



Paz Oil Company Ltd. Presents **Q1/2020 Financial Results**

Paz Group:

- **Reported net loss in Q1/2020 totaled NIS 97 million; Adjusted net income totaled NIS 8 million in Q1/2020**
- **Reported EBITDA totaled NIS 85 in Q1/2020; Adjusted EBITDA totaled NIS 210 million**
- **FCF totaled NIS 206 million in Q1/2020**
- **As of May, there has been a considerable recovery in fuel consumption in the economy, which the company estimates in June/2020 may reach a level similar to that of June last year**
- **The Company's Board of Directors approved a share re-purchase plan for the Company's shares of up to NIS 200 million and a dividend distribution of NIS 60 million.**

Yakum, Israel, May 25, 2020 – Paz Oil Company Ltd. (TASE PZOL), Israel's leading Energy and Retail Group and a supplier of a third of Israel's fuel products, today reported its consolidated results for the first quarter ended 2020.

Paz Group's financial standing is strong. The group's shareholder equity as of March 31, 2020 totaled to NIS 3.5 billion, approximately 30% of the consolidated balance sheet. The company has positive cash flows from operating activities totaling NIS 257 million for Q1/2020.

The spread of the COVID-19 has exacerbated the decline in refining margins, oil prices and sales volumes. Negative refining margins were recorded in April and the company estimates that the improvement in the refining margin environment will be slow. The Retail and Wholesale segment saw a significant drop in fuel sales - starting in the second half of March and April-May 2020. At the same time, there was a very sharp decline demand that has continued for aviation fuels. The Yellow Convenience Store Chain maintained strong sales volume at similar levels to the corresponding quarter last year. At the same time, the company worked on several levels to reduce operating expenses as much as possible in order to moderate the decline in profits, including by reducing rents in the complexes it leases, reducing payments to suppliers, producing lower volumes at the refinery, furloughing workers and more.

The impact of COVID-19 also continued into the second quarter of 2020, and in some areas of the company's operations - more comprehensively and sharply than in the first quarter, while in May there appears to be a trend of returning to consumption levels in the same period last year. Nevertheless, the company cannot assess the full impact of the spread of the virus on its full financial results in the future, given the uncertainty surrounding the impact of the outbreak on private consumption, fuel and distillate demand, traffic volumes, travel and aviation in the near future and a possible second wave of the corona pandemic.

Additionally, the Company's Board of Directors approved a distribution of a dividend of NIS 60 million. In addition, the Board of Directors approved a share re-purchase plan for the Company's shares in the coming year, amounting to up to NIS 200 million.

In addition, the company reported on the Company's Board of Directors decision to consider various alternatives in connection with the refining sector. To that end, the Company has recently contracted with international consultants, and the Company's Board of Directors has instructed to advance the examination of the alternatives, with their assistance, including examination of options in the world of buyers and sellers of refineries in the world, while at the same time formulating practical steps to implement the relevant alternatives.



Management Comment

Nir Sztern, CEO of Paz Group commented, "The recovery in the economy is noticeable and is exemplified by the increase to over 90% of the average amount of fuel consumption in the second half of May, and we expect that in June we will be close to the normative levels. The company recorded strong cash flow from operating activities totaling NIS 257 million Q1/2020 while the S&P Maalot credit agency affirmed the company's iLAA-/Stable rating in April, reflecting its assessment that Paz will maintain a stable business profile and market leadership

The first quarter of 2020 reports were impacted by a significant decline resulting from the implications spread of the coronavirus. During the quarter, there was a significant decline in refining margins, oil prices and sales volumes in the refinery division. The declines reached a low in April with margins reaching negative levels.

During the course of the corona-crisis, we continued to operate in advancing parts of the strategic plan through improvement real estate assets and the signing of cooperation between Paz's Yellow convenience store chain and the Wolt food-delivery company. We are currently furthering the implementation of the strategic plan in additional ways in organizational moves and identifying business opportunities to expand operations through acquisitions and /or collaborations. At the same time, we were preparing to reduce expenses and payments in order to address the decline in sales volumes.

Main Highlights of the Results

The Company's **adjusted** net income for Q1/2020 totaled NIS 8 million compared to NIS 68 million in Q1/2019. The decrease is due to a decrease in the refining segment, mainly due to low refining margins due to the corona-crisis.

The Company's **reported** net loss for Q1/2020 totaled NIS 97 million compared to reported net income of NIS 85 million in Q1/2019.

Retail and Wholesale Segment

Reported operating income for the Retail and Wholesale segment in Q1/2020 totaled NIS 35 million, compared to NIS 70 million in Q1/2019. The decrease is mainly due to a loss on hedging of NIS 28 million in inventory hedging transactions as well as a decrease in the volume of fuel sales due to the corona-crisis. Excluding non-recurring hedging effects, adjusted operating income for the first quarter of 2020 totaled NIS 63 million in Q1/2020.

Real Estate Segment

The Real Estate segment operating income was NIS 25 million in Q1/2020 compared to NIS 28 million in Q1/2019.

Industries and Services Segment (includes the subsidiaries Pazgas, Paz Lubricants and Pazkar and Paz Aviation Services and Assets). The Industries and Services segment operating income was NIS 77 million in Q1/2020 compared to NIS 70 million in Q1/2019, a 10% increase. The operating income of Pazgas totaled NIS 57 million compared to NIS 43 million, an increase of 16% compared to the Q1/2019 thanks to an increase in LPG sold in the winter season.

Refining Segment

The adjusted operating loss of the Refining segment totaled NIS 82 million in Q1/2020 (reported operating loss of NIS 179 million) compared to an adjusted operating loss of NIS 24 million in Q1/2019 (the reported operating loss in Q1/2019 totaled NIS 4 million). The decrease is primarily due to the decrease in the refining margin and a decrease in the quantities sold due to the coronavirus outbreak.



The following table presents (**reported**) operating income according to segments (NIS million):

	Q1/2020	Q1/2019	Change
Paz – retail and wholesale	35	70	-50%
Paz- real estate	25	28	-11%
Paz – industries	77	70	10%
Paz – refineries	179-	4-	-4375%

The following table presents (**adjusted**) operating income according to segments (NIS million):

	Q1/2020	Q1/2019	Change
Paz – retail and wholesale	63	70	10%-
Paz- real estate	25	28	11%-
Paz – industries	77	70	10%
Paz – refineries	82-	24-	-242%

The following table presents the condensed (**reported**) statement of income (NIS million):

	Q1/2020	Q1/2019	Change
Revenues	2,827	3,132	10%-
Gross profit	209	413	49%-
Operating income	64-	145	144%-
EBITDA	85	283	70%-
Financial expenses (income)	40	33	21%
Net income (loss)	97-	85	214%-

The following table presents the condensed (**adjusted**) statement of income (NIS million):

	Q1/2020	Q1/2019	Change
Revenues	2,827	3,132	10%-
Gross profit	334	393	15%-
Operating income	61	125	51%-
EBITDA	210	263	20%-
Financial expenses (income)	40	33	21%
Net income (loss)	8	68	88%-

Below are select balance sheet data (NIS million):

	31.03.2020	31.12.2019
Cash	2,122	1,388
Inventories	626	959
Fixed and other assets and investment property	5,661	5,714
Shareholders' equity	3,479	3,568
Total balance sheet	11,496	11,297

Contact Information:

Omri Arens

Investor Relations and Credit Risk Manager, Finance Division

Paz Oil Company, Ltd.

Office: +972-9-8930656

omriar@paz.co.il



DISCLAIMER:

The information presented in this press release is presented solely for the convenience of the reader and does not constitute a basis for making any investment decisions or any recommendation or opinion nor is it a substitute for the exercise of judgment by an investor or a potential investor. This press release is presented in a condensed format only and in order to receive a full picture of the Company's operations, the reader is referred to the Company's full reports as submitted to the Securities Authority and to the Stock Exchange.

The Company has included in this press release forward-looking information, as defined in the Securities Law, 1968, in relation to itself and to its investees. Inter alia, such information contains forecasts, objectives, evaluations and estimates, which relate to future events or matters, whose realization is not certain and which are not under the Company's control. Forward-looking information does not constitute a proven fact and it is based solely on the Company's subjective evaluations. When making such assumptions, the Company relied, inter alia, on the analysis of general information available to it at the time of preparing this report, including publicly available information, research work and surveys, which did not contain a commitment as to the correctness or the completeness of the information therein and whose correctness has not been independently tested by the Company. In addition, the realization and/or the non-realization of the forward-looking information will be affected by factors that cannot be evaluated in advance and which are not under the Company's control, including the specific risk factors underlying the Company's operations, as detailed in the periodic report, as well as developments in the general environment and in external factors that affect the Company's operations. Accordingly, even though the Company believes that its expectations, as they appear in this press release, are reasonable, there can be no certainty that the Company's actual results in the future will be in accordance with said expectations, but rather, they may differ from the expectations presented in the forward-looking information presented in this report.