insurance contracts	1,070
Other non-current liabilities	142
	1,540
Total liabilities	4,162

NOTE 3: INVESTMENTS IN INVESTEES AND DISCONTINUED OPERATIONS (CONTD.)

D. Insurance and finance operations abroad (contd.)

2. Results of operations attributable to the discontinued operations of Republic:

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2014	2013	2014	2013	2013
	Unaudited				Audited
	NIS million				
Revenues	720	883	251	280	1,158
Cost of revenues	440	532	125	153	662
Gross income	280	351	126	127	496
Sales expenses	142	185	53	59	252
General and administrative expenses	94	111	32	39	145
Other expenses, net	64	-	6	-	30
Operating income (loss)	(20)	55	35	29	69
Finance expenses, net	12	12	4	4	17
Income (loss) before taxes on income	(32)	43	31	25	52
Taxes on income	10	4	10	8	17
Income (loss) from discontinued operations of Republic, net	(42)	39	21	17	35

3. Composition of net cash flows attributable to the discontinued operations of Republic:

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2014	2013	2014	2013	2013
	Unaudited				Audited
	NIS million				
Net cash flows from (used in) operating activities	(13)	8	31	34	46
Net cash used for investment activities	(23)	(176)	(21)	(4)	(217)
Net cash used for finance activities	(2)	(8)	(11)	(11)	(17)
	(38)	(176)	(1)	19	(188)

E. Barak Capital

In June 2014, the Company signed an agreement to sell all its holdings in Barak Capital. The consideration amounted to NIS 237 million and includes payment for the sale of shares, repayment of shareholder loans and dividends. Payment of the consideration for the transaction will be as follows:

The transaction was completed in July 2014 when an amount of NIS 100 million out of the consideration was paid in two installments: NIS 40 million on completion of the transaction and NIS 60 million at the beginning of August 2014.
The remaining consideration of NIS 137 million was provided as a loan to Barak Capital for three years. The loan will bear interest at a rate of 7% and will be repaid in accordance with a repayment schedule set by the parties. To secure the loan, all the shares that were sold were pledged in favor of the Company and financial covenants were set.
Following the transaction, in the second quarter of 2014, the Company recognized a loss of NIS 34 million for impairment of the investment less the Group's share in the gain of Barak Capital for the period.

NOTE 3: INVESTMENTS IN INVESTEES AND DISCONTINUED OPERATIONS (CONTD.)

E. Barak Capital (contd.)

Following completion of the transaction, as described above, the Company' share in the results of Barak Capital, including impairment of the investment, was presented in the statement of income under income (loss) from discontinued operations, net, with reclassification of comparative figures.

The table below presents information about the results of operations attributable to the discontinued operations of Barak Capital:

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2014	2013	2014	2013	2013
	Unaudited				Audited
	NIS million				
Group's share in earnings (losses) of Barak Capital	(21)	36	-	14	43
Income (loss) from discontinued operations of Barak Capital, net	(21)	36	-	14	43

F. Summary of information for discontinued operations as described in sections a-e above:

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2014	2013	2014	2013	2013
	Unaudited				Audited
	NIS million				
Delek US in view of loss of control *)	-	1,076	-	-	1,076
Delek US	(377)	(323)	-	(35)	(47)
Delek Europe	(196)	81	(210)	41	62
Roadchef	251	3	267	24	(2)
Republic	(42)	39	21	17	35
Barak Capital	(21)	36	-	14	43
Income (loss) from discontinued operations, net	(385)	912	78	61	1,167

*) As reported in the financial statements as of September 30, 2013

G. Insurance and finance operations in Israel

1. Further to Note 20 B(1)(a) to the Annual Financial Statements, among other things, in view of publication of the Law to Promote Competition and Reduce Concentration, 2013 ("the Concentration Law"), as of December 31, 2013, the Group assessed the recoverable amount (value in use) of its investment in The Phoenix using an external independent assessor, who estimated the present value of projected cash flows for The Phoenix up to the projected disposal date of the investment by the Company (no later than December 2019) and the estimated amount for the Company from disposal of The Phoenix shares at the end of the period, based on the market value of The Phoenix shares as of December 31, 2013, plus the required adjustments. In accordance with the above assessment, the value in use of the investment in The Phoenix amounted to NIS 2.123 billion and the Group recognized an impairment loss of NIS 165 million for goodwill attributable to The Phoenix.
As of March 31, 2014, the Company revised the required parameters in the assessment model (use of market value as of March 31, 2014 and shortening of the projection and discounting period in view of the prior quarter), and accordingly the value in use was set at NIS 2.189 billion.

Accordingly, in the first quarter of 2014, the Company included its share in the comprehensive income of The Phoenix amounting to NIS 116 million and on the other hand, included an additional impairment loss for goodwill amounting to NIS 50 million, which was included in other income (expenses), net, based on the value in use that was determined.

NOTE 3: INVESTMENTS IN INVESTEES AND DISCONTINUED OPERATIONS (CONTD.)

G. Insurance and finance operations in Israel (contd.)

As of June 30, 2014, in view of the increase in the certainty in respect of disposal of the investment in The Phoenix in a period of less than six years, partially due to the binding memorandum of understanding for the sale of control in The Phoenix (see section 2 below), the Company changed the expected disposal period to a period of two years and updated the assessment model that was established (using the market value as of June 30, 2014, at the end of the forecast period plus the required adjustments). Accordingly, the net value in use as calculated by an independent external assessor, was estimated at NIS 1.838 billion.
In view of the aforesaid, in the second quarter of 2014, the Company included an additional impairment loss of NIS 350 million for goodwill and other intangible assets, which is included in other income (expenses), net, in accordance with the value in use that was established.

As of September 30, 2014, the Company revised the required parameters in the assessment model (use of market value as of September 30, 2014 and shortening of the projection and discounting period in view of the prior quarter), and accordingly the value in use was estimated at NIS 1.748 billion. It is noted that as of September 30, 2014, the market value of the Company's investment in The Phoenix amounted to NIS 1.547 billion.
Accordingly, in the third quarter of 2014, the Company included its share in the comprehensive income of The Phoenix amounting to NIS 75 million and on the other hand, included an additional impairment loss for goodwill amounting to NIS 50 million, which was included in other income (expenses), net, based on the value in use that was determined.

2. In July 2014, the Company signed a non-binding memorandum of understanding setting out principles for a binding agreement to sell control in The Phoenix (47% of the share capital)

   The memorandum of understanding includes a number of fundamental conditions for the transaction in the Binding Agreement. The consideration that was set is an amount equal to the equity of The Phoenix as of December 31, 2013, with the addition of the interest rate that was set up to the completion date of the transaction.
   The binding agreement will be subject to obtaining all the regulatory approvals required by law. The exclusivity period set out in the memorandum of understanding and the dates for signing the agreement have passed, however the parties are continuing discussions. As of September 30, 2014 and the approval date of the financial statements, it is uncertain whether this transaction will be completed.

H. Automotive operations

1. As of June 30, 2014, and in view of the difference between the value of the Group's investment in shares of Delek Automotive Systems Ltd. ("Delek Automotive") and its market value, the Group estimated the recoverable amount (value in use) of its investment in Delek Automotive. The value in use was estimated by an independent external appraiser, estimating the net value in use of the Company's investment in Delek Automotive at between NIS 863 million and NIS 954 million (based on discounting the cash flow, at a discount rate after tax of 10.5%, assuming the representative cash flow as from the sixth year will increase by 2.5% annually). In view of the aforesaid, the Group concluded that the investment in Delek Automotive shares, amounting to NIS 940 million as of June 30, 2014, is not lower than its value in use, therefore no provision is required for impairment of the investment.

   As of September 30, 2014, the investment in Delek Automotive amounted to NIS 1.003 billion and the market value of the investment in Delek Automotive amounted to NIS 902 million (it is noted that the increase in the investment in Delek Automotive is mainly due to the appreciation in the investment in Delek Automotive's financial assets).

NOTE 3: INVESTMENTS IN INVESTEES AND DISCONTINUED OPERATIONS (CONTD.)

G. Automotive operations (contd.)

2. Extract from the financial statements of Delek Automotive as of September 30, 2014 and the period then ended (as included in the Group's reports).

	September 30		December 31
	2014	2013	2013
	Unaudited		Audited
	NIS million		
Current assets	1,473	1,804	1,629
Non-current assets	1,437	986	1,085
Current liabilities	1,406	1,776	1,711
Non-current liabilities	322	302	295
Equity attributable to equity holders of the investee	1,183	712	707

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2014	2013	2014	2013	2013
	Unaudited				Audited
	NIS million				
Revenues	3,055	2,843	908	747	3,467
Gross income	572	463	160	138	570
Operating income (loss)	469	383	128	115	460
Finance income, net *)	143	182	146	11	208
Net earnings attributable to equity holders of the investee *)	446	412	198	95	502

*) In accordance with the accounting policy applied by Delek Automotive (which adopted IFRS 9 ahead of the effective date) changes in the fair value of the investment in a financial asset (Mobileye NV shares) are recognized in the statement of income and the Group regards this investment as an available for sale asset with fair value changes in this investment recognized in other comprehensive income.

I. Fuel operations in Israel

In March 2014, all the permits required for the sale of the holdings in Delek The Israel Fuel Corporation Ltd. ("Delek Israel") in the shares of Pi-Gliloth Petroleum Terminals and Pipelines Ltd. ("Pi Gliloth") for NIS 69 million. In accordance with the sale agreement, Delek Israel received NIS 34.5 million up to March 31, 2014. The remaining consideration of NIS 34.5 million will be paid to Delek Israel in December, 2014. After payment of the balance of the consideration, the shares will be registered in the name of the buyers. Following the transaction, Delek Israel recognized a gain of NIS 44 million after tax and sales expenses (mostly transfer of capital reserve for available for sale financial assets to the statement of income).

NOTE 3: INVESTMENTS IN INVESTEES AND DISCONTINUED OPERATIONS (CONTD.)

J. IDE Technologies Ltd.

The Group owns 50% of the shares of IDE Technologies Ltd. ("IDE"). The Group's investment in IDE is accounted for using the equity method. Following is condensed information from the financial statements of IDE for each reporting period:

	September 30		December 31
	2014	2013	2013
	Unaudited		Audited
	USD millions		
Current assets	244	270	283
Non-current assets	578	562	608
Current liabilities	155	222	257
Non-current liabilities	399	375	385
Equity attributable to equity holders of the investee	249	221	237
Equity attributable to holders of non-controlling interests	19	14	12

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2014	2013	2014	2013	2013
	Unaudited				Audited
	USD millions				
Revenues	193	178	81	68	263
Gross income	57	38	30	20	60
Operating income (loss)	24	9	20	11	21
Finance income, net	20	10	17	9	12
Net earnings attributable to equity holders of the investee	28	16	21	13	30

The exchange rate as of September 30, 2014, used to translate the financial statements of IDE, is USD 1 = NIS 3.695 (change in the reporting period – an increase of 6.45%).

NOTE 4: INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION

The Group operates mainly through Delek Drilling - Limited Partnership and Avner Oil Exploration - Limited Partnership (jointly: "the Limited Partnerships") in a number of joint ventures for the exploration, development, and production of oil, natural gas, and condensate in the exclusive economic zone of Israel and Cyprus, and sells natural gas and condensate to a variety of customers (see also Note 16 to the Annual Financial Statements).

A. Ratio Yam joint venture

1. Leviathan leases

On March 27, 2014, the Commissioner of Petroleum Affairs at the Ministry of National Infrastructures, Energy and Water ("the Commissioner") granted the partners in the license two leases instead of the Rachel and Amit licenses: the I/14 Leviathan South and lease and the I/15 Leviathan North lease. The leases include provisions for schedules for developing the lease, planning and construction, sales to the Israeli market and for export, guarantees, warranties, indemnification, and insurance. The leases were granted for 30 years and may be extended by another 20 years in accordance with and subject to the provisions of the Petroleum Law, 1952 (“the Petroleum Law”).
In order to secure compliance with the lease and the approvals, to secure payments which the leaseholder is required to make by law to the State and as a precondition to granting the lease, the lease-holder is required to provide an unconditional and irrevocable autonomous bank guarantee made out to the State of Israel ("the Guarantee"). The Guarantee provided on April 10, 2014 (total, for both leases together) is USD 50 million (100%) and when approval is granted for operating the production system, the Guarantee will be increased to a total amount of USD 75 million (100%) and will be further increased to a total amount of USD 100 million (100%) when production for export starts, under an extension of the development plan, or on December 31, 2020 (the earlier of the two). The Guarantee will remain in effect throughout the lease term and will remain in effect after the lease expires, provided the Commissioner of Petroleum Affairs does not announce that it is no longer required and subject to section 57C of the Petroleum Law.
It is noted that on deposit of the guarantees of USD 50 million (the share of the limited partnerships is USD 23 million) for the Leviathan North and Leviathan South leases, in April 2014, the guarantees provided for the “Leviathan 2” well and extension of the “Rachel” and “Amit” licenses were returned.

2. Updated resource appraisal for the Leviathan Reservoir

Further to Note 16E(4) to the Annual Financial Statements, in July 2014, NSAI submitted an appraisal of the contingent natural gas and condensate resources classified as development pending in the Leviathan Reservoir as of June 30, 2014, which are between 751.2 BCM (high estimate) and 469.6 BCM (low estimate) and the condensate reserves in the Leviathan discovery classified as contingent resources as of June 30, 2014, which are between 47.7 million barrels (high estimate) and 29.8 million barrels (low estimate).
This appraisal of the contingent natural gas and condensate resources in the Leviathan Reservoir is partially based on geological, geophysical, engineering, and other information received from the operator, from wells drilled in the reservoir and from wells drilled in nearby reservoirs. These estimates are the professional estimates and assumptions only of NSAI, for which there is no certainty. Estimates for actual quantities of natural gas and/or condensate consumed may be different from these estimates and assumptions, partly due to technical and operational conditions and/or regulatory changes and/or the supply and demand conditions in the natural gas and/or condensate market and/or commercial conditions and/or from actual performance of the reservoir. The estimates and assumptions may be revised if additional information becomes available and/or as the result of a range of factors related to oil and natural gas exploration and production projects.

3. Memorandum of understanding for the joining of Woodside to the Leviathan project

Further to Note 16K to the Annual Financial Statements, regarding the non-binding memorandum of understanding for the participation of Woodside Energy Mediterranean Pty. Ltd., which is an indirect wholly owned subsidiary (tiered) of Woodside Petroleum Ltd., in the Leviathan project, on May 21, 2014, the Limited Partnerships announced that the parties have decided to cancel the non-binding memorandum of understanding signed on February 6, 2014.

NOTE 4: INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (CONTD.)

A. Ratio Yam joint venture (contd.)

4. Letter of intent (non-binding) between the Leviathan Partners and BG International Limited for the export of natural gas

On June 27, 2014, the Limited Partnerships and the other Leviathan Partners signed a non-binding letter of intent with BG International Limited ("BG") in which the parties confirmed their intent to negotiate an agreement ("the Binding Agreement") for the supply of natural gas from the Leviathan Project to BG's LNG plant in Idku, Egypt ("the Letter of Intent").
The Letter of Intent includes a number of fundamental conditions for the transaction in the Binding Agreement. The estimated scope of the Binding Agreement is for annual supply of 7 BCM, for a period of 15 years. Natural gas will be supplied to BG from the floating production, storage and offloading ("FPSO") platform at the Leviathan Project, which is planned to be connected directly to the LNG facility through a subsea pipeline.
In accordance the Letter of Intent, the price of the gas sold under the Binding Agreement will be determined in a formula to be agreed upon between the Parties.
It is clarified that the Letter of Intent is not binding (except for exclusivity for a certain period as agreed in the Letter of Intent) and the above transaction will be subject to successful completion of the negotiations between the parties and signing of the Binding Agreement. As of the date of this report, the parties estimate that the Binding Agreement will be subject to a number of preconditions, including development of the Leviathan Project, which is subject, among other things, to a final investment decision by each of the Leviathan Partners, and to receipt of all required approvals from the authorities in Israel and Egypt.

5. Proposed outline for development of the Leviathan reservoir

The outline for development of the Leviathan reservoir includes two main stages: In accordance with the plan, the first stage will include supply to the local and regional market through construction of a floating production storage and offloading ("FPSO") facility for production and handling of natural gas, in a maximum daily quantity of 1.6 BCF (16 BCM annually) and the second stage will include mainly export of natural gas.
In accordance with the terms of the lease deeds for the Leviathan reservoir, in September 2014, the operator submitted an initial draft of the development plan for the first stage to the Commissioner ("the Draft Development Plan"). Subsequent to the balance sheet date, in November 2014, the Commissioner's remarks of the Draft Development Plan were received and as of the date of the report, the partners in the Leviathan reservoir are reviewing his remarks. In accordance with the operator's preliminary assessment, the estimated cost of developing the first stage of the Leviathan reservoir is between USD 6 billion and USD 7 billion (100%) ("the Estimated Budget").
If the development plan for the first stage is approved by the Leviathan partners in the first quarter of 2015, the operator estimates that the total development budget in 2014-2015, will be 20%-30% of the total estimated budget, and in 2016, 2017, and 2018, it will be 30%-40 %, 30%-40% and 5%-10% of the total estimated budget, respectively.
It is clarified that the development plan for the first stage of the Leviathan reservoir, including the budget and timetable, has not yet been approved by the partners in the Leviathan reservoir. However, in November 2014, the Board of Directors of the general partner in each of the Limited Partnerships authorized the Limited Partnerships' management to approve agreements and expenses related to this development, up to a total of USD 200 million (100%) (the Limited Partnerships' share is USD 90.6 million), from time to time and to the extent required, to purchase and order equipment and services for long lead items, which will allow timely completion of the development plan, when it is approved. It is emphasized that part of the budget could be earmarked for the requirements of other oil assets held by the Limited Partnerships.
The Limited Partnerships estimate that the planned date for the start of gas supply from the Leviathan reservoir is at the beginning of 2018. In addition, in October 2014 (subsequent to the balance sheet date), the State of Israel approved the terms of the national outline plan, TAMA 37(H) (Receiving and Treating Natural Gas - From Offshore Discoveries to the National Pipeline).
In addition, the Leviathan project partners are continuing to review the option of implementing stage B of the development plan for the Leviathan reservoir, and in this context, the construction of a floating liquid natural gas (FLNG) facility is being assessed.

NOTE 4: INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (CONTD.)

A. Ratio Yam joint venture (contd.)

6. Letter of intent for the export of natural gas from the Leviathan project to the National Electric Power Company of Jordan

On September 3, 2014, Noble Energy Mediterranean Ltd., on behalf of a marketing company to be established ("the Marketing Company"), signed a non-binding letter of intent with National Electric Power Company Ltd. ("NEPCO" and "the Letter of Intent", respectively). In the Letter of Intent the parties confirmed their intention to negotiate a binding agreement for the supply of natural gas from the Leviathan Project to NEPCO in Jordan ("the Binding Agreement"). The estimate scope of the Binding Agreement is for the supply of an overall amount of 45 BCM over 15 years. It is noted that the Letter of Intent is not binding and the above proposed transaction is subject to completion of negotiations between the parties and signing of the Binding Agreement. At this stage, it is estimated that the Binding Agreement will be subject to several preconditions, including receipt of all the regulatory approvals required by the competent entities in Israel and Jordan, and approval of the development plan for the Leviathan reservoir by the Leviathan Partners.

B. Alon joint venture

1. On August 12, 2014, the Commissioner informed the partners that the Karish and Tanin natural gas reservoirs in the 366/”Alon C” and 364/”Alon A” licenses, respectively, are a discovery as defined in the Petroleum Law.

2. Agreement with the Antitrust Authority regarding the Karish and Tanin natural gas reservoirs

On March 27, 2014, a consensual decree was signed in accordance with section 50B of the Antitrust Law, 1988 ("the Agreement"), replacing the decision regarding a restrictive arrangement between the partners in the Leviathan reservoir, whereby the Limited Partnerships and Limited Noble Energy Mediterranean ("the Sellers") will sell all their holdings in the 366/Alon C license in the area of the Karish natural gas reservoir and all their holdings in the 364/Alon A license in the area of the Tanin natural gas reservoir ("the Asset"), subject to several conditions, including the following: the Sellers' undertaking to sell their holdings in the Asset to a party that is not related to any of them or to the other partners in the Tamar and Leviathan reservoirs, no later than the date set out in the Agreement; an option not to sell the condensate rights in the asset to a potential buyer but to a third party; and the Sellers may retain the right to royalties from any oil sales from the Asset, at a rate that will not exceed that set out in the agreement out of the consideration received for the sale of oil produced by the Asset. The Seller's rights will be sold without an obligation to pay royalties from the Asset to related parties, therefore the Sellers and royalty holders will be required to reach agreements for distribution of the consideration from the sale of the Asset.

The agreement is subject to the approval of the Commissioner of Petroleum Affairs and the Antitrust Tribunal. It is noted that as of the approval date of the financial statements, the Sellers are negotiating with varies parties for the sale of their rights in the Asset.

C. Michal and Matan joint venture (Tamar and Dalit leases)

1. Letter of intent to export natural gas from the Tamar project:

On May 5, 2014, the Tamar partners and Union Fenosa Gas SA ("UFG") signed a non-binding letter of intent ("the Letter of Intent") under which the parties confirmed their intent to negotiate an agreement for the supply of natural gas from the Tamar project to UFG, for use in UFG's liquefaction facilities in Egypt ("the Binding Agreement"). Subsequent to the balance sheet date, on November 5, 2014, the Tamar partners and UFG agreed to extend negotiations which are in the advanced stages towards completion and signing of the agreement. The Letter of Intent includes a number of commercial terms for the proposed transaction, which will be used as the basis for negotiations on the terms of the Binding Agreement. The estimated scope of the Binding Agreement is for annual supply of 4.5 BCM, for a period of 15 years. The gas will be supplied at the point to be determined on the Israel- Egypt border. The price of gas in the Letter of Intent is similar to the prices in other agreements for export of gas from Israel and is mainly based on linkage to Brent oil prices and includes a minimum price. Gas supply under the Binding Agreement (if it is signed) will require the Tamar partners to significantly expand supply capacity from the Tamar project. In this context, the operator is reviewing, among other issues, possible expansion so that the annual processing capacity of the production system will reach up to 20.4 BCM with an annual supply capacity of 16 BCM for the local market (as of the reporting date, the annual maximum capacity for gas supply of the Tamar project is 10 BCM. After adding the compressors and related auxiliary systems, the annual gas supply capacity of the Tamar project is expected to reach 12 BCM).

Expansion of production capacity is planned to include up to three additional production wells that will be connected to the production system, another supply pipeline from the Tamar field to the Tamar platform, and upgrade of the Tamar and Mari B platforms. In addition, a pipeline will be installed from the Tamar platform to the UFG facilities in Egypt. The Tamar partners and UFG will share the installation and operation costs, such that the Tamar partners will cover installations costs up to a point to be determined at the Israel-Egypt border, and UFG will cover installation and operation costs for the pipeline from this point up to UFG's facilities. Based on the initial estimate, and assuming the Binding Agreement will be signed, and in accordance with the planned timetable, gas supply is planned for 2017. The Tamar partners estimate that the share of the Tamar partners in the cost of expanding supply capacity as described above, and for installing and operating the pipeline, is between USD 1.5 billion and USD 2 billion (100%) (the share of the Limited Partnerships is USD 468 million-USD 624 million). It is clarified that there is no certainty that the Letter of Intent will materialize, in whole or in part, in the manner set out above or in any other manner, and it may materialize in a way that is significantly different to the above description. In particular, there is no certainty that the parties will reach an agreement on the terms of the Binding Agreement. It is further noted that the Binding Agreement will be subject to obtaining all the required approvals under Israeli and Egyptian law, to the extent required, and the fulfillment of all the preconditions set out in the Binding Agreement.

2. On July 22, 2014, the partners in the Tamar I/12 lease ("the Applicants" and "the Tamar Lease", respectively) filed a petition at the High Court of Justice regarding the non-approval of the Commissioner of Petroleum Affairs ("the Respondent") for development of the Tamar South-West reservoir by connecting it to the existing facilities of the Tamar project ("the Petition" and "the Tamar SW Reservoir", respectively).
The Petition mainly includes a motion for an order nisi against the Respondent, instructing him to explain why the plans for development of the Tamar SW Reservoir were not approved. Another hearing of the Petition has been set for Monday, December 1, 2014. The Respondent's refusal to approve the Tamar SW development plan is probably because the Tamar SW Reservoir covers a small part of the 353/Eran license ("the Eran License"), in which some of the partners in the Tamar Lease held rights, which expired despite their application for an extension. Following the Respondent's decision not to extend the “Eran” License, on October 3, 2013, the holders of the rights appealed to the Minister of National Infrastructures, Energy and Water Resources, who dismissed the appeal on August 10, 2014. Further to the Minister's decision, on November 17, 2014, subsequent to the balance sheet date, the Limited Partnerships and the other Eran License partners filed a petition at the High Court of Justice, which includes mainly a motion for an order nisi against the Minister of Energy and the Commissioner, ordering them to explain why the Minister of Energy's decision, which dismisses the appeal, was not reversed.

NOTE 4: INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (CONTD.)

C. Michal and Matan joint venture (Tamar and Dalit leases) (contd).

3. On October 17, 2014, the Tamar partners and Dolphinus Holdings Limited signed a non-binding letter of intent ("the Letter of Intent" and the "Buyer", respectively) in which the parties confirmed their intent to conduct exclusive negotiations for an agreement for the supply of natural gas ("the Binding Agreement") from the Tamar project to the Buyer through the existing gas pipeline operated by East Mediterranean Gas Ltd. ("the EMG Pipeline") for exclusive marketing to customers in Egypt. The Letter of Intent includes several commercial terms for the proposed transaction, which will be used as the basis for negotiating the Binding Agreement. Under the Binding Agreement, there will be a daily supply of up to 250,000 MMBtu for seven years. The gas will be supplied on an interruptible basis of quantities of surplus gas available to the Tamar partners from the Tamar project, however the Tamar partners undertake to supply a minimum cumulative quantity of 5 BCM over three years, subject to the daily limitation set out above and to the supply limitations of Israel National Gas Lines Ltd. ("INGL"). The parties intend to transport the gas through the INGL pipeline to Ashkelon and from through the EMG pipeline to Egypt. To the best of the Limited Partnerships' knowledge, the gas to be purchased by the Buyer will mainly be supplied to industrial consumers in Egypt. However, since the supply is on an interruptible basis, the Buyer is not bound to purchase minimum quantities. The Tamar partners estimate that if the Binding Agreement is signed and its preconditions are fulfilled, the Buyer will purchase a significant part of the above cumulative minimum quantity. The price of gas in the Letter of Intent is similar to the prices in other agreements for export of gas from Israel and is mainly based on a formula that includes linkage to Brent oil prices and includes a minimum price. It is clarified that the Letter of Intent is not binding and the potential transaction described above is subject to completion of negotiations between the parties and the signing of the Binding Agreement, and there is no certainty that the Letter of Intent will materialize, in whole or in part, in the manner set out above or in any other manner, and it may materialize in a way that is significantly different to the above description. In particular, there is no certainty that the parties will reach an agreement on the terms of the Binding Agreement. At this stage, the parties estimate that the Binding Agreement will be subject to several preconditions, including receipt of all the required approvals from the authorities in Israel and Egypt and reaching an arrangement between the Buyer and EMG that will allow the Buyer to transport the gas through the EMG pipeline.

4. Further to Note 16C(3) to the Annual Financial Statements, on June 30, 2014, the Tamar project partners and the Yam Tethys Project partners agreed to extend the date set out in the memorandum of understanding for storage in the Mari B reservoir (which was set for June 30, 2014), to July 15, 2014.
   Up to July 15, 2014, the Mari B reservoir had not been used for storage, and accordingly, the parties made a cash settlement for revenue from the sale of natural gas from the Tamar reservoir to Yam Tethys project customers between May 1, 2013 and June 30, 2014, in accordance with the principles set out in the memorandum, whereby subsequent to the balance sheet date, the Tamar partners were paid USD 77 million (100%). The net effect of this accounting for the reporting period on the operating results attributable to equity holders of the Company is an expense of NIS 27 million. It is noted that in September 2014, the Commissioner demanded payment of USD 5.6 million (the Limited Partnership's share) for royalties for price differences arising from the market value of gas produced from the Tamar reservoir in respect of this memorandum of understanding, which was paid subsequent to the balance sheet date. The Limited Partnerships are assessing their legal options in respect of the above.

5. Further to Note 16M(1) to the Annual Financial Statements, as of the balance sheet date, the decision of the Antitrust Commissioner regarding the application for an exemption from approval of the restrictive arrangement filed by the Tamar partners has not yet been received. However, the Tamar partners received letters of abstention from enforcement up to January 29, 2015 from the Antitrust Commissioner, for the agreements for natural gas supply from the Tamar project to Bazan Ltd., private electricity producers, industrial customers, and companies that market natural gas.

NOTE 4: INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (CONTD.)

D. Block 12, Cyprus

1. Further to Note 16G to the Annual Financial Statements, Noble Energy International Ltd. ("the Operator") informed the Limited Partnerships that it had received notice from the Cypriot Minister of Energy regarding the decision of the Council of Ministers of Cyprus to approve the second extension of the Block 12 license, by virtue of the production sharing contract ("the Production Sharing Contract"), for two years, until May 23, 2016 ("the Second Extension Period". In the Second Extension Period, the partners in the Block 12 License are obligated to drill another exploration well (beyond the borders of the Aphrodite discovery) by October 23, 2015. If another exploration well is not drilled in the Second Extension Period, the Republic of Cyprus will be entitled to forfeit the guarantee of USD 6 million (100%), which the Operator provided in favor of the Republic of Cyprus for all of the partners in Block 12, subject to the Production Sharing Contract. In accordance with the terms of the Production Sharing Contract, in view of this extension, the area of the Block 12 License was reduced by 25%.

2. The Partnerships in the license, together with the Cypriot government, are reviewing the option of exporting natural gas from the Aphrodite natural gas reservoir in Block 12 to Egypt through a pipeline.

3. Updated resource appraisal for the Aphrodite Reservoir

   Further to Note 16D to the Annual Financial Statements, subsequent to the balance sheet date, in November 2014, the Limited Partnerships announced that in accordance with information received from the operator, mainly based on data from the “Aphrodite 2” well in the “370/Ishai” field, NSAI prepared an appraisal of the contingent natural gas and condensate resources classified as development pending in the Aphrodite reservoir as of September 30, 2014, which are between 132.5 BCM (high estimate) and 53.4 BCM (low estimate) and the condensate reserves in the Aphrodite finding classified as contingent resources as of September 30, 2014, which are between 10.3 million barrels (high estimate) and 3.1 million barrels (low estimate). This appraisal of the contingent natural gas and condensate resources in the Aphrodite Reservoir is partially based on geological, geophysical, engineering, and other information received from the operator, from wells drilled in the reservoir and from wells drilled in nearby reservoirs. These estimates are the professional estimates and assumptions only of NSAI, for which there is no certainty. The estimates for actual quantities of natural gas and/or condensate produced may be different from these estimates and assumptions, partly due to technical and operational conditions and/or regulatory changes and/or the supply and demand conditions in the natural gas and/or condensate market and/or commercial conditions and/or from actual performance of the reservoir. The estimates and assumptions may be revised if additional information becomes available and/or as the result of a range of factors related to oil and natural gas exploration and production projects.

E. Yam Tethys joint venture

Following the decrease in production capacity from the Noa reservoir in the reporting period, a decrease for some of the investments in the Noa reservoir was recorded. The share attributed to the Company's shareholders in the attributable expense for the decrease amounted to NIS 15 million.

F. Extension of the license validity

Further to Note 16E(5) to the Annual Financial Statements, in September 2014, the Limited Partnerships announced the following:

1. The validity of the 364/”Alon A” and 366/”Alon C” licenses was extended to May 1, 2015. The validity of the 367/”Alon D” was extended to December 31, 2014.
2. The validity of the 360/”Ruth C” license was extended to February 28, 2016, subject to the work plan that was prepared.
3. The validity of the 351/Hannah license was extended to December 14, 2014.
4. The Minister of Energy informed the Limited Partnerships and the partners in the 337/Avia, 338/Keren, 367/Alon E, and 361/Ruth D licenses that he had decided to dismiss the appeal filed by the license partners against the Commissioner's decision not to extend these licenses. In view of the Minister of Energy's decision, the Partnership and the other partners in these licenses are exploring their legal options for exercising their rights in respect of the licenses.

NOTE 4: INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (CONTD.)

G. Guidelines for providing collateral for oil rights

Further to Note 16(O) to the Annual Financial Statements regarding the guidelines of the Commissioner of Petroleum Affairs for providing collateral for oil rights, on September 17, 2014, the Commissioner announced revised guidelines. In the event of non-compliance with the guideline, the Commissioner may forfeit the guarantee and may regard this as non-compliance with the work plan. In this publication, the Commissioner included a requirement for insurances for all the onshore and offshore licenses and for the leases. The Commissioner requires the license or lease holder to submit an annual summary of the insurance policy, however the Commissioner determined that the contents of the summary and its submission method will be set out in future guidelines to be issued on this subject, and these have yet to be issued. In October 2014, the Limited Partnerships, through the Operator, requested a meeting with the Commissioner to clarify the insurance requirement. In November 2014, the Commissioner informed the Limited Partnerships that the Limited Partnerships and their partners in the various projects are required to deposit autonomous bank guarantees in a cumulative amount of USD 62.5 million (for 100% of the rights) for the Tamar, Dalit, Ashkelon, and Noa leases and for the Hannah, Ruth C, Alon A, and Alon C licenses (the share of the Limited Partnerships is USD 23 million, by November 30, 2014 for the licenses, and by December 21, 2014 for the leases. In his announcement, the Commissioner stipulated that on submission of the guarantees for the Tamar and Dalit leases, the guarantees deposited by the Limited Partnerships and their partners in the leases will be returned to them (NIS 135 million for the Tamar lease and NIS 5 million for the Dalit lease, for 100% of the rights; the share of the Limited Partnerships is NIS 42 million).

H. Issue of debentures

On May 19, 2014, the issue of debentures by Delek and Avner (Tamar Bond) Ltd. ("the Issuer") was completed. The Issuer is a special purpose company (SPC) held equally by the Limited Partnerships, according to which debentures amounting to USD 2 billion were issued. The Issuer provided the issue proceeds as loans to the Limited Partnerships, in equal shares between them, back to back with the terms of the debenture ("the Loan"). It is emphasized that the Limited Partnerships are not guarantors for each other and each is liable for repayment of its Loan.

The debentures were issued in five different series, as follows:

	Amount USD million	Fixed interest	Repayment date
Series 1	400	2.803%	December 2016
Series 2	400	3.839%	December 2018
Series 3	400	4.435%	December 2020
Series 4	400	5.082%	December 2023
Series 5	400	5.412%	December 2025

On May 15, 2014, the Issuer received approval from the Tel Aviv Stock Exchange Ltd. ("the TASE") to list the debentures on the TACT-Institutional.
In the transaction, the Issuer and the Limited Partnerships undertook, among other things, that if withholding tax is applicable for the amounts payable to a foreign resident, in accordance with the debenture terms, then subject to certain exceptions that were defined, the Issuer and/or the Limited Partnerships, as the case may be, will pay additional amounts as required so that the foreign resident will receive the same net amount as the amounts that the foreign resident would have received, had no tax withholding been required. In this context, it is noted that on March 27, 2014, the Limited Partnerships received approval from the Tax Authority that the debentures that will be traded on the TACT-Institutional system of the TASE are debentures that are traded on the stock exchange in Israel in respect of section 9(15D) of the Income Tax Ordinance (for an exemption from tax on interest paid to a foreign resident on debentures traded on the TASE) and section 97(B2) of the Ordinance (for an exemption from tax for a foreign resident on capital gains in the sale of debentures traded on the TASE), subject to the terms set out in the Tax Authority's approval and the provisions of the Income Tax Ordinance and the relating regulations.

NOTE 4: INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (CONTD.)

H. Issue of debentures (contd.)

As collateral for payment of the debentures, the Limited Partnerships pledged their rights in the Tamar project, and mainly the rights of each one of the Limited Partnerships in the Tamar I/12 lease (the “Tamar Lease”), agreements for the sale of gas and condensate, the joint operating agreement between all Tamar project partners and the parties’ rights in the joint equipment (including the platform, wells, facilities, production system and additional equipment), the agreement for right of use of the Yam Tethys facilities, bank accounts (which include the accounts used for the Limited Partnerships’ revenues from the sale of gas and condensate from the Tamar project), insurance policies (with the exception of liability insurance) for the Tamar project assets, and the Issuer’s shares (jointly below: ("the Collateral” or "the Pledged Assets”).
The Collateral for repayment of the debentures is from the Tamar project, without any guarantees or collateral unrelated to the Tamar project. However, until certain conditions are fulfilled, or four years from the issue date of the debentures, whichever is later, the debenture holders will have a right of recourse to other assets of the Limited Partnerships for one half of the amount that the Limited Partnerships will withdraw from the pledged accounts. The debenture holders’ right of recourse is limited both in amount and to assets that have not been pledged by the Limited Partnerships (limited recourse). It is noted that the pledges are subject to the state’s royalty rights and to the rights of other royalty holders who are entitled to receive royalties from the Limited Partnerships (including interested parties), and that pledges are registered in favor of the royalty holders on the Limited Partnerships' rights in the Tamar Lease to secure the undertaking to pay the royalties, which will be valid until repayment of the debentures.
As part of the transaction, the Issuer and the Limited Partnerships assumed several covenants towards the debenture holders, including the following covenants: restrictions on additional pledges on the pledged assets and their sale; restrictions on a merger or restructuring as set out in the issue documents; restrictions on amending or revising the joint operating agreement, the agreement for use of the facilities or agreements for the sale of gas, as set out in the issue documents; expansion of the debenture series or taking additional debt secured by the pledged assets, subject to compliance with several conditions; an undertaking to track the rating of the debentures by the international rating agencies that rated the debt. In addition, restrictions and conditions for withdrawal of the surplus cash flow from the Tamar project were defined.
The Issuer and the Limited Partnerships undertook, in certain cases, to indemnify the representatives that undertook to buy the debentures following the pricing process, in the event of a breach of representations provided by the Issuer and/or the Partnerships. In addition, events of default were defined, which if they occur, the trustee for the debentures will be entitled (and in the case of a demand of one quarter of the debenture holders will be obligated) to call for immediate repayment of the unpaid balance of the debentures. The main events are as follows: (1) non-payment of principal or interest; (2) breach of representations; (3) breach of covenants; (4) events of insolvency of Israel Electric Corporation Ltd. (“IEC”) or of the operator of the Tamar project or of one of the Limited Partnerships, if the same constitute a significant deterioration (as defined) and subject to certain conditions and qualifications; (5) early termination of the gas supply agreement with IEC, the joint operating agreement or the agreement for right of use for the Yam Tethys project facilities with the Limited Partnerships, if the same constitutes a significant deterioration, and subject to certain conditions and qualifications; (6) an event of default by IEC under the gas supply agreement with IEC, which constitutes a significant deterioration, and subject to certain conditions and qualifications; (7) abandonment or suspension of operation of the Tamar project for 15 days consecutive days, which is expected to constitute a significant deterioration; (8) damage to the Tamar project (including physical damage, revocation of a license or transfer of the Limited Partnerships' rights by the State of Israel) which constitutes significant deterioration and which is not remedied, in certain cases; (9) revocation of approval relating to the Tamar project by the State of Israel, which is expected to constitute a significant deterioration and subject to a remedy period of 30 days; (10) withdrawal of the debenture rating for a certain period; (11) cross default of another financial liability in an amount exceeding USD 50 million; (12) any of the issue documents expire, or the validity of collateral with an aggregate value exceeding
USD 50 million expire; (13) an unappealable judgment to pay an amount exceeding USD 50 million, which was not settled after 90 days. In the event of insolvency (as defined in the deed of trust), the debentures will automatically be called for immediate repayment (in certain cases, only if not paid within 90 days).

NOTE 4: INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (CONTD.)

H. Issue of debentures (contd.)

It is clarified that the Limited Partnerships may sell up to 9.6% (together) of their rights in the Tamar lease (meaning, up to 3% of the total rights in the Tamar lease), without the duty of partial early repayment of the debentures and without receiving any approval from the trustee or debenture holders.
Each one of the Limited Partnerships has the right to prepay all or part of the loan, at any time, subject to a prepayment fee. Early repayment following events set out in the debenture will not be subject to a prepayment fee.
The Limited Partnerships used the issue proceeds (less raising expenses) mainly for repayment of the project financing and the bridge loan of USD 1 billion, as set out in Note 16I to the Annual Financial Statements, for the deposit of safety cushions (of USD 50 million for each one of the Limited Partnerships), and the balance mainly to finance the operating activities of the Limited Partnerships, including the expected investments in the Limited Partnerships' oil assets in Israel. It is further stated in this regard that as part of the Petroleum Commissioner's approval for the Limited Partnerships to pledge their rights in the Tamar lease , it was determined, among other things, that the debenture proceeds will be earmarked for credit to the Limited Partnerships to repay the balance of their previous loans in respect of the Tamar lease, a safety cushion for the debenture issue, activities in the areas in which they were granted oil rights under the Petroleum Law, and distribution of an amount that will not exceed USD 100 million for each partnership. It is further noted that a certain period before any repayment date of the principal of a debenture series, the Issuer is required to accrue moneys in the pledged account in preparation for the upcoming principal payment date.
In preparation for raising the above and to hedge the changes in the interest rates expected to apply to the debentures, the Limited Partnerships entered into interest rate swap hedge transactions ("the Hedge Transactions"). The Hedge Transactions, amounting to USD 500 million for each Limited Partnership, were carried out in accordance with the projected repayments that correspond to the debenture repayments, which were finalized at the raising date. The Limited Partnerships completed the Hedge Transactions at the pricing date of the debentures, which preceded completion of the raising, for an additional payment of NIS 45 million for each partner. The share of the Company's shareholders in the expense attributable to the Hedge Transactions entered into by the Limited Partnerships, as set out above, amounted to NIS 50 million.

I. On May 14, 2014, the Limited Partnerships and Leviathan Project partners ("the Leviathan Partners") received a copy of a petition filed at the High Court of Justice, which includes a motion for an order nisi and an interim injunction by the Israeli Society for Sustainable Economics against the Minister of National Infrastructures, Energy and Water Resources, the Commissioner, and against the partners in I/14 Leviathan South and I/15 Leviathan North leases (“the Leases”), including the Limited Partnerships. The petition refers to certain sections in the Lease and the procedure for granting the Leases As part of the interim injunction, the High Court of Justice was asked to order the Minister and the Commissioner to refrain from granting export permits until a ruling on the petition has been handed down.
On May 25, 2014, the Leviathan partners, through their legal counsel, filed their response to the interim injunction. On May 27, 2014 the Court dismissed the motion for an interim injunction, and recorded the state's announcement (in response to the motion for an interim injunction), whereby if a decision is made to grant export permits under the leases, notice will be filed at the Court at least ten days prior to granting the permit. The hearing of the petition is scheduled for December 8, 2014, before a panel of three judges and the partners will file their response to the petition no later than two weeks prior to this date. The Limited Partnerships estimate, based on the opinion of their legal counsel, that it is unlikely that the petition will be accepted.

NOTE 5: CONTINGENT LIABILITIES

There are contingent claims against the Company and certain investees for significant sums, including certification for class actions that might reach hundreds or billions of shekels. In some cases, it is not possible to assess their outcome at this stage, and therefore no provision was recorded in the financial statements, as set out below (see Note 31A to the Annual Financial Statements).

A. Further to Note 31A(4) to the Annual Financial Statements, several law suits amounting to several hundred millions shekels have been filed against Gadot Biotechnical Industries Ltd., a wholly-owned subsidiary of the Company, and others, with regard to Gadot's activity in the Kishon River area .

B. Further to Note 31A(1) to the Annual Financial Statements, contingent claims have been filed against Delek Israel, its investees and others, amounting to significant sums that could reach several hundred million or 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.

C. Further to Note 31A(3) to the Annual Financial Statements, several lawsuits have been filed against The Phoenix, its investees and others, including motions for certification of class actions, amounting to significant sums (for further information see the reports of The Phoenix, which are available to the public).

D. Further to Note 31A (7) the Annual Financial Statements, in April 2014, the District Court dismissed the motion for certification as a class action against the Company and its subsidiary, Cohen Development and Industrial Buildings Ltd. ("Cohen Development"), regarding the procedure for acquiring control in Cohen Development. In June 2014, an appeal and application for a repeat hearing was filed.

E. On May 20, 2014, a claim and motion for certification as a class action was filed against the Company, the chairman of the board of directors and the CEO of the Company, for impairment of the value of the shares of the subsidiary Delek Energy Systems Ltd. The relief requested in the class action is financial compensation estimated at NIS 100 million. The management of the Company estimates, based partially on the opinion of its legal counsel, that in view of the preliminary stage of the proceeding, the outcome or risks of the motion cannot be assessed at this stage, therefore a provision for this motion was not included in the financial statements.

F. On June 18, 2014, the Limited Partnerships received a claim and motion for its certification as a class action, which was filed at the Central District Court against the partners in the Tamar Lease, including the Limited Partnerships. According to the applicant, the partners in the Tamar lease abused their monopoly power regarding the selling prices of natural gas from the Tamar reservoir to Israel Electric Corporation ("the Motion" and "the Class Action", respectively). The relief sought in the class action includes financial relief which the applicant estimates at NIS 2.5 billion (against all the Tamar partners), an order requiring the partners in the Tamar lease to refrain from selling natural gas from the Tamar reservoir in an amount that exceeds the amount set out in the class action, and an order declaring that the sale in an amount that exceeds this amount is an abuse of market monopoly status. The Limited Partnerships believe, based on the opinion of its legal counsel, that the likelihood that the claim will be certified as a class action is less than 50%, therefore a provision for this was not included in the financial statements.

NOTE 6: DIVIDENDS

A. On March 30, 2014, the Company declared a dividend of NIS 160 million, which was distributed on April 24, 2014 (the dividend per share is NIS 13.6278).

B. In August, 2014, the Company declared a dividend of NIS 150 million, which was distributed on September 29, 2014 (the dividend per share is NIS 12.776).

C. Subsequent to the balance sheet date, in November 2014, the Company declared a dividend of NIS 150 million (the dividend per share is NIS 12.776).

NOTE 7: OPERATING SEGMENTS

A. General

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

The Group has the following operating segments:

- Oil and gas exploration and production: The main operation is in the Tamar joint venture, the Ratio Yam joint venture, the Yam Tethys joint venture, and other oil rights, mainly offshore the coast of Israel.

- Fuel 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.

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

- Other: The main operation is investment in infrastructure, including mainly desalination and establishment of power stations, trading in derivatives through Barak Capital and the biochemical operation that includes mainly production and marketing of fructose, citric acid and ingredients for nutritional additives.

- Automotive and spare parts: The main operation is importing and marketing of Mazda, Ford and BMW vehicles and spare parts.

It is noted that following the classification of the operating results of Delek US, DEBV, Republic, and Roadchef under income (loss) from discontinued operations, these companies and their operations are no longer presented as reportable segments. For comparative purposes, these operating results were not presented as reportable segments also when classified as discontinued operations. In addition, in view of the disposal of these companies, the Company started to review the reportable segments in accordance with their contribution to the net income from continuing operations attributable to the Company's shareholders. Following this change, there was no change in the Company's reportable segments.

NOTE 7: OPERATING SEGMENTS (CONTD.)

B. Segment reporting

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2014	2013 *)	2014	2013 *)	2013 *)
	Unaudited				Audited
	NIS million				
Revenues from external sources					
Oil and gas exploration and production	1,014	921	397	383	1,283
Fuel in Israel	4,493	4,948	1,519	1,628	6,492
Insurance and finance in Israel	9,011	9,110	3,169	3,457	12,589
Other segments	379	365	124	128	486
Revenues from external sources	14,897	15,344	5,209	5,596	20,850

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2014	2013 *)	2014	2013 *)	2013 *)
	Unaudited				Audited
	NIS million				
Operating income					
Oil and gas exploration and production	547	282	203	177	415
Fuel in Israel	66	109	17	45	126
Insurance and finance in Israel	582	893	259	210	1,143
Other segments	37	(1)	14	(3)	(18)
Adjustments	(477)	(42)	(54)	(7)	(221)
Operating income	755	1,241	439	422	1,445

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2014	2013 *)	2014	2013 *)	2013 *)
	Unaudited				Audited
	NIS million				
Contribution to net gain from continuing operations					
Oil and gas exploration and production	63	46	38	41	70
Fuel in Israel	39	30	(5)	16	34
Insurance and finance in Israel	187	296	71	59	368
Automotive	95	108	44	24	125
Other segments	35	(23)	33	2	(28)
Adjustments	(679)	(462)	(109)	(129)	(732)
Net earnings from continuing operations attributable to equity holders of the Company	(260)	(5)	72	13	(163)

*) Restated, see Note 2D

Chapter D

Report on the Effectiveness of Internal Controls for Financial Reporting and Disclosure