



**Investors  
Presentation**  
Q2  
2020

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DISCLAIMER



The **Leading Fuel**  
company in Israel



# #1

Market Leader

Fuel stations  
Convenience Stores  
LPG supply  
Electronic fueling devices

# ~4

NIS billion  
Value of company  
real estate portfolio



# 600K

Pazgas, largest company in its field in Israel  
with over 600K households served



Largest Convenience  
Store Chain in Israel

# 239

Yellow  
convenience stores

Largest Fuel station  
network in Israel

# 266

Fuel stations

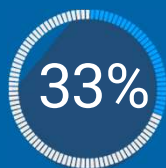
# ~150K m<sup>2</sup>

Advancing property rights with  
real estate value at 22 sites with  
potential building rights totaling  
150 thousand square meters

#1 in electronic  
fueling devices



Estimated market share\*



\*Pazomat market share is based on internal  
estimates only

# 1.3

Monthly visitors at  
stations

Buy back in 2020

NIS 200 million

Dividend

NIS 60 million

# ~1/3

Supplies 1/3 of Israel's  
refined products

Adjusted EBITDA LTM<sup>(1)</sup>

936 NIS million

Q2 2020  
NIS 193 million

Yellow Revenue LTM<sup>(1)</sup>

938 NIS million

Q2 2020  
NIS 246 million

Annual Group Revenue LTM<sup>(1)</sup>

10.3 NIS billion

Q2 2020  
NIS 1.4 billion

Paz  
Key highlights



Q2/2020

255 NIS million

Adjusted FCF\*

30.06.2020

3.4 NIS billion

Shareholder's equity

70%

Dividend Policy  
from annual net income

AA-

S&P Maalot  
Credit Rating

(1) LTM - LAST TWELVE MONTHS ended 30.06.2020

\*Adjusted FCF is calculated on the basis of cash flows from operations less net cash flows from purchase/sale of fixed and other assets and excluding changes in operating working capital and IFRS-16 impact.





## Paz's response to the COVID-19 impact on the Company

The financial strength and debt structure of Paz, along with the diversity of operating activities, enable the company to deal with the COVID-19 crisis in the best possible way.

**The lowest drop** in demand for oil was noted in April 2020 with a drop of about 50% in demand for distillates (diesel and gasoline)



**From May 2020, a recovery has been noted in demand** levels in Israel and the Company estimates that by the end of 2020 it will reach normal levels of transportation fuel consumption

### Areas of operations that are affected positively/to a small extent

#### Yellow

The Yellow Convenience Store Chain successfully overcame the corona crisis and maintained sales volumes similar to the corresponding quarter last year. In April 2020, there was a certain decrease in activity, especially during the period of lockdown of Passover. In May and June 2020, the sales volume returned to similar levels in the corresponding months last year.

In July and the first half of August 2020, significant growth in sales has been recorded compared to the same period last year.

#### Pazgas

An increase in profitability due to streamlining measures and the increase in LPG sales to the customers in the private household segment which was partially offset by a decrease in sales of LPG to the commercial segment.

#### Streamlining

Paz has carried out various streamlining processes in order to reduce expenses and enhance efficiency.

**For more information**, see section 1.5 of the Board of Directors report as of June 30, 2020.

### Areas of operations that were adversely affected

#### Retail and Wholesale fuel sales

Traffic restrictions and crowd gatherings in Israel that were tightened during the coronavirus outbreak in mid-March led to a decrease in traffic and a significant decrease in fuel demand of 50% at the public filling stations. As of May 2020, thanks to an easing of the restrictions, there was a recovery in fuel consumption such that the rate of fuel consumption during May 2020 reached about 90% and in June to a consumption rate of about 96% compared to June last year (compared to the corresponding periods last year).

Towards the end of June 2020, a second wave of COVID-19 virus began to spread in Israel and around the world. In July, the rate of fuel consumption was about 90% of the normal rate of consumption, and in the first half of August, the rate of fuel consumption was at a similar level (compared to the corresponding periods last year).

#### Refining

Decline in refining margins due to the excess supply and declining demand worldwide led to a slump in margins of gasoline, diesel and naphtha. As a result of the decline in demand in Israel and around the world, Paz Ashdod Refinery significantly reduced its production output during the second quarter of 2020 by about 30%.

#### Aviation

Restrictions on traffic and global aviation have resulted in a significant drop in flights and a sharp drop in jet fuel sales.

#### Real Estate

A decrease in commercial real estate revenue following the shutdown of some of the commercial activity in the fuel complexes.

COVID-19  
IMPACT



## Strategic acquisitions

synergistic to Paz Group

## Excellence in Retail

**The potential acquisition of the "Super Yuda" retail chain direct implementation of Paz's new strategic plan that aims to strengthen its retail arm:**

**Maximizing the value of retail complexes** through store expansion

### A Leap Forward in Digital capabilities

Today Paz's "Yellow" app has over 100,000 active users. The addition of "Super Yuda" will enable Paz to leverage its customer club even more.

### Operational Excellence

The merger of Yellow and Super Yuda will improve the optimization of the supply chain vis-à-vis suppliers and with logistics



2020-2025



## STRATEGIC PLAN IMPLEMENTATION

On 10.08.2020, the company signed a MOU 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.





OPERATING  
SEGMENTS

RETAIL AND  
WHOLESALE

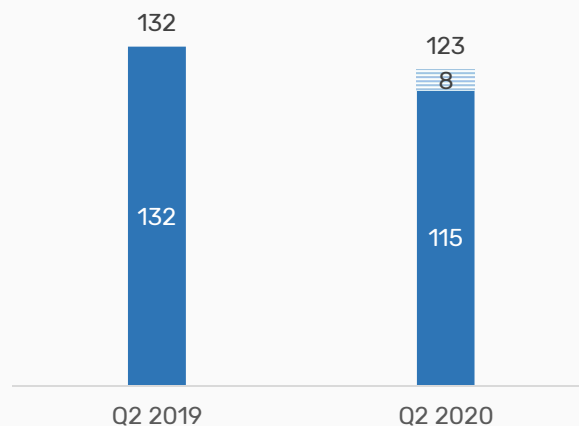






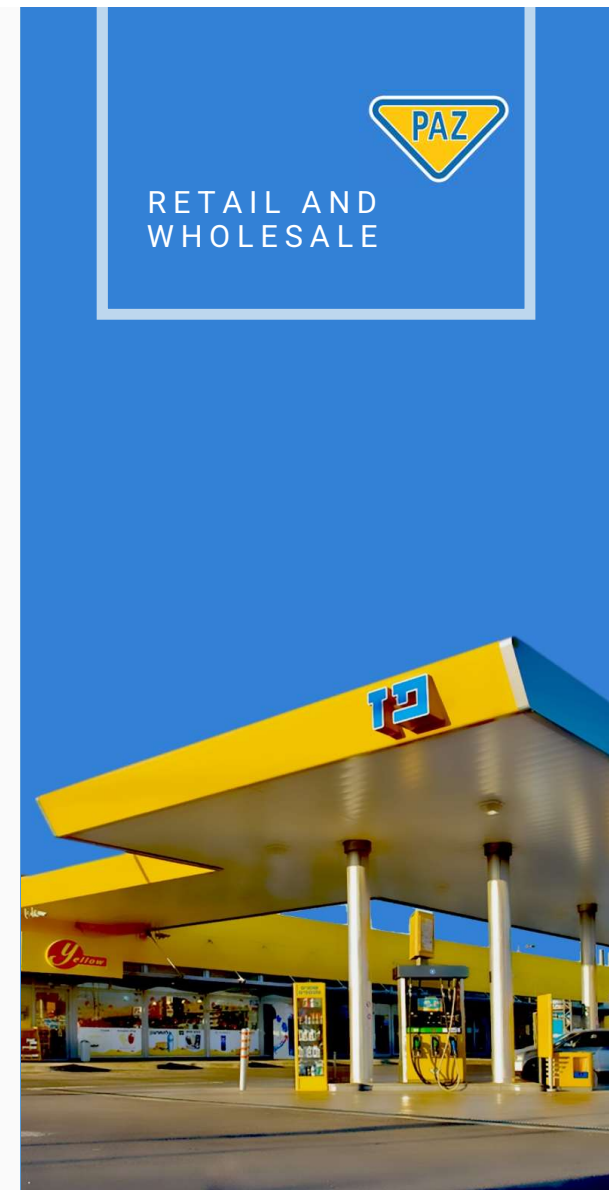
## R&W EBITDA (Quarterly) | NIS millions

Adjusted EBITDA  
 ≡ non-recurring expenses due to inventory hedging  
 ■ Reported EBITDA



**Despite a 28% decrease in transportation fuel consumption\* in Q2/2020 compared to Q2/2019 due to the COVID-19 crisis, the Retail & Wholesale segment was able to mitigate the damage thanks to cost saving measures in operating expenses and streamlining measures.**

\*Transportation fuels in the domestic market (gasoline, diesel and jet fuel for civil aviation) according to data from the Israeli Ministry of Energy (includes the Palestinian Authority).



2.8  
NIS million

Average transactions per month (2019)

6%

Average annual growth in sales between 2015-2019

**Recovery:** return to growth in Yellow revenues in July and first half of August 2020 (compared to same period last year)



The largest convenience store chain in Israel

Establishment of infrastructure for fast charging at select stations between 2020-2021

Wolt

New and successful collaboration

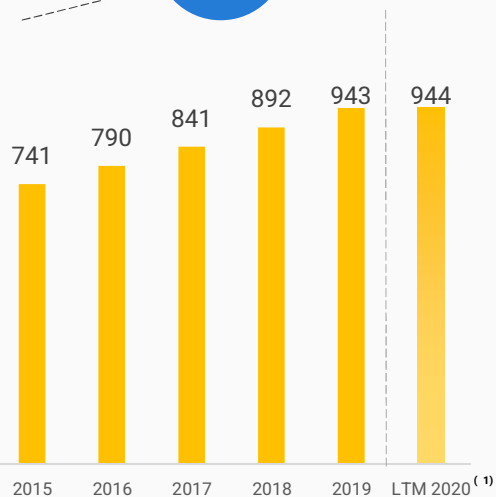


Deliveries from Yellow to home in less than an hour



Revenue (Yearly) | NIS millions

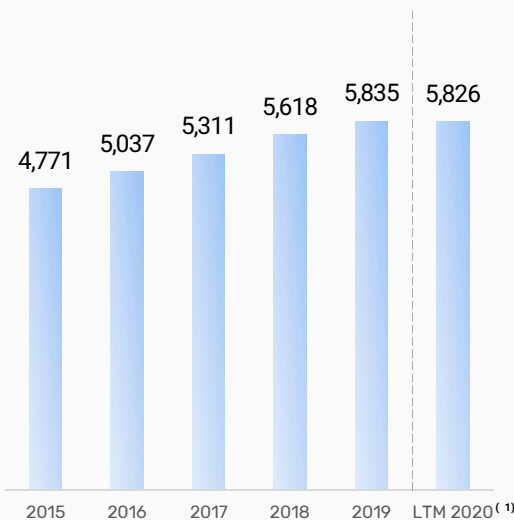
+6%  
CAGR



Same-Store growth  
(2019)  
**6.1%**



Revenue per m<sup>2</sup> | NIS thousands/month



RETAIL AND  
WHOLESALE



Yellow



(1) LTM - LAST TWELVE MONTHS ended 30.06.2020.

INDUSTRIES  
AND  
SERVICES





**Pazgas** is the largest  
LPG supplier in Israel

Market share of approx.



Average for 2019 (excluding the  
Palestinian National Authority)

Direct sales to over

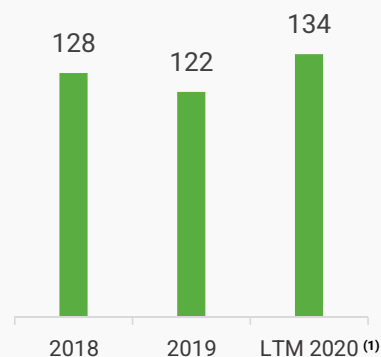
**600K + 10K**  
Private B2B  
households

Decrease in operating  
expenses and increase in LPG  
sales\* to private households  
during the COVID-19 period\*

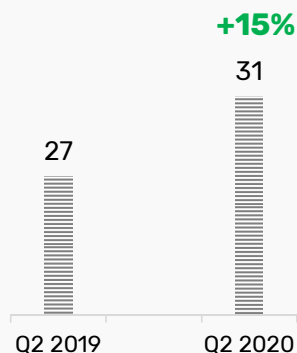
**Operating Income**  
LTM 2020 <sup>(1)</sup>

**NIS 134** million

**Pazgas Operating income (Yearly)** | NIS millions



**Pazgas Operating income (Quarterly)** | NIS millions



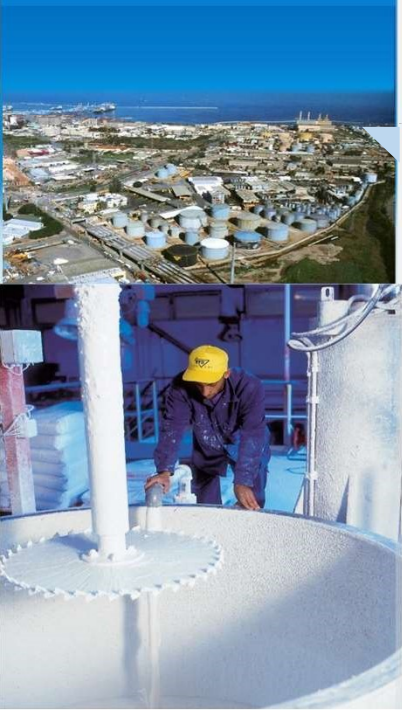
(1) LTM - LAST TWELVE MONTHS ended 30.06.2020.

\* Increase sales (tons of LPG) in Q2/2020 compared to the same period last year.

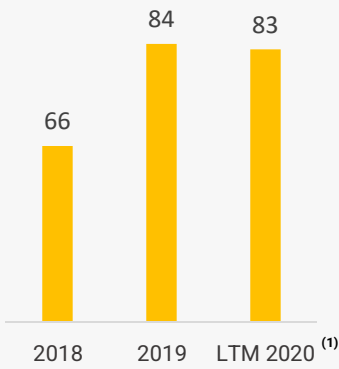




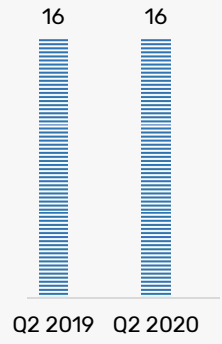
**Increase in profitability of Paz Lubricants and Pazkar offset the decrease in profits of Paz Aviation Services and Assets as a result of the decrease in demand for aviation.**



**Industries & Services** Operating income excluding Pazgas (Yearly) |NIS millions



**Industries & Services** Operating income excluding Pazgas (Quarterly) |NIS millions



( 1 ) LTM- LAST TWELVE MONTHS ended 30.06.2020.

**INDUSTRIES AND SERVICES**

 <b>Pazkar</b>	 <b>Paz lubricants</b>
 <b>Paz Aviation Assets</b>	 <b>Paz Aviation Services</b>







REFINING  
AND  
LOGISTICS





Supplies about 1/3 of distillate fuel consumption in Israel



Supplies about 45% of jet fuel in Israel\*



Over 1,000 acres (dunam) in strategic location in Ashdod



Significant storage capacity



Excess land that can be used for a variety of industrial and infrastructural activities



2 cogeneration power plants with capacity of 109MW



REFINING  
AND  
LOGISTICS



## Background



\* Jet fuel market share is based on internal estimates only.

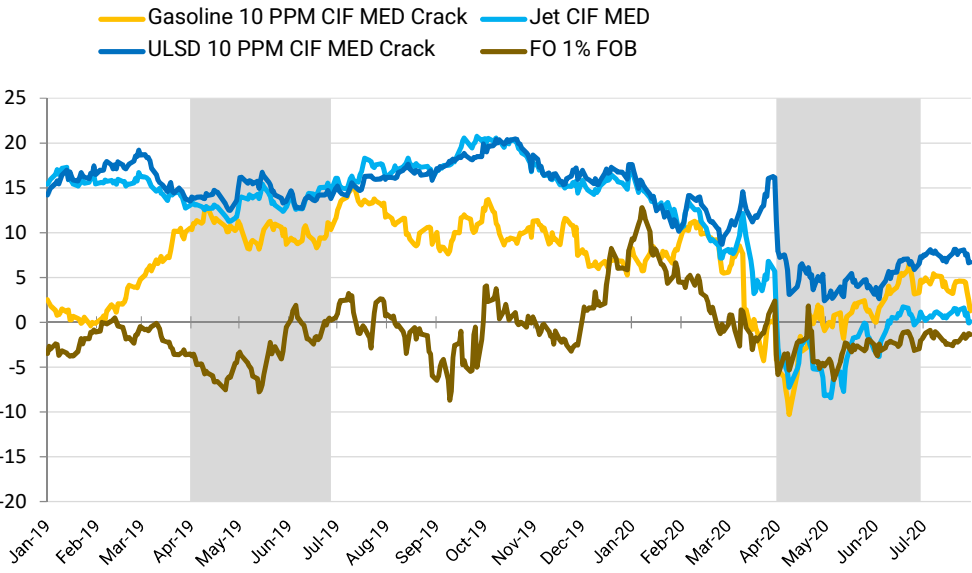




REFINING  
AND  
LOGISTICS

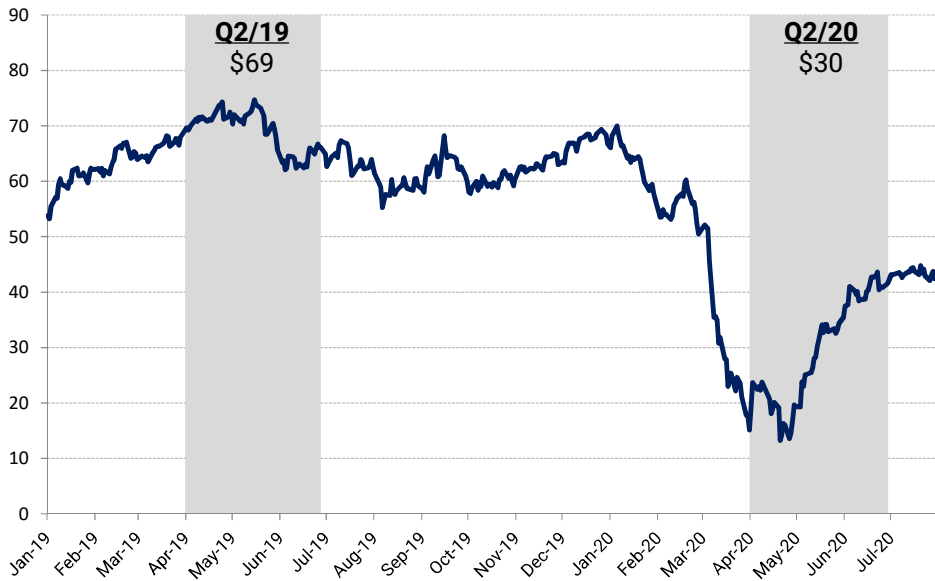
Business  
environment

Indicative product margins for the MED region (\$/bl)



Source: Platts

Dtd Brent (\$/barrel)

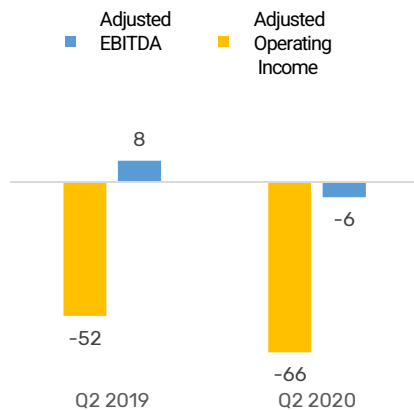


Source: Reuters

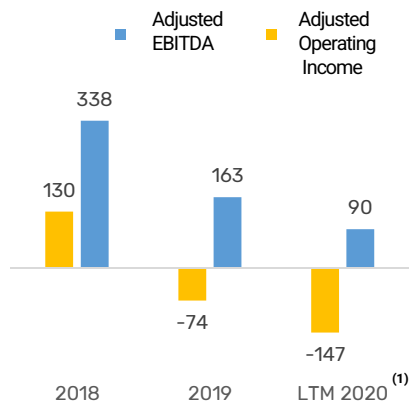




### Operating Income and Adjusted EBITDA Refining segment (Quarterly) |NIS millions

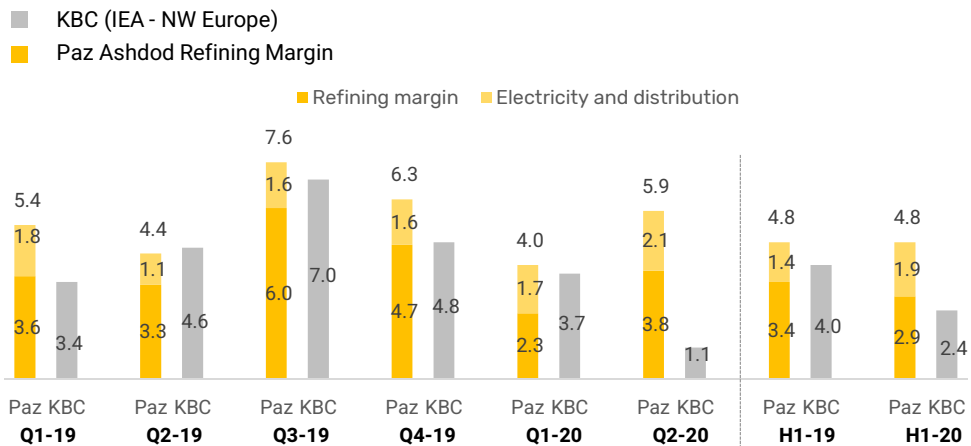


### Operating Income and Adjusted EBITDA Refining segment (Yearly) |NIS millions



(1) LTM - LAST TWELVE MONTHS ended 30.06.2020.

### Paz Ashdod Refining Margin compared to IEA/KBC benchmark margin (2) | \$/barrel

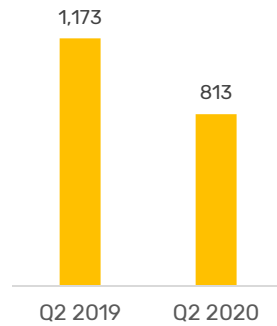


(2) IEA - Oil Market Report

REFINING  
AND  
LOGISTICS

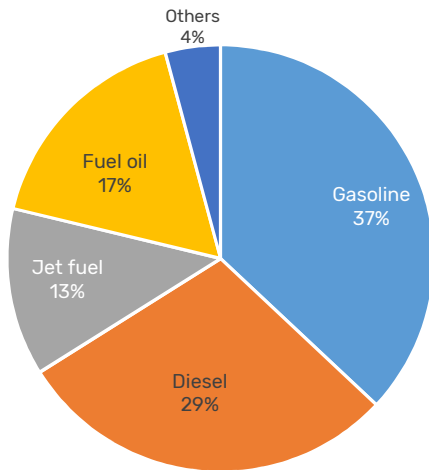


### Paz Ashdod Refinery |K tons Production Output

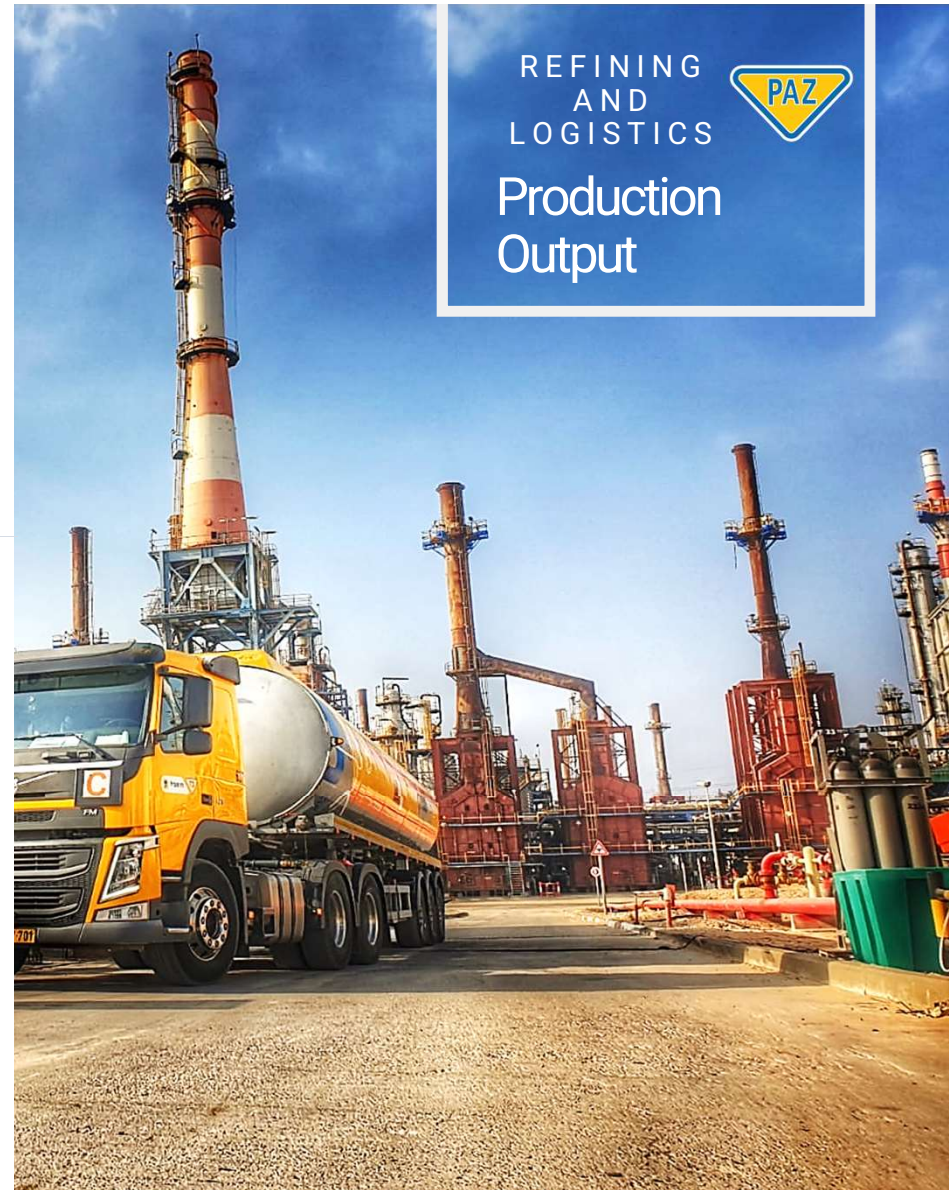
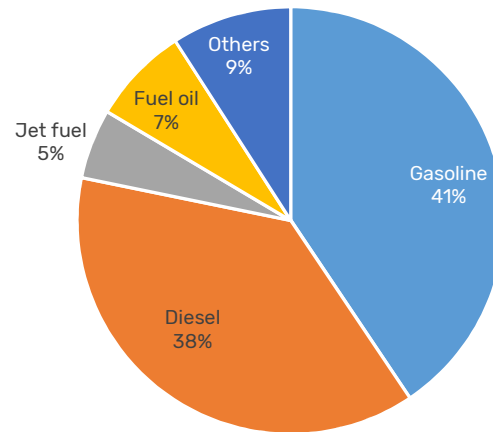


### Breakdown of Paz Ashdod Refinery Production Output by product

**Q2 2019**

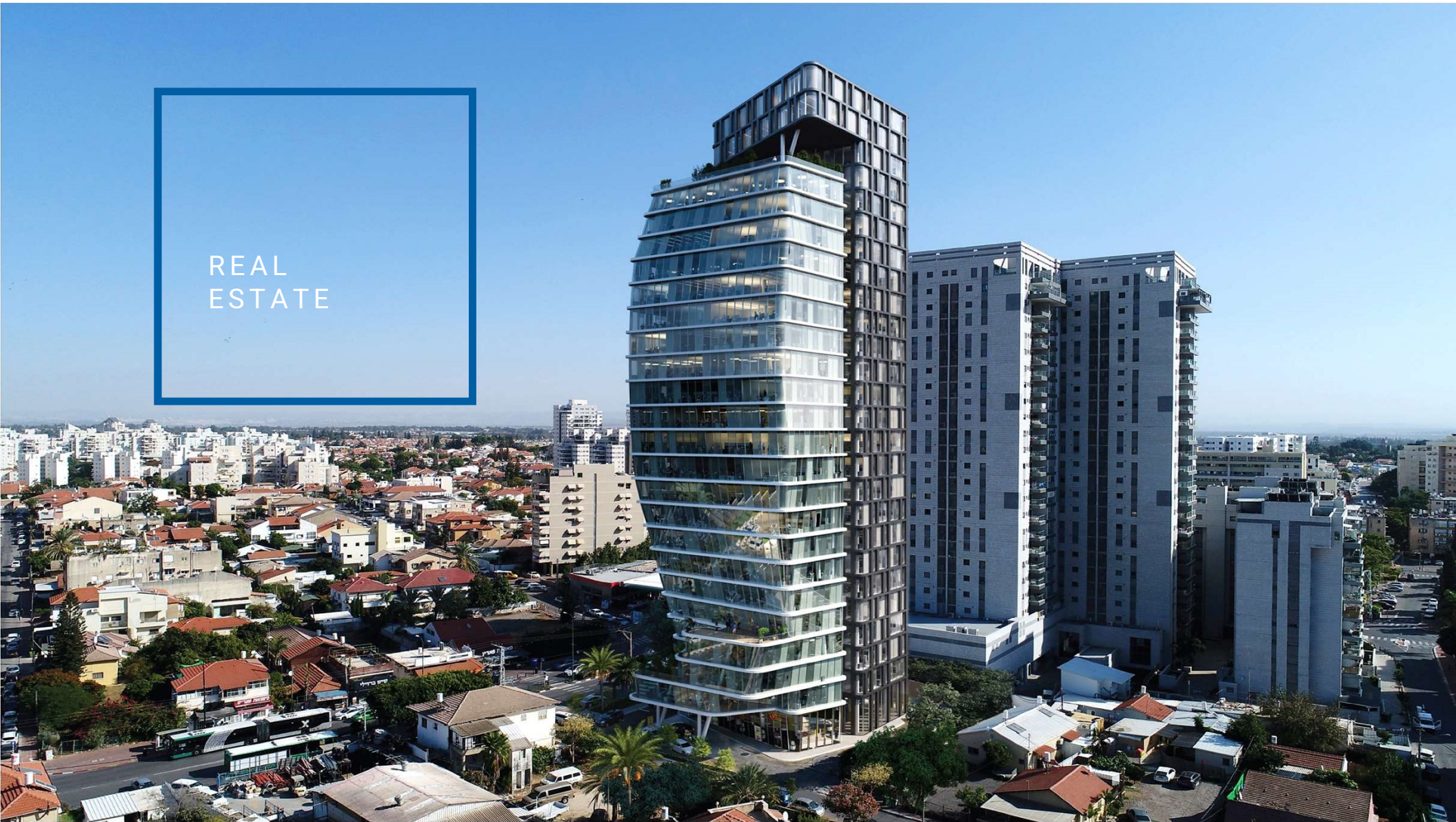


**Q2 2020**





REAL  
ESTATE





**~4.0** Fair value of  
real estate  
portfolio\*  
NIS billion

Real estate development  
projects of  
**~150K m<sup>2</sup>**

Offices | 126,000 m<sup>2</sup>  
Housing | 14,000 m<sup>2</sup>  
Hotels | 10,000 m<sup>2</sup>

**105** Owned  
stations in  
prime  
locations

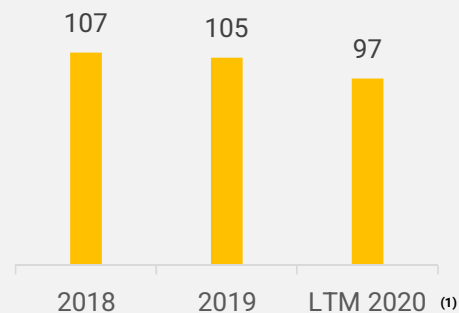
**37** Annual  
NOI  
NIS million | LTM 2020 <sup>(1)</sup>

**~24K m<sup>2</sup>**  
Generate rental income  
from third parties

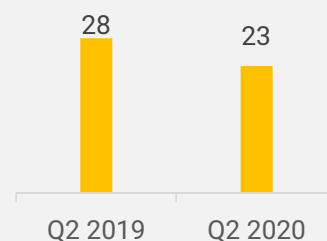


\*The amount of NIS 3.97 billion includes real estate assets that are not gas stations, including the real estate of the refinery, for which there are restrictions on their use.  
\*\*The scope of the building rights that the company intends to promote are according to the company's internal assessments. Most of the rights have not yet been approved and / or actualized, the plans are in various stages of preparation. There is no certainty that these rights will be approved - in full or in part or in full and / or that they will be approved in the scope, manner and schedules planned by the company. This is forward-looking information under section 32A of the Securities Law as detailed in the disclaimer in slide 2.

### Real Estate Operating income (Yearly) | NIS millions



### Real Estate Operating income (Quarterly) | NIS millions



The decrease in profit is due to a decrease in rental income as a result of the decreased activity during the COVID-19 pandemic restrictions.

(1) LTM - LAST TWELVE MONTHS ended 30.06.2020.



REAL ESTATE

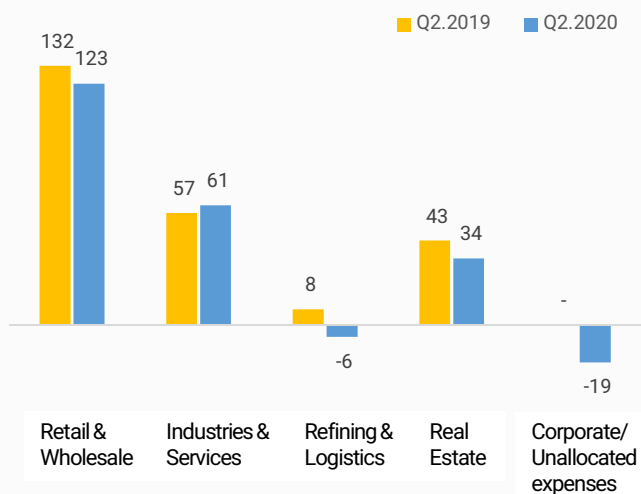




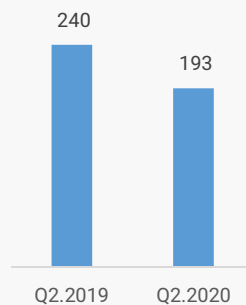
FINANCIAL  
HIGHLIGHTS  
FOR THE  
PERIOD



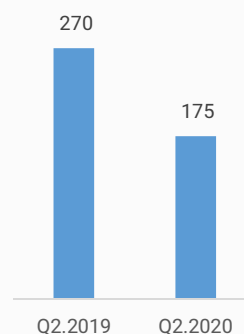
### Adjusted EBITDA by segment



### Adjusted EBITDA



### Reported EBITDA



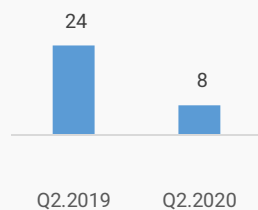
Paz Group  
Financial highlights



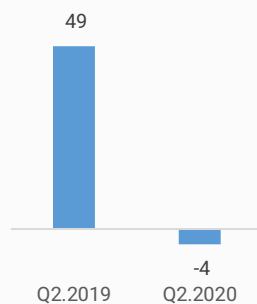
## Key Consolidated Results | NIS millions



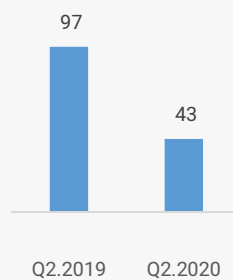
### Adjusted Net Income



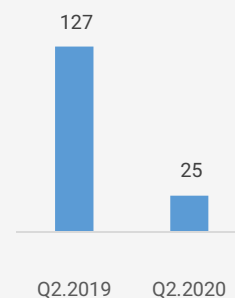
### Reported Net Income



### Adjusted Operating Income



### Reported Operating Income





NIS millions	30/06/ 2020	31/12/2019
Cash and cash equivalents	1,791	1,388
Inventories	788	959
Trade Receivables	1,239	1,627
Other current assets	222	202
Fixed Assets (PP&E and investment property), net	5,438	5,549
Right-of-use assets	1,172	1,195
Other assets (intangible assets)	83	93
Goodwill	72	72
Long-term receivables	210	212
Bank deposits	-	-
<b>Total Active Balance Sheet</b>	<b>11,015</b>	<b>11,297</b>
NIS millions	30/06/2020	31/12/2019
Short-term loans and credit	219	11
Current maturities of debentures	218	194
Trade Payables	1,131	1,747
Other current liabilities	813	841
Long-term debentures	4,021	3,653
Other long-term liabilities	1,213	1,281
Equity	3,400	3,568
<b>Total Passive Balance Sheet</b>	<b>11,015</b>	<b>11,297</b>

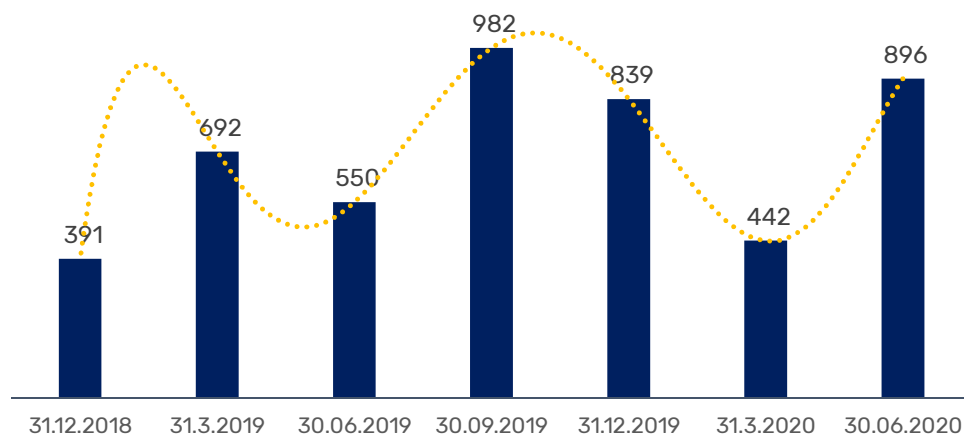
Paz Group  
Financial highlights



## Condensed Consolidated Balance Sheet | NIS millions



## Operating Working Capital Paz Group |NIS millions



## Operating Cash flows and FCF Q2/2020 |NIS millions

<b>Cash flows from operations Q2/2020</b>	<b>(98)</b>
Changes in operating working capital	454
IFRS-16 impact	(54)
<b>Adjusted Cash flows from operations* Q2/2020</b>	<b>302</b>
Net cash flows from purchase/sale of fixed and other assets	(47)
<b>Adjusted FCF** Q2/2020</b>	<b>255</b>
Changes in operating working capital	(454)
<b>FCF Q2/2020</b>	<b>(199)</b>

\*Adjusted cash flows from operations is calculated on the basis of cash from operations less changes in working capital and IFRS-16 impact.

\*\*Adjusted FCF is calculated on the basis of cash flows from operations less net cash flows from purchase/sale of fixed and other assets and excluding changes in operating working capital and IFRS-16 impact.

Paz Group  
Financial highlights



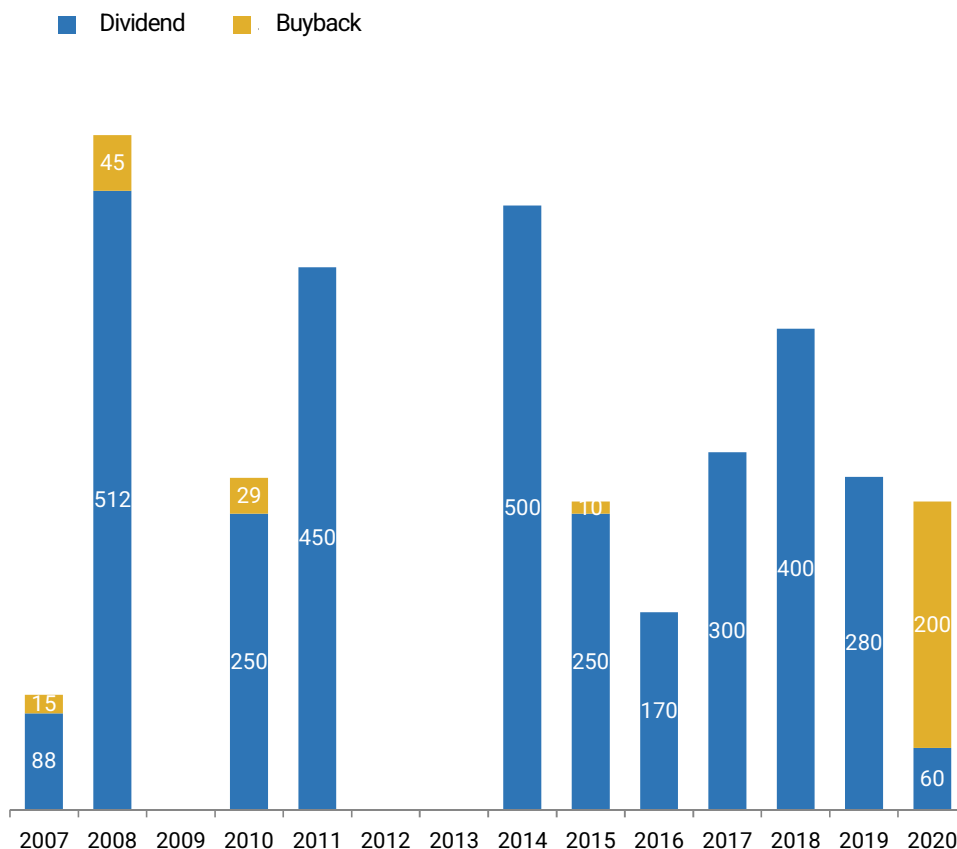
## Condensed Consolidated Balance Sheet |NIS millions







**Dividend Distribution and buyback by year** |NIS millions



Paz Group  
Financial highlights



## Share re-purchase program and Dividend distribution

The Company's Board of Directors decided on 25.5.2020 to approve a plan to **repurchase the Company's shares in the amount of up to NIS 200 million**, due to the Board of Directors' and management's confidence in its activities and future plans and taking into account the share price.

On 11.6.2020 the Company distributed a **dividend of NIS 60 million** for 2019.

The cumulative share repurchases stand at **27%** of the program as of 18.8.2020.



Contact Information

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Thank  
you



Q2  
2020  
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Investors  
Presentation

