Delek Drilling

BOAML 2017 Emerging Markets Corporate Conference

June 2017

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Delek Drilling – Business Card

Transforming the Levant Basin into a Natural Gas Export Hub

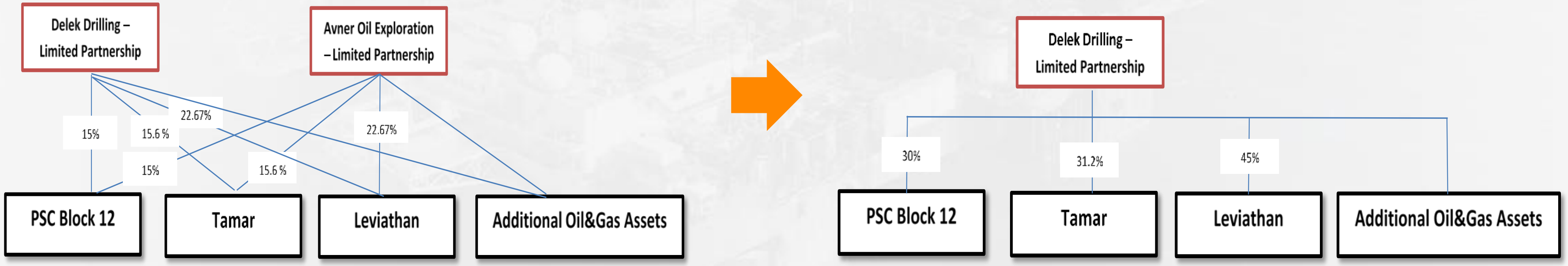
- Top 10 Tel-Aviv- 35 index listed LP with a market cap of c. $5 billion
- World class E&P assets portfolio, from production to development and exploration
- Senior partner in all major gas discoveries off shore Israel and Cyprus
- The E&P arm of Delek Group, a leading International Energy conglomerate
- Financial strength based on robust cash-flow and economic value of assets

https://icons8.com/

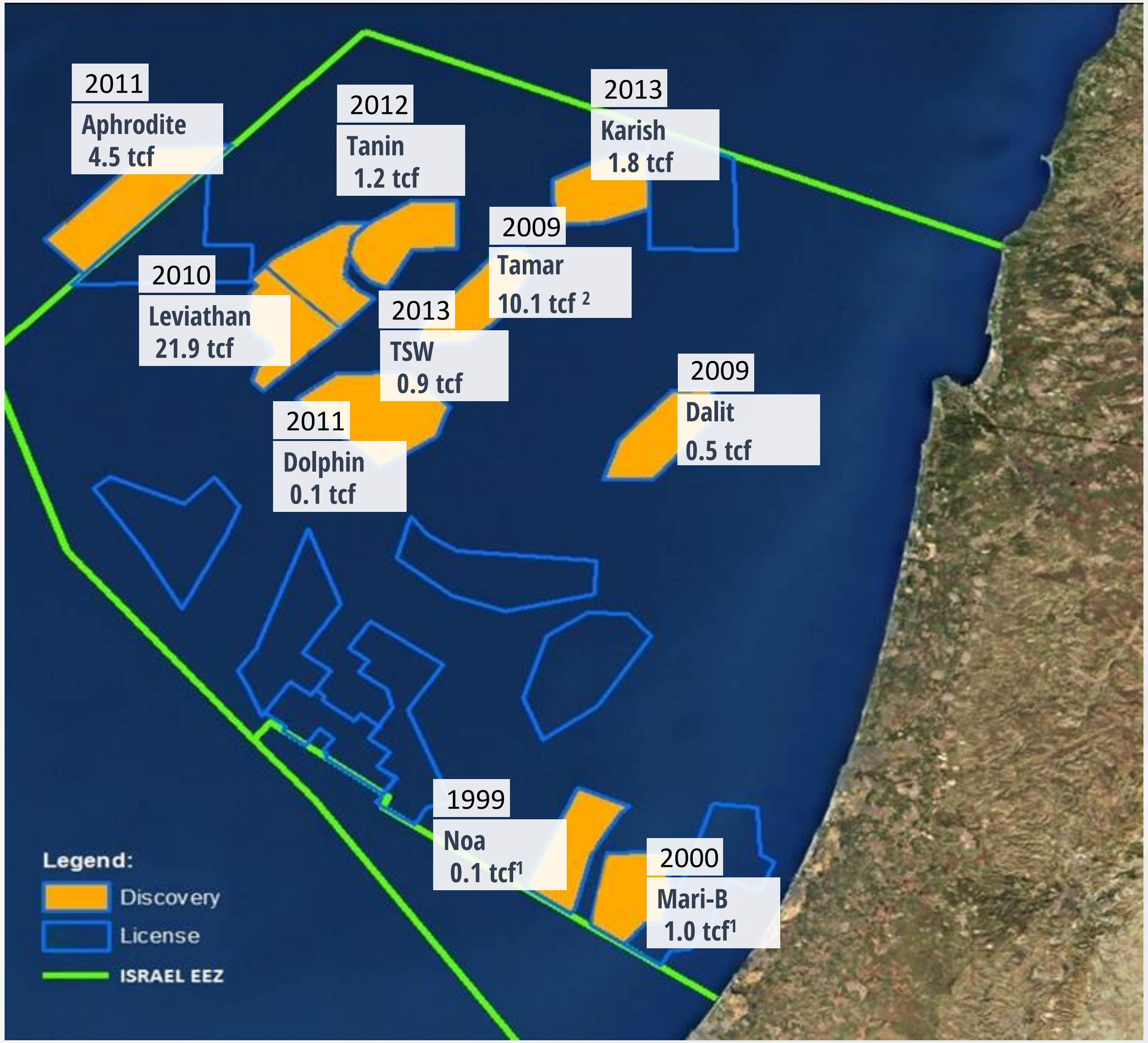
Recent Structural Change

Merger of Avner with and into Delek Drilling to simplify structural holdings

- ✓ Doubling free float and Volume trade
- ✓ Economies of scale / Costs saving
- ✓ Simplify structure and processes, improving efficiency within organizational process
- ✓ Improved investor proposition / considering dual listing



Israeli and Cypriot EEZ – Over 42 TCF Discovered



Field	Delek Drilling Working Interest
Leviathan	45.34%
Tamar (including TSW)	31.25%
Dalit	31.25%
Aphrodite (Cyprus)	30.00%
Mari B + Noa[3]	52.94%
Karish (Recently Sold)	52.94%
Tanin (Recently Sold)	52.94%
Dolphin[4]	45.34%

Resources: 2P + 2C + Prospective (2U), based on NSAI reports

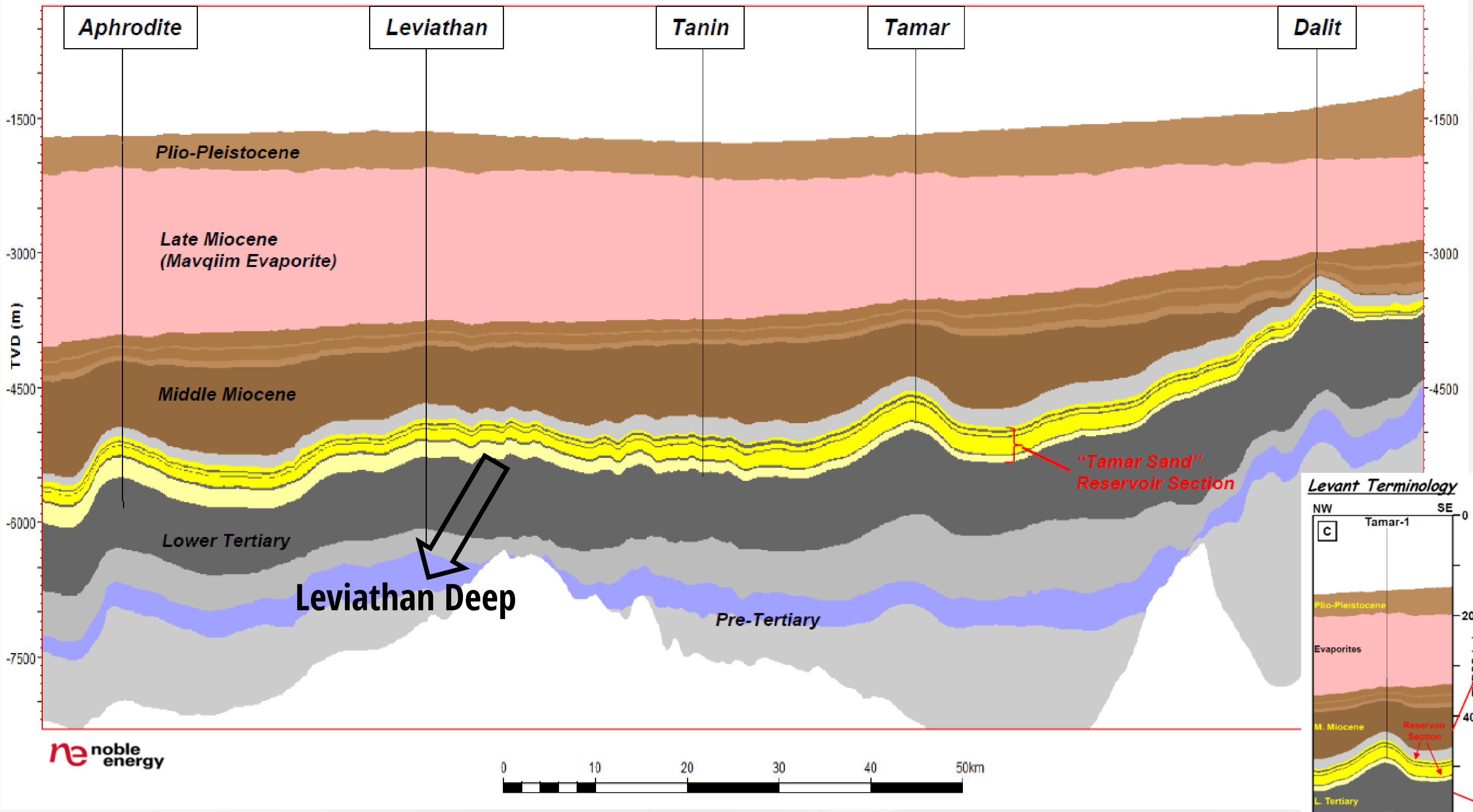
[1] Estimated ultimate recoverable; YT Produced (as of EOY 2014): 891 BCF; Remaining: 153 bcf, on YE 2015 financial report classified as negligible petroleum asset

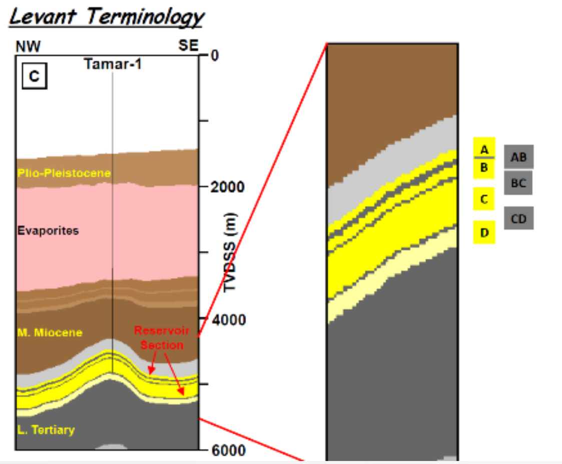
[2] Estimated ultimate recoverable; Tamar produced (as of EOY 2015): 753 BCF; Remaining: 9.5 tcf

[3] Working interest of Delek Drilling LP and Delek Group

[4] License expired, partners are in legal procedures with Minister of National Infrastructures, Energy and Water Resources to be declared as discovery and obtain possession

Levant Basin – Geology





Strong Financial Position

- ❑ Strong balance sheet
- ❑ Long-term, limited recourse-type debt based on significant revenues from the Tamar reservoir only
- ❑ Attractive dividend policy
- ❑ High cash reserves
- ❑ Well-established and stable cash flow
- ❑ Substantial economic value of assets

Corporate Financing

- $400 mm <u>corporate</u> Bond series A, new non-recourse unsecured corporate level financing recently raised in the Israeli market :
  - Bullet payment on December 2021; coupon interest rate of 4.5% (paid semi-annual)
  - If WI in Tamar decline to less then 10% (combined of the 100%) Delek Drilling has to carry out an early redemption of half of the outstanding balance of bonds
  - A1 Local (Ba1 International) rating by Midroog-Moody's

Government ‘Gas Framework’–Regulatory Certainty

Delek Drilling

Resolutions regards three main topics:

Structural Changes

- Tanin and Karish: Delek and Noble will sell their entire interest
- Tamar: Noble will reduce it’s interest to 25% (from 36%); Delek will sell its entire interest (31.25%) within six years
- Leviathan: No requirement for reduction or change in ownership

Pricing & Contracts

- No change to existing contracts
- Defined pricing alternatives for gas offtakers in the interim period:
  - Israeli hub price (average domestic price)
  - Brent linked price formula
  - PUA based price (price linked to cost of electricity production as published by the PUA)
  - Price in natural gas export agreements

Development

- Time table and milestones for investments in Leviathan
- Local content – Leviathan
- Incentives for the development of small/medium fields

The Gas Framework will maintain a stable regulatory environment and will encourage investments

Tamar Project

Tamar – World Class Deepwater Project

Ownership
Delek Drilling 31.2%, Isramco 28.7%, Dor Gas 4%, Everest 3.5%
Noble Energy (operator) 32.5%

2P Reserves*
10.0 tcf (282 bcm); / 13.3 mmbbl condensate

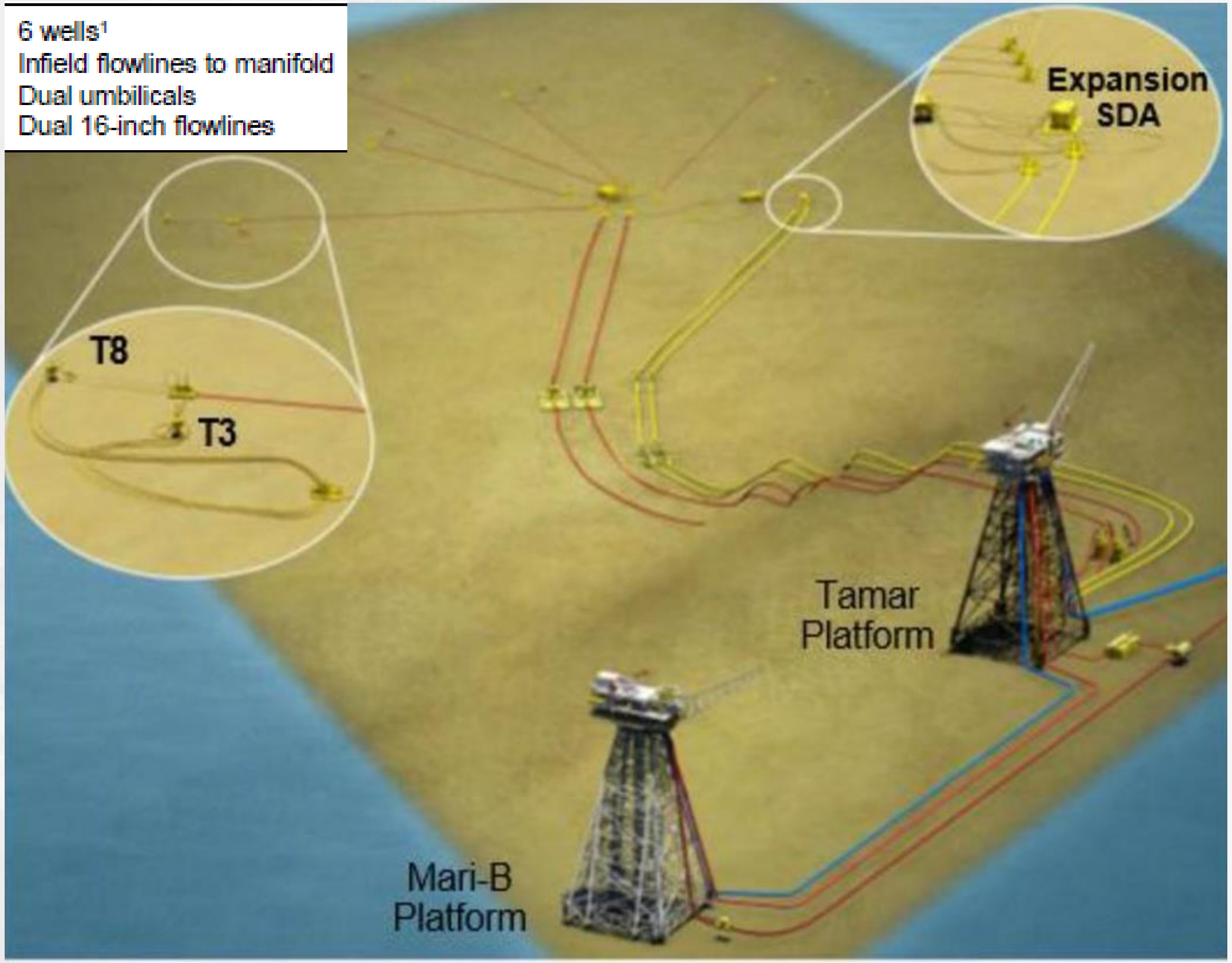
First gas
End of Q1 2013

Development budget:
$3.1 Billion (100%)

Overall Tamar costs to date:
$4 Billion (100%)

Production capacity
1.15 bcf/d (~11.5 bcm/y)

Global Scale Development & Operation :
less than 4.5 years from discovery to first gas, strong operational track record (>99.9% up time) and low running costs



*Reserves estimate as published in DD 2016 Annual Report

Tamar in Numbers

Robust steady Cash-flow generative project

mm$	2016A	2017E	2018E	2019E
Sales (bcm/y)	9.4	10.1	10.7	10.7
Revenue	1,734.8	1,906.6	2,086.8	2,143.7
OPEX	126.8	150.8	153.1	155.5
EBITDA	1,358.5	1,413.4	1,435.9	1,476.9
FCF	1,014.0	1,017.0	1,187.3	1,179.3

- Table represent Performa numbers based on Delek Drilling LP publications and adaptation to Tamar 100% WI
- 2016A represent Performa numbers for Tamar 100% based on Delek Drilling LP reported YE 2016 financial results
- Estimated numbers for years 2017-2019 are based on Delek Drilling LP reported NSAI estimated DCF published on 2016 Annual financial report
- EBITDA = Net Revenue – Operating expenditure

Tamar – Contracts and Sales Breakdown

Tamar contractual structure – low exposure to commodity risk

Israel Electric Corp.

- TCQ : 87 bcm (~3.07 tcf)
- 15-17 years

Price linked to US CPI

Represent Approx. 50% of sales in 2016

IPP & Electricity Related

- TCQ : 72 bcm (~2.54 tcf)
- 15-19 years

Price of majority of contracts linked to electricity index with a floor price

Represent Approx. 40% of sales in 2016

Industry & Other

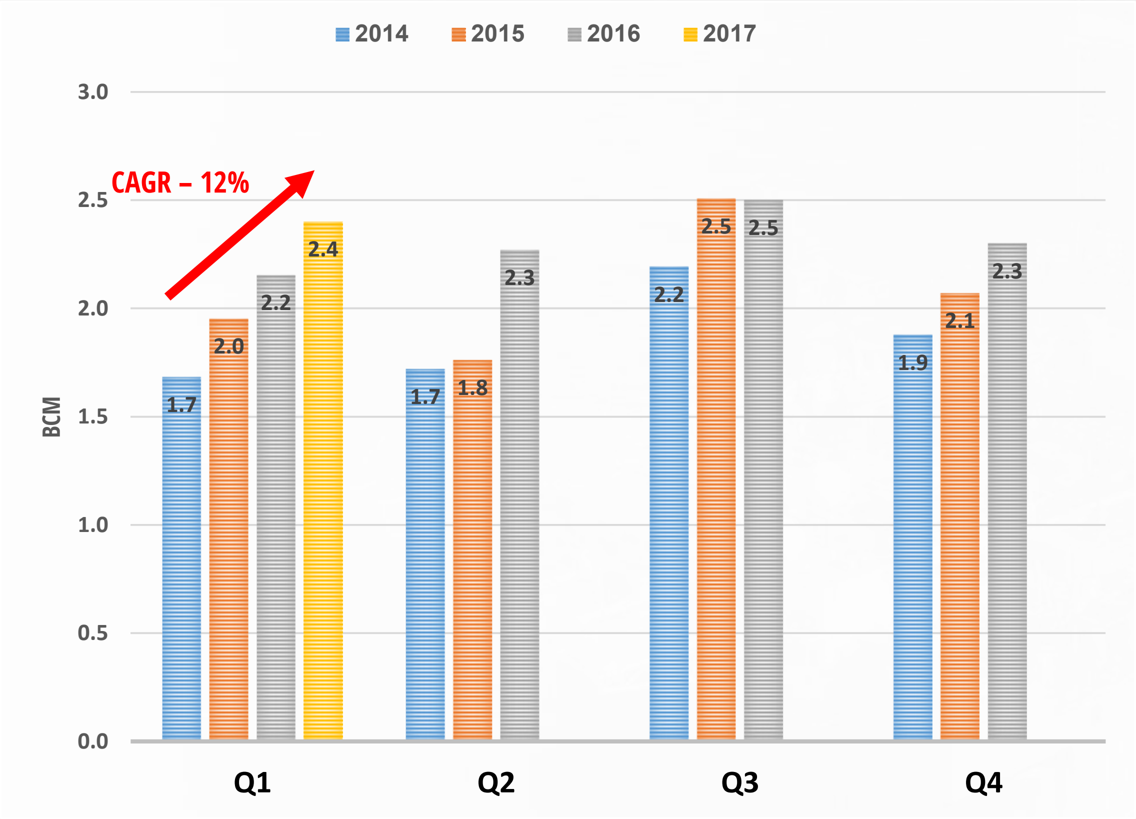
- TCQ : 8.5 bcm (0.3 tcf) + Condensate
- 5-8 years

Price of majority of contracts linked to Brent price with a floor price

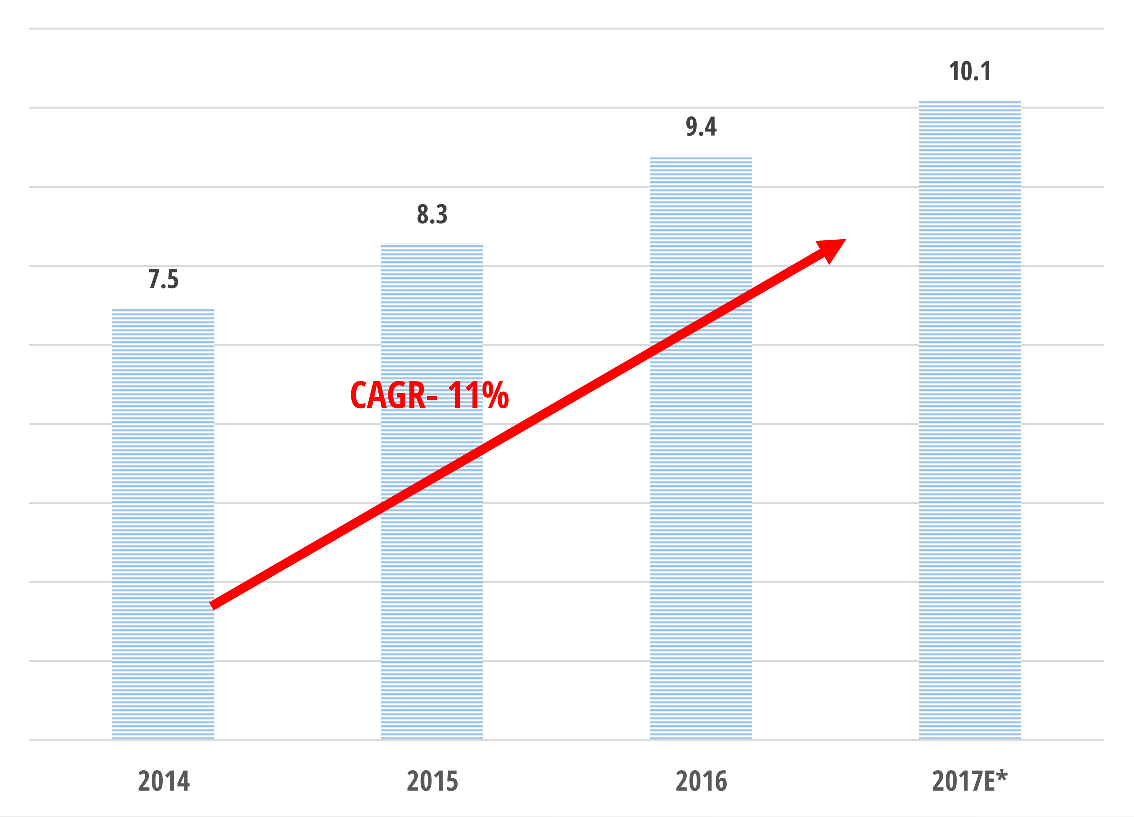
Represent Approx. 10% of sales in 2016

Tamar Continued Excellence Performance

- ❑ **Tamar-8 well completed and producing, on time on budget**
- ❑ **<u>2017 1Q record gas sales :</u>**



1Q 2017 gas sales based on Noble Energy financial report for 1Q 2017



2017 expected sales based on NSAI estimated DCF for Tamar as published in DD 2016 annual report

Tamar Expansion – Unlocking Value

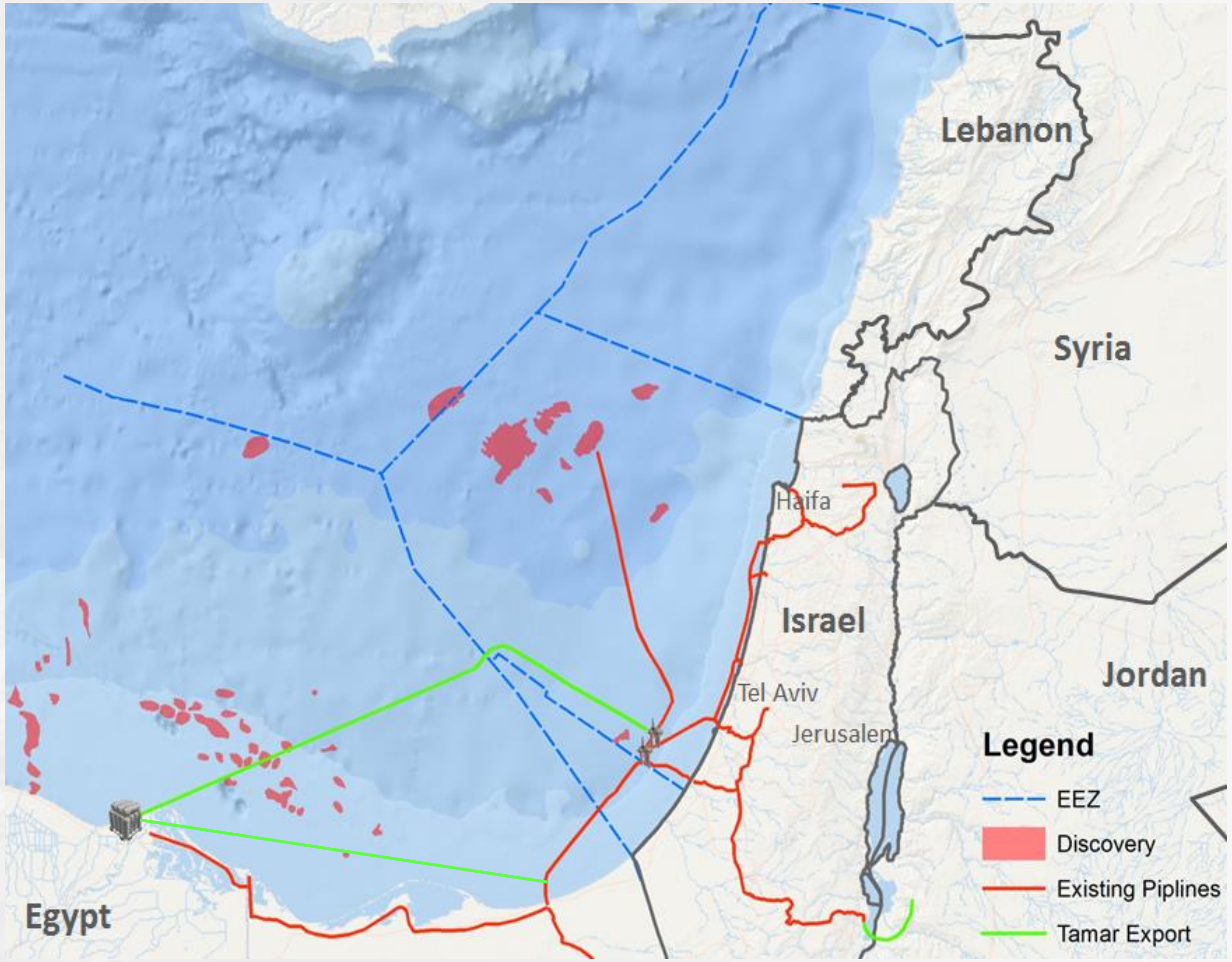
UFG-Damietta option will serve as an anchor for capacity expansion of up to 20.4 bcm/y

Expansion program

- A third pipeline (20") from the reservoir to Tamar and Mari-B platforms
- Development of Tamar SW and additional Tamar wells
- Expansion of Mari-B treatment capacity
- Gas transport solution explored from the Tamar platform to Damietta facility

In May 2014, a LOI was signed between Tamar and UFG, key Terms :

- Term: 15-year agreement
- Total contractual quantity: 2.5 TCF (70 BCM)
- Potential annual quantity: approx. 450mmcf/d (4.5 BCM/y) with potential for increase to approx. 750mmcf/d (7.5 BCM/y)
- Expected price: linked to the Brent price with a fixed floor price
- Preliminary cost estimation: ~$1.5-2.0bn (Tamar 100%)



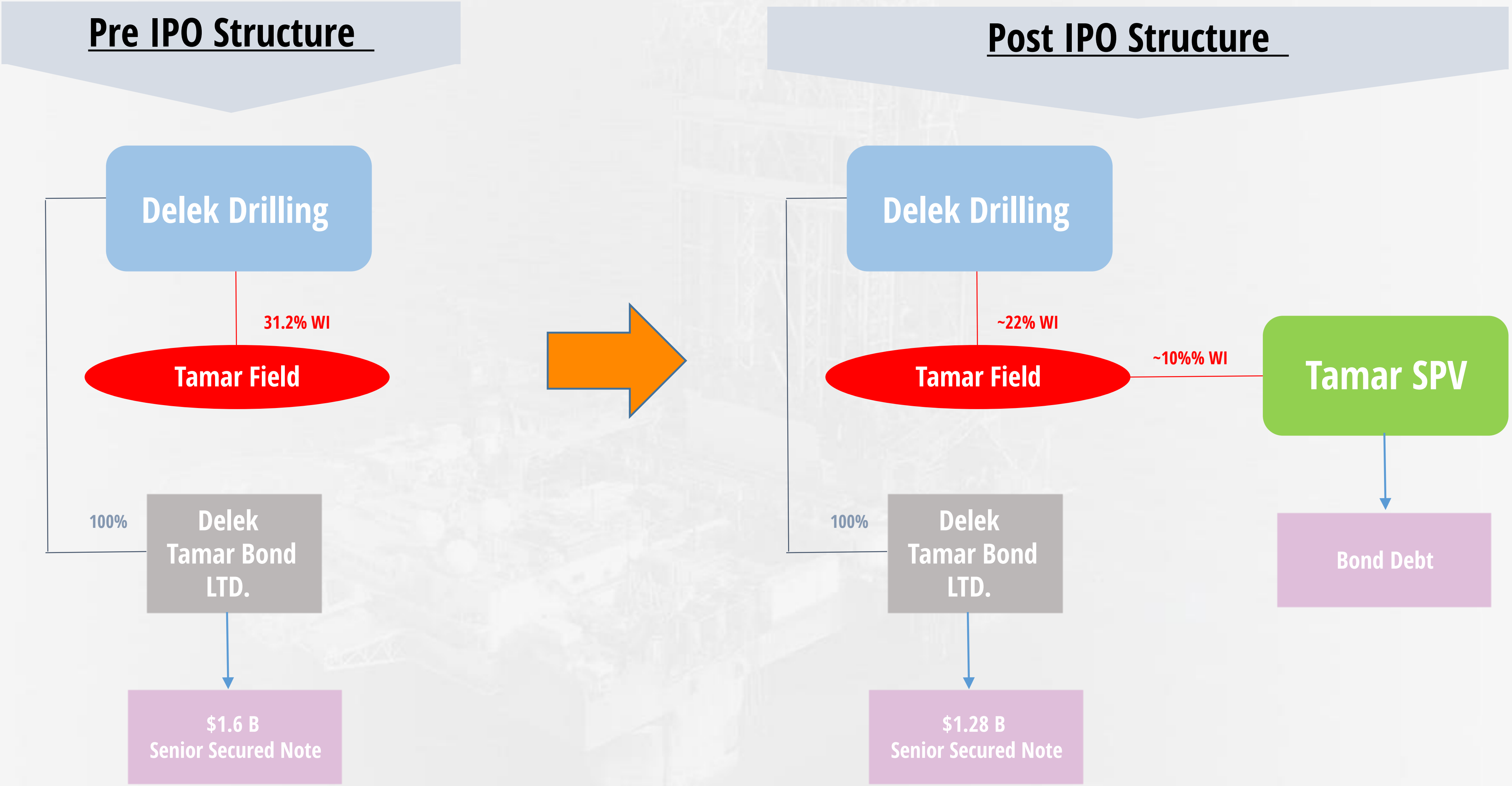
Tamar Divestment Process

Delek will sell its entire working interest in Tamar project

- According to the "Government Gas Framework" resolutions, Delek is required to sell its entire 31.25% WI in Tamar project by December 2021
- Recent benchmark valuation derived from Noble Energy-Harel Insurance Deal (3% WI for $369mm*) represent a value of $12.3B for the Tamar project
- Delek aims to monetize its share in Tamar through the capital market in several transactions as well as potentially in bilateral transactios
- The first step of the process is expected in the near future : Israel market IPO

* Based on Harel insurance publications, and subject to adjustment

Tamar IPO – Sell out of up to 10% WI



Tamar Related Debt

- $1.6 B Tamar bond- 4 series of $400 mm bullet payment in years : 2018, 2020, 2023, 2025
  - When selling down 3.25% WI in Tamar there are no limitation
  - Sell down of additional 6.25% requires bond redemption, pro-rata to the sell
  - Sell down of remining WI in Tamar, all proceeds will be used to redeem the bonds

Leviathan Project

Leviathan – A Regional Energy Game Changer

Ownership
Delek Drilling 45.3%, Ratio 15%, Noble Energy (operator) 39.7%

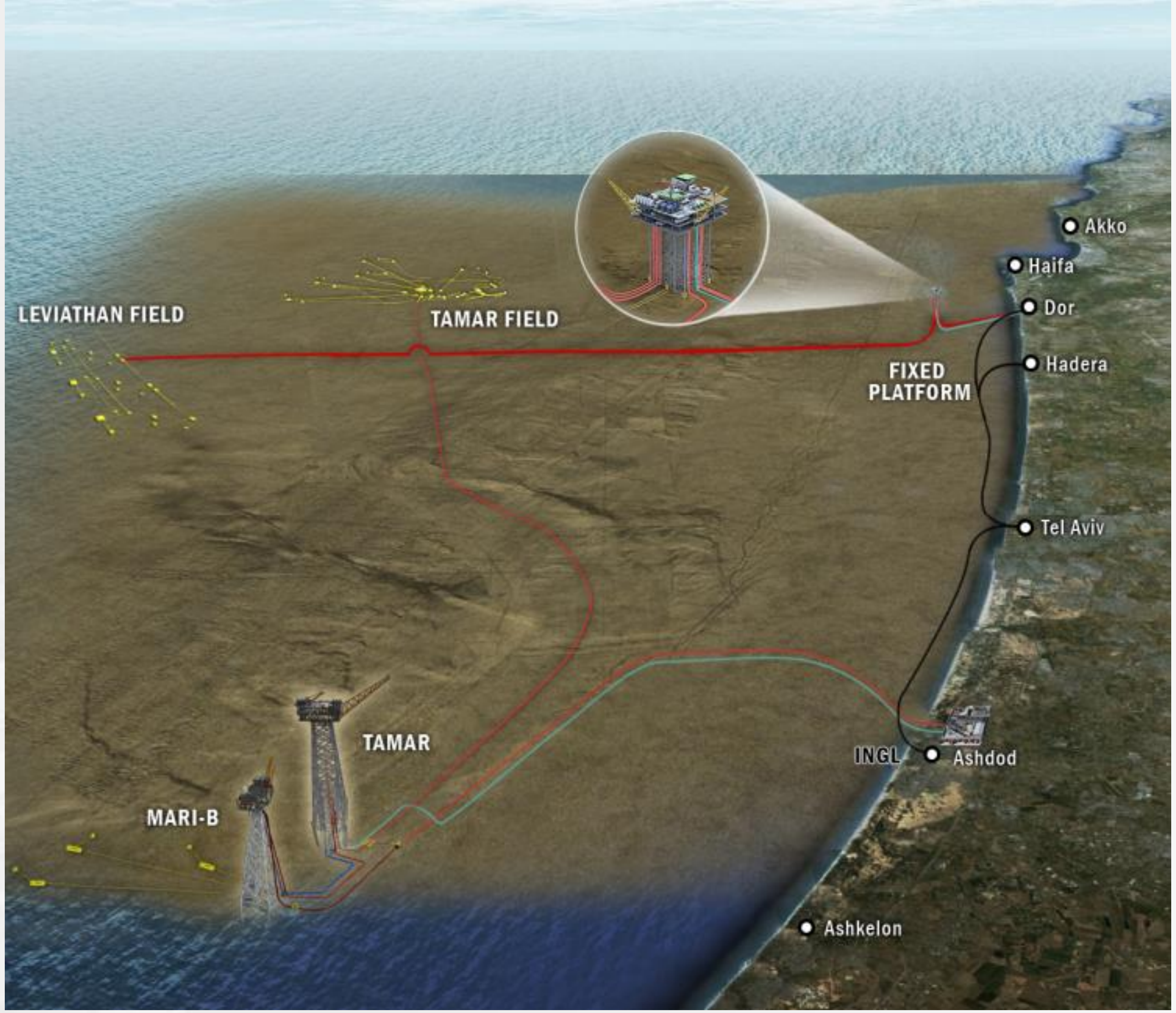
2P+2C Resources*
21.9 tcf (613 bcm), 39.4 mmbbl condensate

Estimated First Gas
4Q 2019

Production Capacity (to be built in 2 stages)
1.2 bcf/d (~12 bcm/y) – for Domestic, Jordan and PA
0.9 bcf/d (~9 bcm/y) – Shell-ELNG\Turkey

Estimated Capex Development (100%)
$3.5-4 Billion – 1.2 bcf/d
$1.5-2 Billion – Additional 0.9 bcf/d

Additional Prospective Resources (P50)
560 mmbbl oil (liquids) 4.5 tcf Gas



*Resources estimate as published in DD 2016 Annual Report

Leviathan – Modular Development

Phase 1A of Leviathan development sanctioned, future cost efficient expansion

- Development plan for phase 1A includes construction of an offshore fixed platform with a 1.2 bcf/d (approx. 766 bcf/y) capacity, Capex of $3.75B

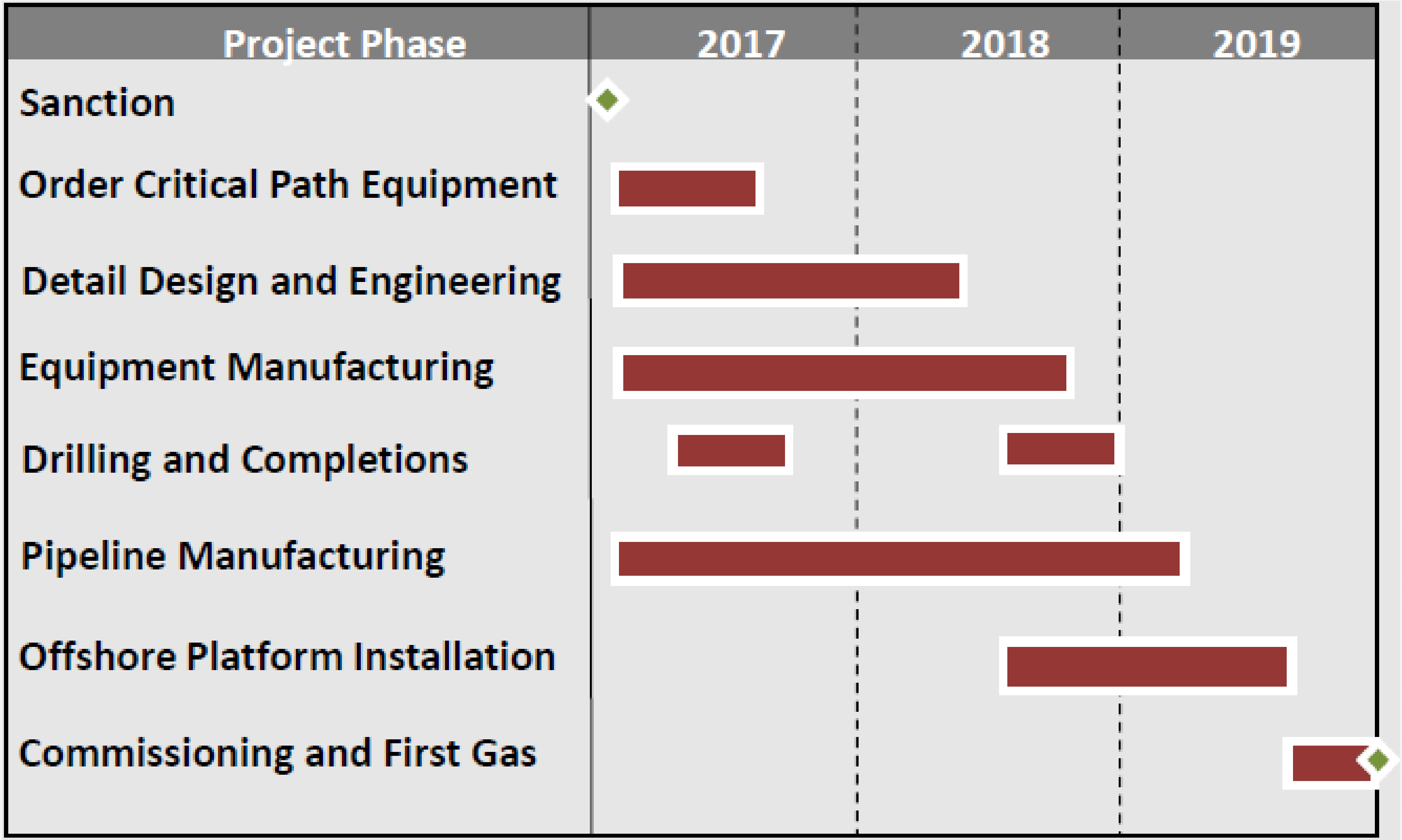
- Full development of phase 1 includes a cost effective additional module (phase 1B) with up to 2.1 bcf/d capacity

Capacity of 1.2 bcf/d (approx. 438 bcf/y)

Capacity of 2.1 bcf/d (approx. 766 bcf/y)

Source: Leviathan operator (NBL)

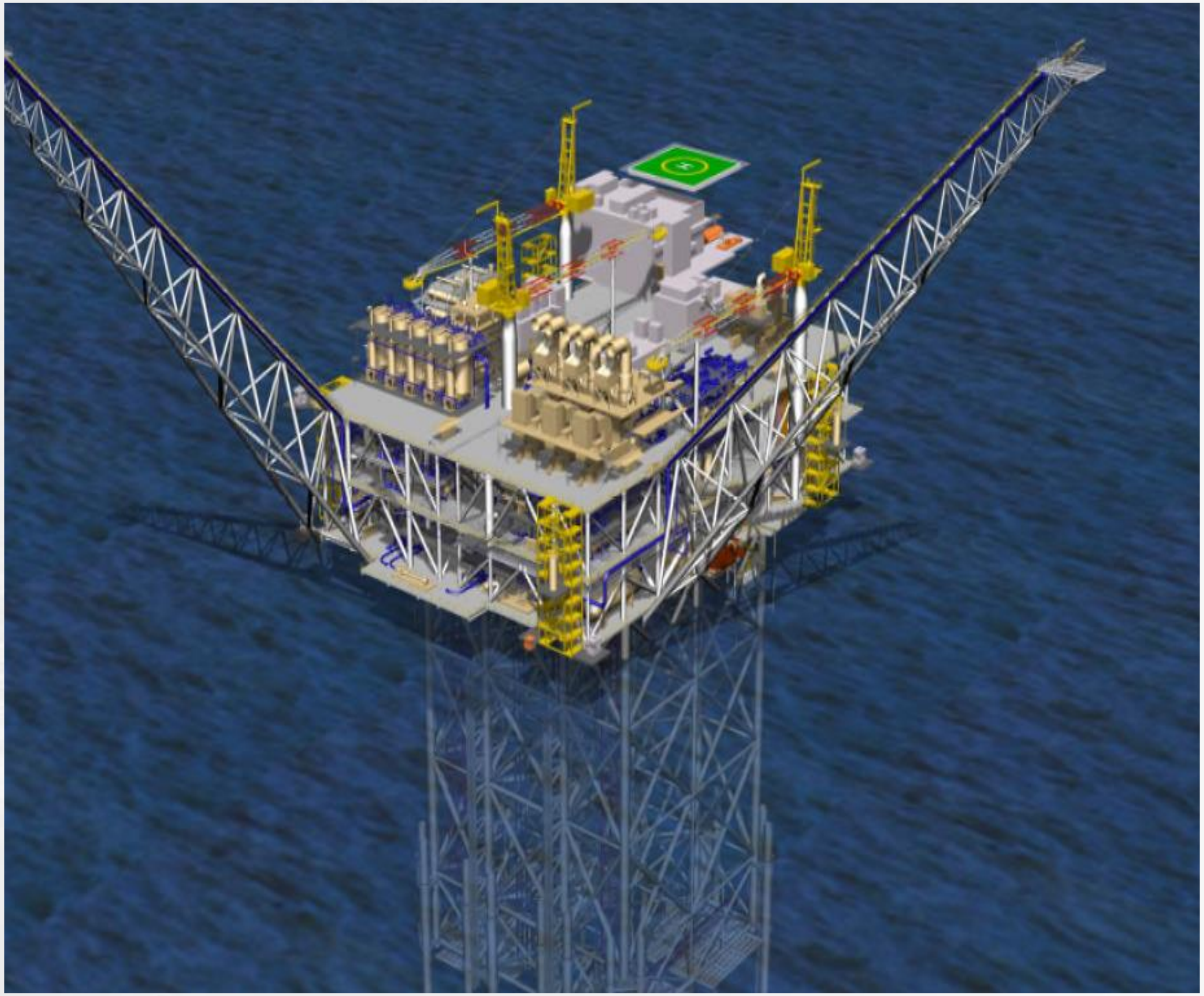
Development Work Plan Schedule



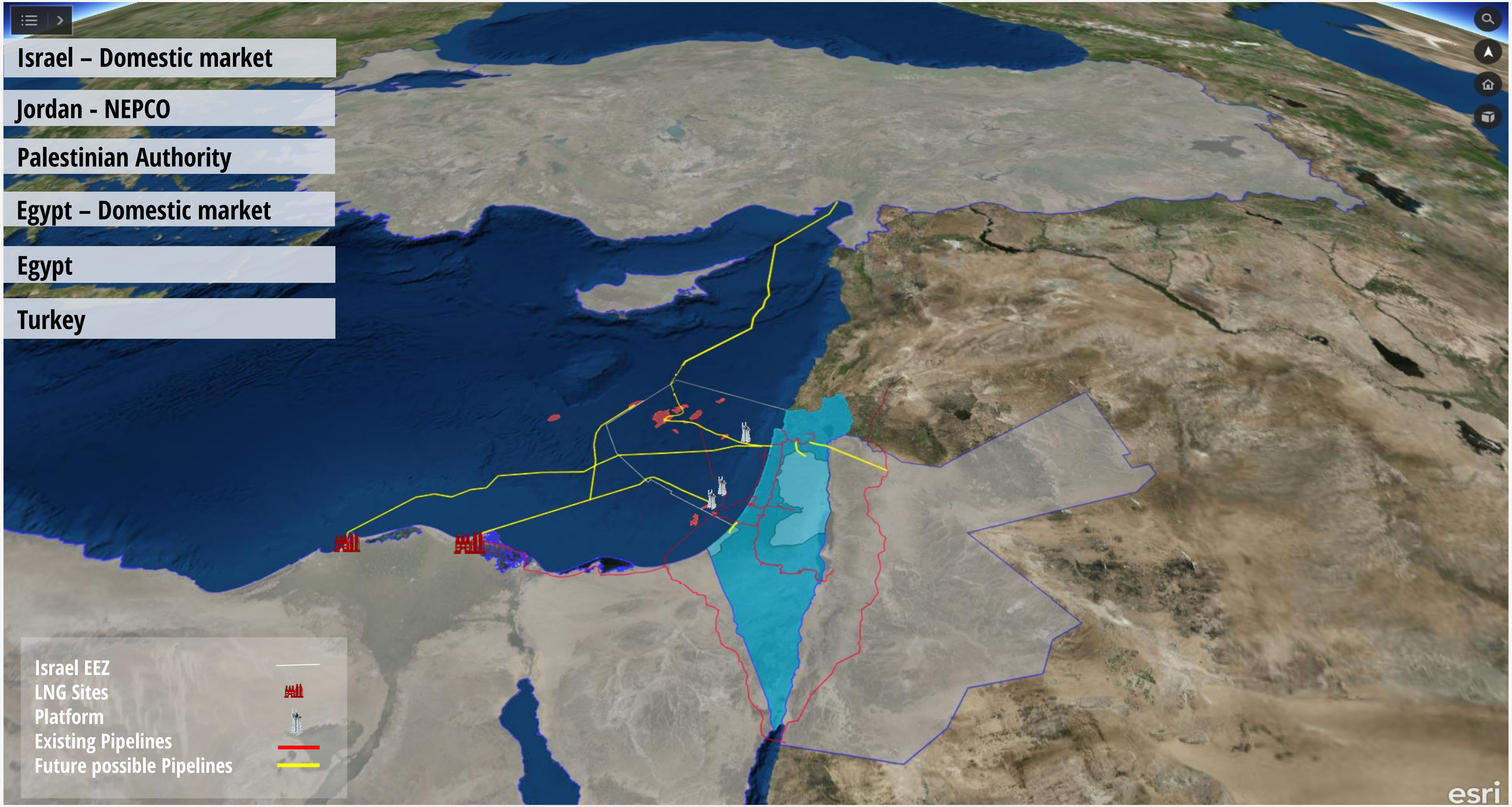
Source: Leviathan operator (NBL)

Leviathan – Technical Status Update

- Received Transmission License and critical Building Permits
- First 20” Subsea ball valve is ready for shipment
- Continuing Detailed Design for Subsea, Onshore, and Host Scopes
- Onshore Construction Progress
- Ordered 16,600-MT of Platform Steel for Fabrication
- Ordered Long Lead equipment
- 74% of Total Cost Planned Awarded
- First gas expected YE 2019



Leviathan – Various Potential Markets

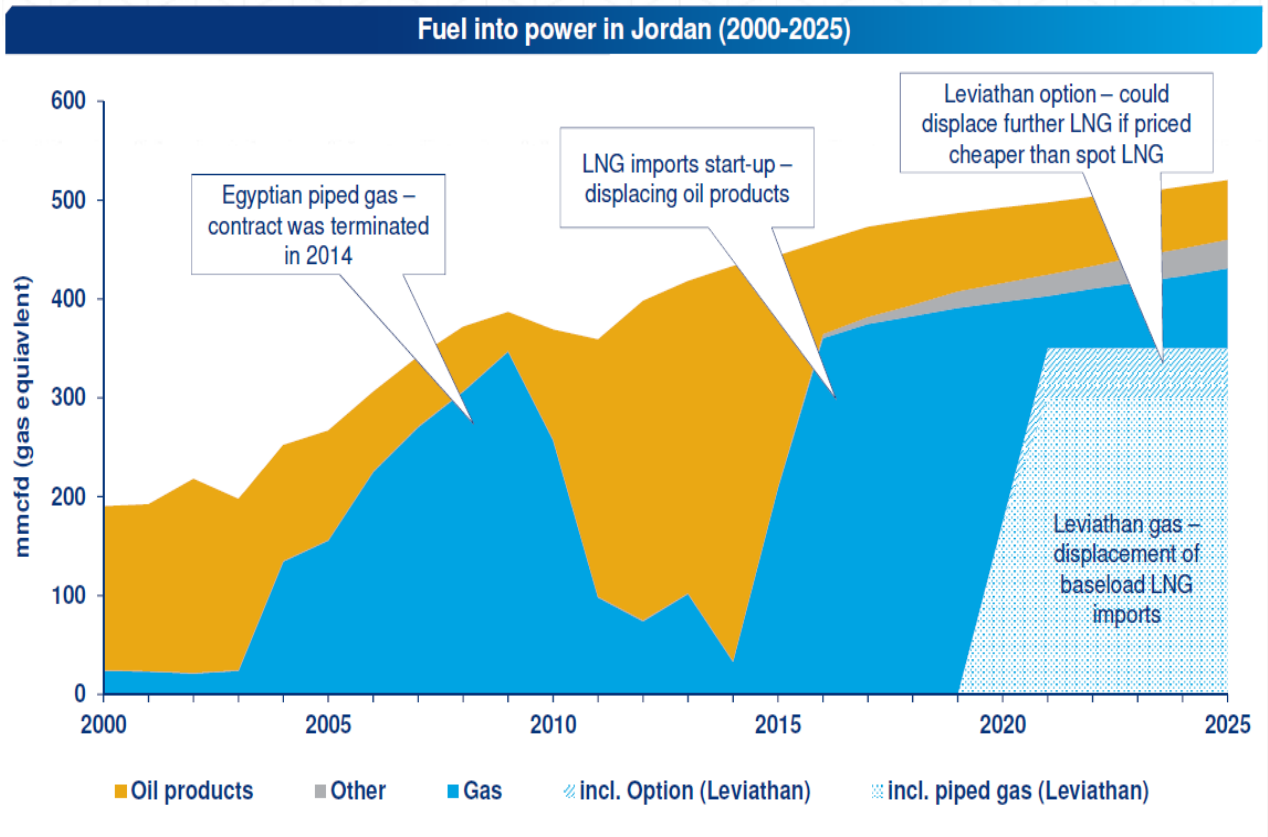


Jordan NEPCO – Ideal Export Offtaker

An anchor contract for Leviathan phase-1 development

NEPCO GSPA main parameters:

- Buyer : National Electric Power Company of Jordan (NEPCO)
- Seller : NBL Jordan Marketing Limited (SPV owned pro-rata by Leviathan partners, according to their working interests)
- Total Contract Quantity : 45 bcm
- Duration : up to 15 years from the commencement of commercial supply from Leviathan
- Price : Brent linked price with a 'floor price'
- Total estimated revenues may sum to approx. $10B*



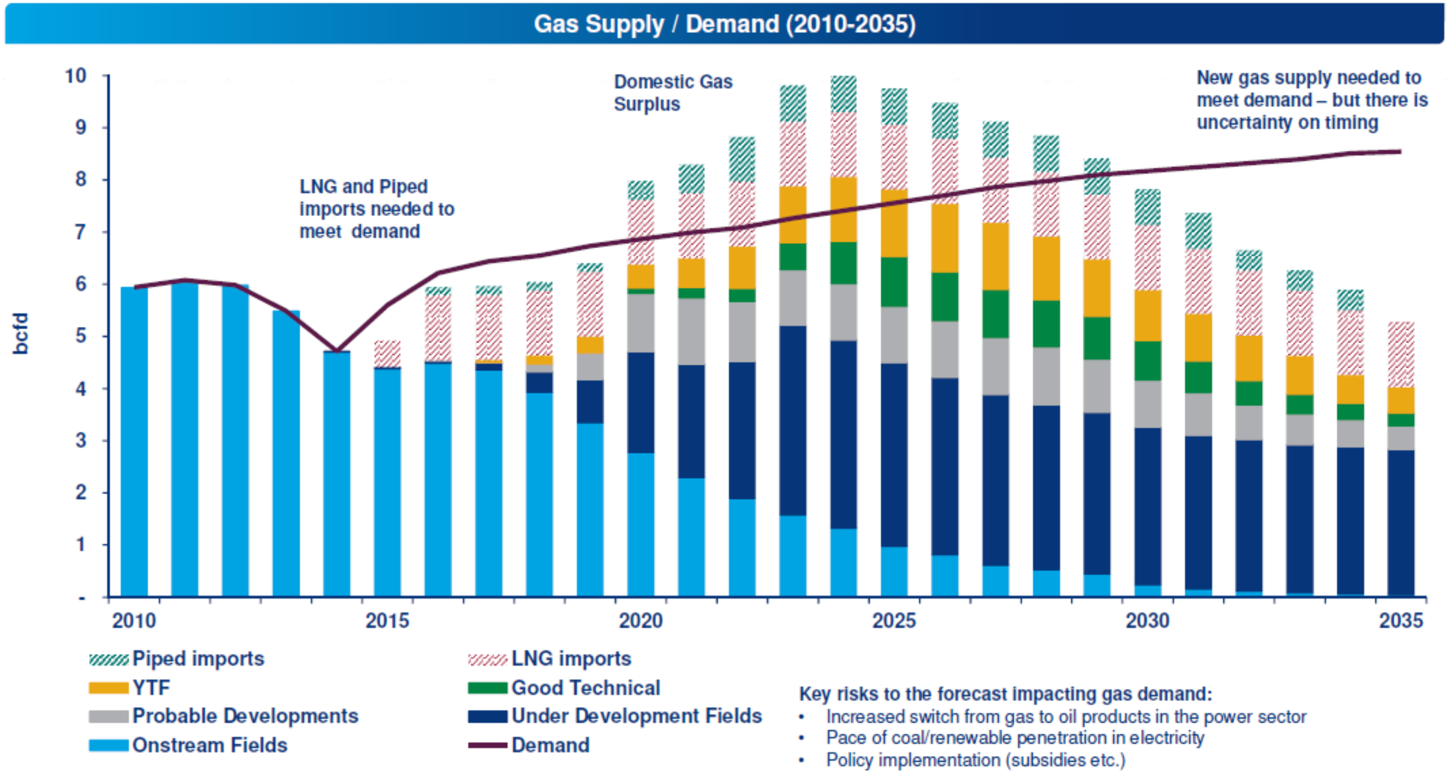
Source: Wood Mackenzie EMS. Leviathan volumes at 300 mmcfd with a start-up in 2020. Option for additional volumes at 50 mmcfd.

* Assuming NEPCO will consume the Total Contract Quantity, and based on the Partnership's estimation regarding the price of natural gas during the agreement period

Egypt – Supply Demand Imbalance

- Significant consumption of over 50 bcm/y, and increasing by Approx. 8% year on year (2001 to 2012)
- Additional gas is required for two existing LNG facilities, consuming approx. 17 to 20 bcm/y
- Natural gas is currently imported using two floating regasification terminals (FSRU's); an additional FSRU is being considered
- Egypt is fast tracking new developments such as West Nile Delta and Zohr to restore supply, but is short of gas even if the latter is over 22.5 tcf recoverable

Base Case – Zohr 22.5tcf rec. reserves – Unconstrained demand exceeds domestic supply up to 2023 when Zohr production will just meet demand for a limited time. The S/D gap reaches ~4.5bcfd by 2035



Key risks to the forecast impacting gas demand:
- Increased switch from gas to oil products in the power sector
- Pace of coal/renewable penetration in electricity
- Policy implementation (subsidies etc.)
- Macro risks (financing, credit etc.)

Note: Beyond 2015, demand is based on an unconstrained view which reflects nearly full utilisation from all industries, which is unlikely.

Source: Wood Mackenzie

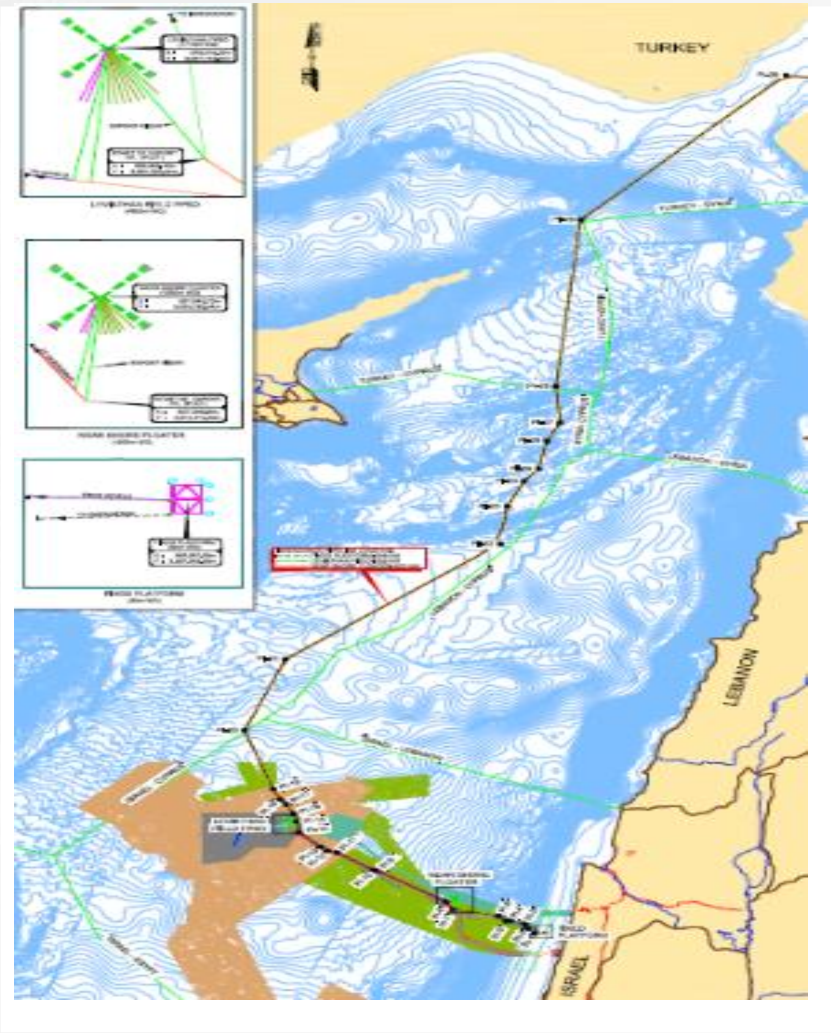
Regional Export – Turkey's Huge Potential

Turkish Market

- Consumed approx. 48 bcm/y of natural gas in 2014 and 2015
- Is 99% dependent on import for natural gas
- Approx. 85% imported by pipeline, 15% imported as LNG
- Highly Developed Natural Gas Transportation Grid, and connection to the decreasing European domestic natural gas production

Natural gas pipe from Leviathan to Turkey:

- Approx. 500-550 km via. Cypriot EEZ
- Water depth – up to 2,250 m
- First stage – 800 to 1,000 mmcfd to Turkish market
- Second stage – additional 800 to 1,000 mmcfd to European markets



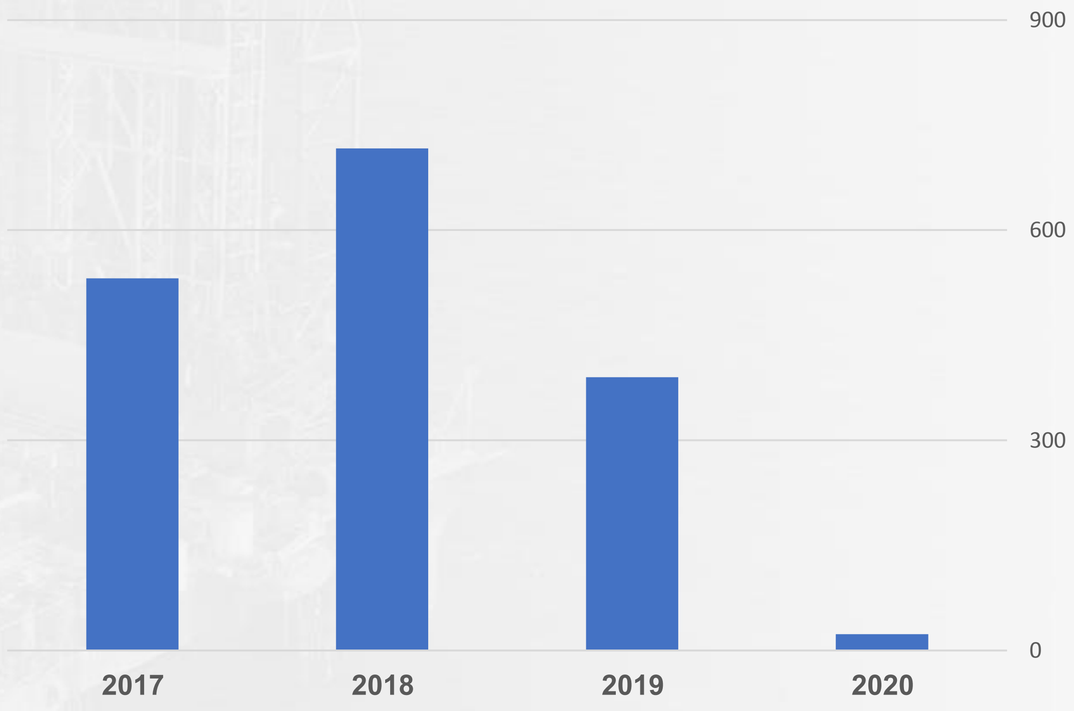
Ongoing and continuous contact have been held with leading Turkish companies and Government officials

Leviathan Financing

Bridge to bond project finance secured with credit agreement

- Delek Drilling Capex share of c. $1.75 B
- 4 years bridge financing with target to refinance through long term bond financing
- Funding is based on a combination of debt and DD sources
- Facility to be drawn over time, subject to development progress and milestones
- Delek, Noble Energy and Ratio Oil have already spent over $1B combined in exploration and development costs

DD Development Capex Ramp-Up ($mm)



Summary

- Recent merger creating an improved investors proposition
- High quality assets throughout the E&P value chain
- Strong financial position deriving from Tamar long term robust stable cash-flow
- Leviathan development funded through to first gas
- Upside potential from projects expansion to regional sales as well as exploration prospects

Thank You