

March 30, 2022

**Delek Group releases its 2021 annual report -**  
**Record profit of ILS 1.4 billion in 2021, compared with a**  
**loss of ILS 1.8 billion in 2020;**

**The Group's revenues in 2021 amounted to some ILS 8**  
**billion (compared with ILS 6.6 billion in 2020);**

**Surge in Ithaca's fair value as of December 31, 2021 to some**  
**\$3.1 billion (excluding the value of the Marubeni**  
**transaction, closed in Q1/2022);**

- Ithaca closed 2021 with EBITDAX of over \$1 billion (compared with \$745 million in 2020);
- The operating profit for 2021 surged to ILS 4.63 billion, compared with a loss of ILS 94 million year-over-year;
- During the past year, and after the balance sheet date, the Group made bond prepayments of approx. ILS 2.1 billion;
- Over the year, the Company presented a continued decrease in the (net) financial debt of some ILS 0.5 billion, from ILS 4.3 billion on December 31, 2020 to ILS 3.8 billion as of December 31, 2021.

**Idan Wallace, CEO of Delek Group: "We intend to use the historic**  
**momentum in the energy market to unlock value at Delek Group**  
**from its core assets".**



Delek Group



**Delek Group** today, Wednesday, March 30, 2022, released its financial statements for Q4 and Y2021, which show that the Group's net profit for 2021 surged to ILS 1.432 billion, compared with a loss of ILS 1.8 billion year-over-year.

The continued good performance of the Group's core assets in the oil and gas industry led to an increase in the Company's revenues to some ILS 8 billion (ILS 7.973 billion) in 2021, compared with revenues of ILS 6.67 billion year-over-year.

The operating profit in 2021 increased to ILS 4.63 billion, compared with a loss of ILS 94 million year-over-year.

Revenues in Q4/2021 amounted to ILS 2.26 billion, compared with ILS 1.63 billion in the same quarter last year, and the net profit in Q4 was ILS 628 million, compared with a net profit of ILS 1.1 billion in the same period last year (which resulted primarily from a one-time revenue of some ILS 900 million recorded by the Group in 2020, from the recovery of impairment of Ithaca's oil and gas assets).

**Idan Wallace, Delek Group CEO**, said: "2021 was an excellent year for Delek Group with peak results in all of the Group's core activities. The Company's strong financial results speak for themselves and are proof of the Group's successful business year. We intend to use the historic momentum in the global energy markets to promote our strategy for 2022, which centers around the leading business processes which will strengthen the Group's core assets: Ithaca, which operates in the Northern Sea, and NewMed Energy, which operates in the Mediterranean, and to unlock value for Delek Group".

### **Energy business in the Northern Sea – surge in holdings value and net profit**

Ithaca, which operates in the Northern Sea and is wholly owned by the Group, closed 2021 with a net profit of \$400 million, compared with a loss of \$286 million in 2020. Ithaca's total revenues in 2021 amounted to some \$1.470 billion in 2021, compared with \$1.176 billion in 2020. In Q4/2021, revenues amounted to some \$486 million, compared with \$285 million in Q4/2020.

Ithaca's EBITDAX increased by some 40% in 2021 to approx. \$1.036 billion, compared with \$745 million year-over-year, in view of the sharp increase in oil and gas prices,



Delek Group



and despite the decline in the daily production in 2021 to some 56 thousand BOE/D, compared with 66 thousand BOE/D in 2020.

The reason for the decrease, among others, was large-scale maintenance work carried out in the summer of 2021 in the transmission system, as well as maintenance work postponed from 2020 due to the Covid pandemic. From the balance sheet date until the date of release of the reports, Ithaca's production has been around 70,000 per day. The cost of production in 2021 was about \$18 per barrel, compared with \$16 per barrel in 2020, mainly due to the decline in the daily production in 2021.

During the report period, Ithaca received approval from the local oil and gas authority and commenced performance of the second stage of development of the Captain reservoir, in the polymer injection method, designed to accelerate the production of oil from the reservoir. The multi-year project is intended to enable significant increase of the production from the reservoir from 2024, for several years.

In addition, the production of the Abigail reservoir, located in the GSA region, is expected to commence in 2022.

In July 2021, Ithaca completed a successful refinancing of \$1.850 billion, which included reserve-based credit facilities (RBL) of some \$1.255 billion, due by 2026, and a new bond series of \$625 million, maturing in 2026.

Shortly after completion of the refinancing, Ithaca repaid a shareholder loan provided to it by the Delek Group of some \$250 million and prepaid the previous bond series in the sum of \$500 million (instead of in 2024).

**As of December 31, 2021, Ithaca's debt due to the RBL facilities amounted to \$350 million only** (excluding the LCs provided in connection with the future decommissioning liabilities).

In November 2021, Ithaca signed an agreement for acquisition of the entire shares (100%) of a Japanese owned company Marubeni Oil and Gas, which operates in the Northern Sea. Marubeni's main assets and liabilities include, *inter alia*, a ~41.3% interest in petroleum assets in the MonArb region (an area with 9 producing oil fields), as well as additional petroleum assets, accrued tax losses of some \$1.6 billion (as of



Delek Group



December 31, 2020), cash accrued by the Company from January 1, 2021 (the effective date of the transaction), and decommissioning liabilities.

The non-contingent consideration in the agreement for the acquisition of the assets was \$140 million, of which \$70 million were paid on the transaction closing date, offset against the cash accrued in the company. Another \$70 million will be paid as deferred consideration in July 2025. In addition to the non-contingent consideration, the agreement provides for further consideration of up to \$225 million, contingent on the future activity in the petroleum assets of the acquired company. After the balance sheet date, in February 2022, the transaction was closed and joined the series of significant steps taken by the Company as part of its strategy to expand and develop its operations in the Northern Sea in the U.K., as well as to support the increase of the production capacity and diversification of the Company's assets, as part of the preparations for capitalization of Ithaca

Ithaca's reports were accompanied by a current resources report for the petroleum assets of Marubeni Oil and Gas, prepared by NSAI worldwide, whereby the total quantity of 2P reserves of oil and natural gas in the petroleum assets of the acquired company, as of December 31, 2021, is approx. 23,407 MBOE (the company's share), and the discounted cash flow from such reserves, with a cap rate of 10%, according to the assumptions underlying the cash flow, is some \$404.6 million.

The annual statements of Delek Group were also accompanied by a fair value assessment for Ithaca carried out by an independent appraiser (Duff & Phelps), whereby **Ithaca's value (net of debt) as of December 31, 2021 has raised to some \$3.1 billion**, compared with a value of \$1.878 billion as of December 31, 2020. The ~\$1.23 billion increase reflects a 72% rise in Ithaca's value, based on the energy prices in the markets as of the end of 2021, and excluding the additional value of the Marubeni transaction, which Ithaca closed in Q1/2022.



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### **Energy operations in Israel – record year in natural gas sales**

The positive trend of NewMed Energy (formerly Delek Drilling), which is about 54.7% held, continued also in 2021, with the net profit attributed to the shareholders of the Group amounting to some ILS 362 million, compared with some ILS 117 million in 2020. In Q4/2021 the net profit attributed to the Group's shareholders was about ILS 58 million, compared with ILS 43 million in the same quarter last year. The main increase in the net profit reported by the Partnership arises from an increase in the quantities of natural gas sold both to the domestic market and to Egypt and Jordan.

The revenues of NewMed Energy (as included in the Group's results) rose in 2021 to a record ILS ~3.23 billion, up some 20% from the 2020 revenues of ILS ~2.667 billion. Revenues in Q4/2021 amounted to ILS 725 million, compared with ILS 685 million year-over-year. In the report period, the EBITDA increased to ILS 2.659 billion, from ILS 2.238 billion year-over-year.

Some 10.7 BCM of natural gas were sold from the Leviathan reservoir this year, compared with 7.3 BCM in the previous year. 57% of the sales from the Leviathan reservoir were to Egypt and Jordan.

Concurrently with export through the EMG pipeline, natural gas from Leviathan began to flow to Egypt last month also through the Jordanian transmission infrastructure. The use of this infrastructure will allow for a significant increase of the natural gas quantities supplied to customers in Egypt.

In 2021, the Partnership distributed profits of \$286 million, of which the Group's share was ~\$155 million (some ILS 480 million). Of this amount, the Group received about ILS 345 million in the report period, and the rest after the balance sheet date.

### **Fuel business in Israel**

During the report period, the contribution of the companies Delek Israel and Delek Israel Properties to the net profit attributed to the Company's shareholders amounted to some ILS 63 million. During the report period, Delek Israel distributed a dividend, with the Company's share amounting to about ILS 38 million.



Delek Group



After the report period, Delek Israel released a draft prospectus for the offering of shares on the Tel Aviv Stock Exchange.

**Strengthening of the Group's financial profile in 2021: Prepayments of ILS 2.1 billion, an exchange tender offer, reduction of the (net) financial debt and increase of the Group's rating**

During the report period, the Company's management completed a series of significant steps according to its strategic plans, which boosted the Group's financial profile. Such steps included, among other, prepayments to the bondholders, during 2021 and after the balance sheet date, of some ILS 2.1 billion, and completion of the exchange tender offer (replacement of Series 31 with Series 34) in the sum of some ILS 832 million par value of Series 31, thus extending the duration of the said debt by another two years.

These significant steps helped the Group reduce its (net) financial debt by some ILS 500 million, to ILS 3.8 billion as of December 31, 2021, from a (net) financial debt of ILS 4.3 billion as of December 31, 2020.

The significant improvement in the Group's financial profile led to the publication by rating agency Midroog of the Moody's Group, in November 2021, of a rating for the Group's bonds of Baa3.il stable. In December 2021, credit rating agency S&P Maalot increased the Group's credit rating to BBB- with a stable outlook.

Gabi Last, will end his term as chairman of the Delek Group starting at the end of the first quarter and will continue to serve as chairman of New-Med Energy (Delek Drilling). Udi Erez will serve as temporary chairman.

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