

May 24, 2022

Record results for the Delek Group in Q1/2022

Net profit of ILS 2.5 billion in Q1

- The Group's revenues in Q1 were ILS 3.1 billion, compared with ILS 1.9 billion year-over-year;
- Ithaca's net profit surged to \$785 million, versus \$43 million in the same quarter last year;
- The average daily production at Ithaca increased to 71 thousand barrels per day, versus and average production of 56 thousand barrels per day in 2021;
- The operating profit surged to ILS 3.4 billion, compared with an operating profit of ILS 0.9 billion in the same quarter;
- Ithaca ended the first quarter with an EBITDAX of \$474 million, versus \$221 million in the same quarter;
- As of March 31, 2022, the Delek Group's equity was ILS 4.3 billion, versus ILS 2.6 billion on December 31, 2021.

Idan Wallace, Delek Group CEO: "We are releasing record results for the Delek Group for Q1/2022, with a net profit of ILS 2.5 billion and a surge in all of the Group's financial parameters. The results demonstrate the strength and standard of the Group's core assets. Ithaca and NewMed Energy are experiencing tremendous momentum, among other things thanks to the strong demand and high energy prices, a trend which is also continuing into the second quarter of the year. Our clear goal is to continue to maintain the positive momentum in the Group's operations, and as soon as possible to carry out Ithaca's IPO in London, which will unlock further significant value for the Delek Group and its shareholders".

The Delek Group, which is led by Idan Wallace, released its financial statements for Q1/2022 today, Tuesday May 24, 2022, from which it transpires that the Group's net profit surged in Q1/2022 to ILS 2.5 billion, compared with ILS 279 million in the same quarter last year. The Company's revenues were ILS 3.066 billion in the quarter, versus ILS 1.91 billion year-over-year. The operating profit surged to ILS 3.4 billion, versus an operating profit of ILS 871 million year-over-year. The increase in energy prices led to a twofold increase in profit to ILS 745 million, compared with ILS 373 million in the same quarter last year, before one-time expenses and revenue, capital gains and financing. The Group's equity at the end of the quarter totaled ILS 4.3 billion, compared with ILS 2.6 billion as of the end of 2021.

Strengthening the Group's financial profile – Prepayment and completion of an exchange tender offer

During Q1, the company's management completed a series of significant operations in accordance with its strategic plan, which led to the strengthening of the Group's financial profile. These operations included, among other things, prepayments made to bond holders (Series 18 and 19) in an amount of approx. ILS 385 million. In addition, the Group completed the exchange tender offer (exchanging from Series 31 to Series 34) in an amount of approx. ILS 832 million par value for Series 31, which led to an increase of the average duration of such debt for a period of two additional years.

Energy operations in the North Sea – Record profits; increase in the daily production and the preparation for an IPO

Ithaca, which operates in the North Sea, ended Q1/2022 with a net profit of \$785 million, versus \$43 million year-over-year. Ithaca's total revenues for the quarter amounted to approx. \$745 million, compared with \$345 million in the same quarter last year.

Ithaca's EBITDAX surged in Q1/2022 and amounted to approx. \$474 million, versus \$221 million year-over-year, among other things due to the increase in output in Q1/2022 alongside the increase in gas and oil prices. The output during the report period amounted to approx. 6.3 million barrels, versus approx. 5.9 million barrels in the same period last year. The average daily output in the quarter was 71 thousand barrels of oil equivalent per day (MBOE/d), versus 65 MBOE/d year-over-year and approx. 56 thousand barrels per day on average in 2021.

In Q1/2022, Ithaca signed a number of opportunity transactions in the energy market in the North Sea, in realization of Ithaca's strategy to increase and extend its production profile as part of the operations intended to promote Ithaca's IPO on the London Stock Exchange in 2022.

Accordingly, in February 2002 Ithaca closed the acquisition of the Japanese company Marubeni Oil and Gas (U.K.) Limited. According to the NSAI report which the company released, on December 31, 2021 Marubeni had 2P reserves of approx. 23.4 million barrels of oil equivalent per day (MMBOE). The discounted cash flow of the said reserves, at a cap rate of 10%, amounts to a total of approx. \$404.6 million.

The Group has consolidated the assets, liabilities, and results of the operations of Marubeni in the financial statements since the transaction closing date. In the report period, Ithaca recognized an opportunity profit from the Marubeni transaction in the sum of approx. \$601 million, mainly based on Marubeni's significant accrued losses for tax purposes, as well as on the result from the increase in gas and oil prices which occurred by the date of the closing of the transaction.

In February 2022, Ithaca engaged in an agreement with Sumitomo Corporation to purchase 100% of the share capital of Summit Exploration and Production Limited. The acquired

company owns gas and oil producing assets. The closing of the transaction is contingent, among other things, on the closing conditions stipulated in the purchase agreement.

After the balance sheet date, on April 7, 2022 Ithaca engaged in an agreement to purchase (100%) Siccar Point Energy Limited, which own various interests of varying rates in producing in oil and gas assets and commercial discoveries in the North Sea area. Siccar Point's oil and gas assets include estimated 2P and 2C oil and gas reserves in a total amount of approx. 253 MMBOE, of which approx. 53 million barrels are 2P. With the closing of the transaction, Ithaca's total 2P and 2C reserves are expected to increase to total of approx. 573 MMBOE, including Marubeni's assets.

The transaction is expected to increase Ithaca's daily production capacity by approx. 8,000-9,500 barrels per day on average, and to move Ithaca's daily production into the range of 75,000-85,000 barrels per day. Alongside the gas and oil assets, Siccar Point has approx. \$3 billion in accrued tax losses. The non-contingent consideration set forth in the agreement for all of the acquired company's share capital is a sum of approx. US \$1.1 billion, subject to standard adjustments, which will be paid on the transaction closing date. Ithaca intends to finance the consideration by using Ithaca's existing and usable reserve-based credit facility (RBL) available for withdrawal, and cash which Ithaca and the acquired company expect to accrue, starting from January 1, 2022 until the transaction closing date. In addition, a contingent consideration was also stipulated as part of the transaction, which can reach up to \$360 million with the fulfillment of certain conditions. The Delek Group is not undertaking any obligation in connection with the performance of the transaction.

The acquisition of Siccar Point is part of Ithaca's strategy to expand and develop its operations in the North Sea of Britain, and to increase its production capacity and the diversification of its assets portfolio. Ithaca intends to merge the operations of the acquired company and to continue to develop the acquired asserts as part of its preparation towards an IPO in 2022. To Ithaca's estimation, subject to the closing of the transaction, considering its production quantities and forecast oil and gas prices, Ithaca's EBITDAX in 2022 is expected to reach a sum of approx. \$2 billion.

Energy operations in Israel – 2.7 BCM in sales from Leviathan; 67% of which to Jordan and Egypt

The positive trend in the results of NewMed Energy (approx. 54.7% held) also continued into Q1/2022, with the Group's share in the net profit amounting to approx. ILS 141 million, compared with a net profit of approx. ILS 166 million year-over-year. The disparity between the two quarters derived from, among other things, the fact that the year-over-year results included the revenues from the Tamar project, the sale of which was closed in December 2021, and also due to an ILS 13 million depreciation for the Ofek well (the Group's share).

The production from the Leviathan reservoir totaled approx. 2.7 BCM this quarter, while there was an increase in export to Egypt and Jordan which in Q1/2022 amounted to approx. 67% of the total sales from the Leviathan reservoir. The net revenues in Q1 totaled approx. \$211 million, versus \$184 million in the same quarter last year, an increase of approx. 15%.

In its reports, the Partnership reported that it adopted a decision, together with its partners in the Aphrodite reservoir in Cyprus, to engage with a drill ship to drill the first development and production well in the reservoir.

After the balance sheet date, in May 2022, the Partnership reported on the distribution of a dividend in an amount of \$50 million, with the Group's share totaling approx. \$27 million.

Fuel operations in Israel – distribution of an ILS 50 million dividend

During the report period, the contribution of Delek Israel and Delek Israel Properties to the net profit attributable to the Company's shareholders is approx. ILS 3 million.

After the report period, Delek Israel announced a dividend distribution of approx. ILS 50 million, and the Group's share of such amount is approx. ILS 12.5 million.

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