



## **Paz Oil Company Ltd. Presents** **Q2/2020 Financial Results**

### **Paz Group:**

- **Adjusted net income for H1/2020 totaled NIS 16 million.**
- **Reported net loss in Q2/2020 totaled NIS 4 million;**
- **As of May 2020, there has been a gradual recovery in fuel consumption for transportation, and in June consumption reached a level of about 96% of the normal rate of consumption.**
- **Reported EBITDA totaled NIS 260 in H1/2020;**
- **Adjusted EBITDA totaled NIS 403 million in H1/2020**
- **The operating income of the Industries and Services segment in H1/2020 increased by 10% compared to H1/2019**
- **At the beginning of the month, the Paz reported that it had signed a memorandum of understanding to purchase the Super Yehuda retail chain**

**Yakum, Israel, August 19, 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 second quarter ended 2020.**

**Paz Group's financial standing is strong. The group's shareholder equity as of June 30, 2020 totaled to NIS 3.4 billion, approximately 31% of the consolidated balance sheet. The company has positive cash flows from operating activities totaling NIS 159 million for H1/2020.**

**The spread of the COVID-19** that began in the first quarter and continued in the second, caused a sharp decline in demand for oil and distillates and the global market entered a state of oversupply, which led to an increase in world oil and distillate inventory, leading to volatility in the price of oil. At the beginning of 2020 the price of the barrel was about \$ 67 and in April at the height of the crisis the price dropped to about \$ 13 per barrel and towards the end of that month a trend of price recovery began and as of the end of the second quarter of 2020 the price of oil was about \$ 42 per barrel. After the date of the report, in July and August 2020, the price of the barrel stabilized in the range of about \$ 42-45 per barrel.

The spread of the virus and isolation have also led to a sharp drop in demand for fuel consumption. As of May 2020, there has been a gradual recovery in fuel consumption for transportation and during the third quarter, demand in Israel rose to a level of about 90% -95% of the normal consumption rate (compared to the corresponding periods last year).

The YELLOW convenience store chain maintained sales volume similar to the same quarter last year during the second quarter. In April, there was a certain decrease, especially during the period of lockdown during Passover holidays, which was partially offset by an increase in the average size of the shopping basket. During the months of May and June, the sales turnover grew again compared to the corresponding months last year. Overall, during the second quarter, the company was able to offset the effect of the lockdown and the decrease in the number of visitors to the stations, by expanding the range of grocery products and complementary goods in stores, which led to an increase in the average shopping basket by 15%.



Global traffic and aviation restrictions (air and land) have led to a significant decrease in the volume of flights abroad and from abroad to Israel, and accordingly, a decrease in demand for jet fuel, so that since March 2020 there has been a significant decrease of 80% in jet fuel sales as well as in the refueling services the company provides at Ben Gurion Airport, in a manner that has adversely affected the company's results, and will continue to adversely affect as long as this situation continues (or worsens).

The company decided to grant, prior to the rule of law, relief in rent payments at the refueling complexes following inquiries from tenants and at the same time it also turned to rent relief. At the same time, Paz operated a similar manner to adjust its rent accordingly with landlords and rights holders in relevant properties from which it rents stations. In addition, the company has implemented various streamlining processes in order to reduce its expenses and improve work processes.

### **Management Comment**

**Nir Sztern, CEO of Paz Group** commented, "Although the financial statements for the first half of 2020 of Paz show a decrease in business results as a direct result of the COVID-19 crisis, an analysis of the reports will reveal that thanks to actions taken by the company to streamline and reduce operational expenses alongside measures to increase revenue and profits, it succeeded in mitigated the reduction in the Retail and Wholesale and real estate segments; In the Industries and Services segment, the company the operating income increased the profits of Pazgas, Paz Lubricants and Pazkar, which were partially offset by the decline in jet fuel demand in Paz Aviation Services and Assets. The refining segment, which was affected by the global coronacrisis, recorded the largest decrease mainly due to a decrease in the number of barrels sold due to a decrease in demand for fuels and a reduction in production volume (corresponding to a decrease in demand).

Nevertheless, and despite the company facing the challenge of lockdowns and social distancing, we began to implement our strategic plan in the first half of 2020, strengthening the retail arm by increasing the basket of products sold in convenience stores and the collaboration between YELLOW stores and WOLT delivery company. The company has contracted with international consultants to examine the sale of the refinery, and we have also signed a memorandum of understanding to purchase the Super Yuda retail chain. "

On August 10, 2020, the company signed a memorandum of understanding with Super Cheap Ben Gurion Ltd. ("Super Cheap"), which operates the "Super Yuda" supermarket chain and has wholesale operations, and with Mr. Yehuda Guetta, the controlling owner of Super Cheap, in connection with the potential acquisition of the whole Super Cheap operations. The final price for the sale will be determined in accordance with the formula agreed upon by the parties, on the basis of due diligence and negotiations to be held between the parties.



### **Main Highlights of the Results**

The Company's **adjusted** net income for Q2/2020 totaled NIS 8 million compared to NIS 24 million in Q2/2019. The decrease is due to a decrease in quantity of fuel sold due to implications of the COVID-19 crisis, mainly in the refining segment but also at the fuel stations.

The operating income of the Industries and Services segment (includes the subsidiaries Pazgas, Paz Lubricants and Pazkar and Paz Aviation Services and Assets) in Q2/2020 totaled NIS 47 million compared to NIS 43 million in Q2/2019. The increase is due to the improved profitability of Pazgas, Paz Lubricants and Pazkar which was partially offset by the decrease in profit from Paz Aviation Services and Assets.

The Company's **reported** net loss for Q2/2020 totaled NIS 4 million compared to reported net income of NIS 49 million in Q2/2019. The decrease is due mainly to the aforementioned decrease in fuel sales in the refining segment due to the coronacrisis.

The Company's **adjusted** net income for H1/2020 totaled NIS 16 million compared to NIS 92 million in H1/2019. The decrease is due to a mainly to the decrease in the price of oil between the periods and due to the decrease in quantity of fuels sold.



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

	1-6/20	1-6/19	Change	Q2/20	Q2/19	Change
Paz – retail and wholesale	92	152	39%-	57	83	31%-
Paz- real estate	48	56	14%-	23	28	18%-
Paz – industries	124	113	10%	47	43	9%
Paz – refineries	255-	25-	920%	76-	22-	

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

	1-6/20	1-6/19	Change	Q2/20	Q2/19	Change
Paz – retail and wholesale	128	152	16%-	65	83	22%-
Paz- real estate	48	56	14%-	23	28	18%-
Paz – industries	124	113	10%	47	43	9%
Paz – refineries	148-	75-	97%	66-	52-	27%

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

	1-6/20	1-6/19	Change	Q2/20	Q2/19	Change
Revenues	4,188	6,584	36%-	1,361	3,452	61%-
Gross profit	471	806	42%-	262	393	33%-
Operating income	39-	272	114%-	25	127	80%-
EBITDA	260	553	53%-	175	270	35%-
Financial expenses (income)	65	94	31%-	25	61	59%-
Net income (loss)	101-	134	175%-	4-	49	108%-

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

	1-6/20	1-6/19	Change	Q2/20	Q2/19	Change
Revenues	4,188	6,584	36%-	1,361	3,452	61%-
Gross profit	614	756	19%-	280	363	23%-
Operating income	104	222	53%-	43	97	56%-
EBITDA	403	503	20%-	193	240	20%-
Financial expenses (income)	65	94	31%-	25	61	59%-
Net income (loss)	16	92	83%-	8	24	67%-

Below are select balance sheet data (NIS million):

	30.06.2020	31.12.2019
Cash	1,791	1,388
Inventories	788	959
Fixed and other assets and investment property	5,593	5,714
Shareholders' equity	3,400	3,568
Total balance sheet	11,015	11,297



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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.