

August 26, 2021

**Delek Group reports record results for H1/2021 – with a net profit of ILS 581 million and an increase in the key financial parameters**

**The Group's net profit in Q2 soared by 192% to ILS 302 million, compared with a loss of ILS 326 million in Q2/2020**

- **Ithaca's net profit in the quarter soared by 127% to ILS 217 million, compared with ILS 102 million year-over-year;**
- **Delek Group's revenues in Q2 amounted to some ILS 1.744 billion, compared with revenues of ILS 1.452 billion year-over-year;**
- **During the second quarter, until the date of release of the reports, the Group completed activities that brought in over ILS 1.6 billion in cash;**
- **The company is working to carry out a capital restructuring at Ithaca by the close of 2021, including listing Ithaca's shares on the London Stock Exchange**
- **Idan Wallace, CEO of Delek Group said: "The strong results in Q2 are further proof of the quality of the Group's core assets"**

Delek Group today, Thursday, August 26, 2021, released its financial statements for Q2/2021, which indicate that the net profit in H1/2021 soared to some ILS 581 million, compared with a loss of some ILS 3 billion in H1/2020. Q2/2021 saw a sharp rise in net profit to ILS 302 million, compared with a loss of ILS 326 million year-over-year. The Group's revenues in H1/2021 amounted to ILS 3.7 billion, compared with revenues of ILS 3.3 billion in H1/2020. In Q2, revenues amounted to ILS 1.744 billion, compared with ILS 1.452 billion year-over-year.

During the quarter, the Group continued decreasing its net financial debt, such that the net financial debt of the company and the HQ companies was ILS 4.1 billion as of June 30, 2021, compared with ILS 4.3 billion as of December 31, 2020, down some ILS 217 million. The Group's equity as of June 30, 2021 was ILS 2.31 billion, compared with ILS 2.09 billion as of December 31, 2020, up some ILS 226 million, mainly due to the Group's profitability and equity offerings made during the report period.

The company recorded a profit of ILS 177 million from continuing operations in Q2/2021, compared with profit of ILS 113 million year-over-year. In H1/2021 profit of ILS 484 million was recorded from continuing operations, compared with profit of ILS 286 million year-over-year.

### **Energy business in Israel – sharp increase in export from Leviathan**

The Delek Drilling business (54.7%) continued producing strong results also in the current quarter. Revenues from gas sales in Israel net of royalties increased by some 58% to some ILS 786 million in the quarter, compared with revenues of some ILS 498 million year-over-year. The increase derived mainly from a sharp increase in producing of gas from Leviathan, with an annual pace of 10.8 BCM, compared with a production forecast of 10.2 BCM in 2021. During the report period, export to Egypt increased from 0.4 BCM to 1.6 BCM, and sales to the Israeli market increased from 1.9 BCM to 2.6 BCM. The increase derived mostly from a sharp increase in the production of gas from Leviathan, with an annual pace of 10.8 BCM, compared with a production forecast of 10.2 BCM in 2021. During the report period, export to Egypt increased from 0.4 BCM to 1.6 BCM, and sales to the Israeli market increased from 1.9 BCM to 2.6 BCM. In total, exports to Jordan and Egypt accounted for 53% of the total Leviathan sales in H1/2021. In view of the scope of production from the Leviathan reservoir and the demand therefor, the operator recommended to the partners to bring forward the drilling of another production well to early 2022.

The contribution to the profit in Q2 was ILS 174 million, compared with a loss of ILS 211 million year-over-year, mainly due to the sharp rise in sales from Leviathan (from 1.5 BCM to 2.8 BCM). In H1/2021 the contribution amounted to some ILS 340 million, compared

with a loss of ILS 53 million, mainly due to the contribution of Leviathan, as aforesaid (from 3.1 BCM to 5.5 BCM).

As reported in April 2021, and further to the MOU signed then, Delek Drilling is working to promote the signing of a binding sale agreement for the sale of its holdings (22%) in the Tamar reservoir to Mubadala Petroleum for \$1.1 billion.

**North Sea energy business – net profit soared in the quarter by 127% to ILS 217 million**

Ithaca, which is wholly-owned by Delek Group, reported a surge in the net profit and revenues from the sale of gas and oil in the North Sea in Q2/2021. Net profit soared by 127% in the quarter to ILS 217 million, compared with ILS 102 million year-over-year. Ithaca reported revenues of ILS 959 million, compared with revenues of ILS 971 million year-over-year. The stability in the cash flow from operating activities was due to the increase in oil and gas prices compensating for the decrease in production, which was mainly due to scheduled shutdowns during the quarter. In the six-month period, the contribution to the profit amounted to ILS 358 million, compared with a loss of some ILS 2.3 billion year-over-year.

Ithaca's average daily production in H1/2021 was 56.4 thousand KBoed, compared with 72.8 thousand BOE/D year-over-year. The production performance in Q2/2021 was affected by a scheduled summer shutdown of the joint pipeline system. The average cost of production per barrel in Q2/2021 amounted to some \$18, compared with an average cost of production per barrel of \$15 year-over-year.

During the quarter, Ithaca continued reducing its financial debt. Ithaca's net financial debt decreased by some \$200 million in H1/2021, and amounted to \$1.01 billion as of June 30, 2021. The decrease in the financial debt is attributed to a decrease in the RBL withdrawals, which continued to decrease to some \$520 million as of June 30, 2021.

After the balance sheet date, in July 2021, Ithaca successfully completed a refinancing of a total amount of \$1.850 billion, in connection with Reserve Based Lending (RBL) of \$1.255 billion, maturing in 2026, and a new bond series of \$625 million, also maturing in 2026. Shortly after completing the refinancing, Ithaca paid a shareholder loan provided to

it by Delek Group in the sum of some \$0.25 billion (\$250 million), and prepaid (ahead of maturity in 2024) the existing bond series of \$500 million.

During the report period, Ithaca received approval from the local oil and gas authority and started the second stage of development of the Captain reservoir, while using polymers intended to accelerate the production of oil from the reservoir. The second stage includes the drilling of up to 10 additional wells, as well as the laying of subsea pipelines and expansion of the production facility. The project is for several years, and according to the plan will enable to significantly increase production from the reservoir from 2024 for several years. During the report period Ithaca also submitted an application to approve the development plan for the Abigail reservoir, located in the GSA region. Approval is expected to be received in Q3/2021, and production from the reservoir is expected to commence in Q3/2022.

After the report period, on August 24, 2021, Ithaca reported that following indications of petroleum signs found in a well drilled by Ithaca in the Fotla reservoir, which is 60% held by Ithaca, a decision was made to increase the drilling budget by £7.3 million (Ithaca's share – some £4.4 million) to continue the appraisal drilling in the reservoir located in the English North Sea.

**Other activities – ILS 57 million additional profit from the disposal of Delek Israel, and recognition of some ILS 90 million profit from the Phoenix seller loan**

During the report period, the Group completed the measurement of the value of the investment in Delek Israel as of the date of sale of control (October 2020), as a result of which the profit from the disposal of Delek Israel increased by some ILS 57 million.

In March 2021, the Group signed an agreement for the sale of land in Akko for some ILS 200 million, subject to resolatory conditions. Until the date of the reports, approx. ILS 50 million were received from the buyer in escrow.

The balance of the loan provided by Delek Group to the buyer of the Phoenix amounted to some ILS 236 million as of June 30, 2021. The seller's loan, the contingent consideration components and other consideration adjustments are measured in the financial statements at fair value through profit or loss. The net fair value of these instruments as of June 30,

2021 amounted to some ILS 199 million. Consequently, in the report period the Company recognized profit of approx. ILS 90 million which is presented under profit from discontinued operations.

**Financial position – Incoming cash flow of some ILS 1.65 billion for the Group in Q2**

In Q2/2021, until the balance sheet date, the Group successfully completed several significant processes which brought in some ILS 1.65 billion in cash. These processes included raising new Bond Series II, for a sum total of some ILS 770 million (without linkage), backup up by participation units at a ratio of 1:1 and bearing interest of 7.2%. The principal will be paid in 5 annual (unequal) payments starting from December 31, 2023, repayment of an Ithaca shareholder loan in the sum of \$0.25 billion (\$250 million), and capital raising of some ILS 80 million.

In view of moves successfully completed by the company, the company requested of the bondholders to amend the Indenture so as to enable it, when it has all the necessary payments, to prepay amounts due to the bondholders in the period between August 1, 2021 and March 31, 2022, ahead of the stated payment date.

**Idan Wallace, CEO of Delek Group**, said: "The strong results of the second quarter continue the positive trend since the beginning of the year, and attest to the quality of the Group's core business in the oil and gas industry. Once again we have proven that we have the ability to execute successful moves in short time frames, according to our business plans, such as the closing of the refinancing of Ithaca carried out in July, which allowed the Group, among other things, to enjoy a cash flow of some \$0.25 billion, capital raising and the issue of a new bond series for some ILS 770 million. We are continuing to work with determination as we did in the past year, and are promoting a series of additional important processes in the company, including a capital restructure of Ithaca, which will create further cash flows and unlock value for the Group's assets".

For further details, contact Delek Group spokesman, Together:

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