



Delek Drilling

Energizing The Eastern Med

September 2017

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Delek Drilling – Business Card

Transforming the Levant Basin into a Natural Gas Export Hub



Top Tel-Aviv- 35 index listed LP with a market cap of c. \$3.7 Billion



World class E&P assets portfolio, from exploration thru development to production



Senior partner in all major gas discoveries off-shore Israel and Cyprus



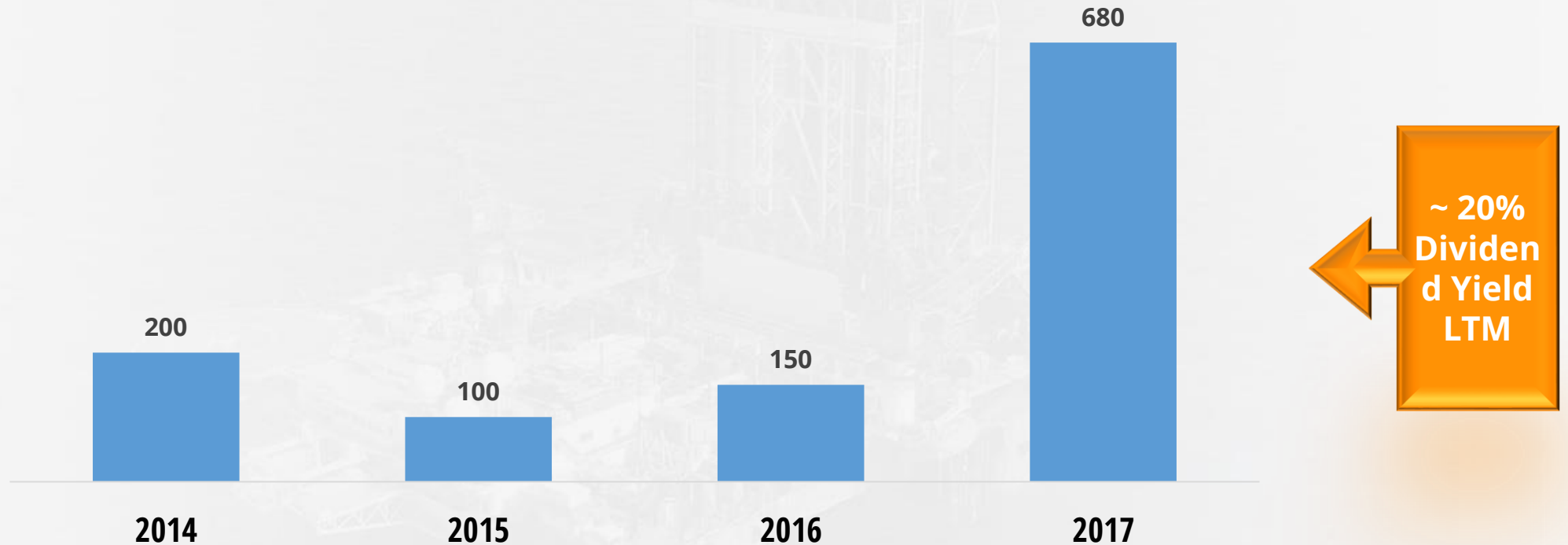
The E&P arm of Delek Group, a leading international energy conglomerate



Financial strength based on robust cash-flow and economic value of assets

Robust Dividend Distribution

Cash dividend of c. \$1.5B in last years. Additional dividend expected from Tamar sell-out proceeds



- Dividend payment of Delek Drilling and Avner combined
- Not include Tax advances in the amount \$276 mm between the years 2015-2017



Tamar Project



Tamar – World Class Deepwater Project

Ownership

Delek Drilling 22%, Isramco 28.7%, Dor Gas 4%, Everest 3.5%,
Tamar Petroleum 9.25%, Noble Energy (operator) 32.5%

2P Reserves*

11.2 tcf (318 bcm); / 14.6 mmbbl condensate

First gas

End of Q1 2013

Development budget:

\$3.1 Billion (100%)

Overall Tamar costs to date:

\$4 Billion (100%)

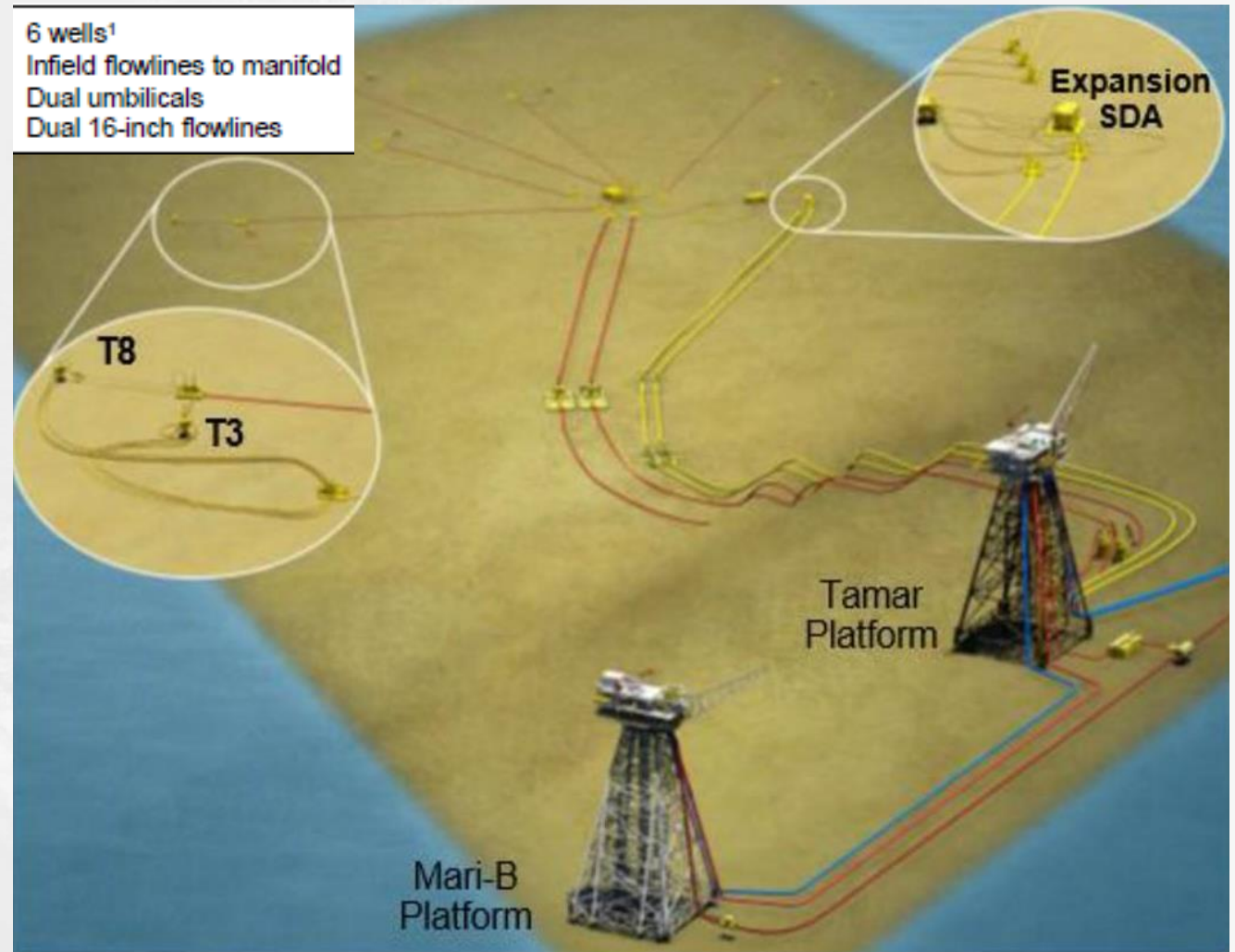
Production capacity

1.1 bcf/d (~11.5 bcm/y)

Global Scale Development & Operation :

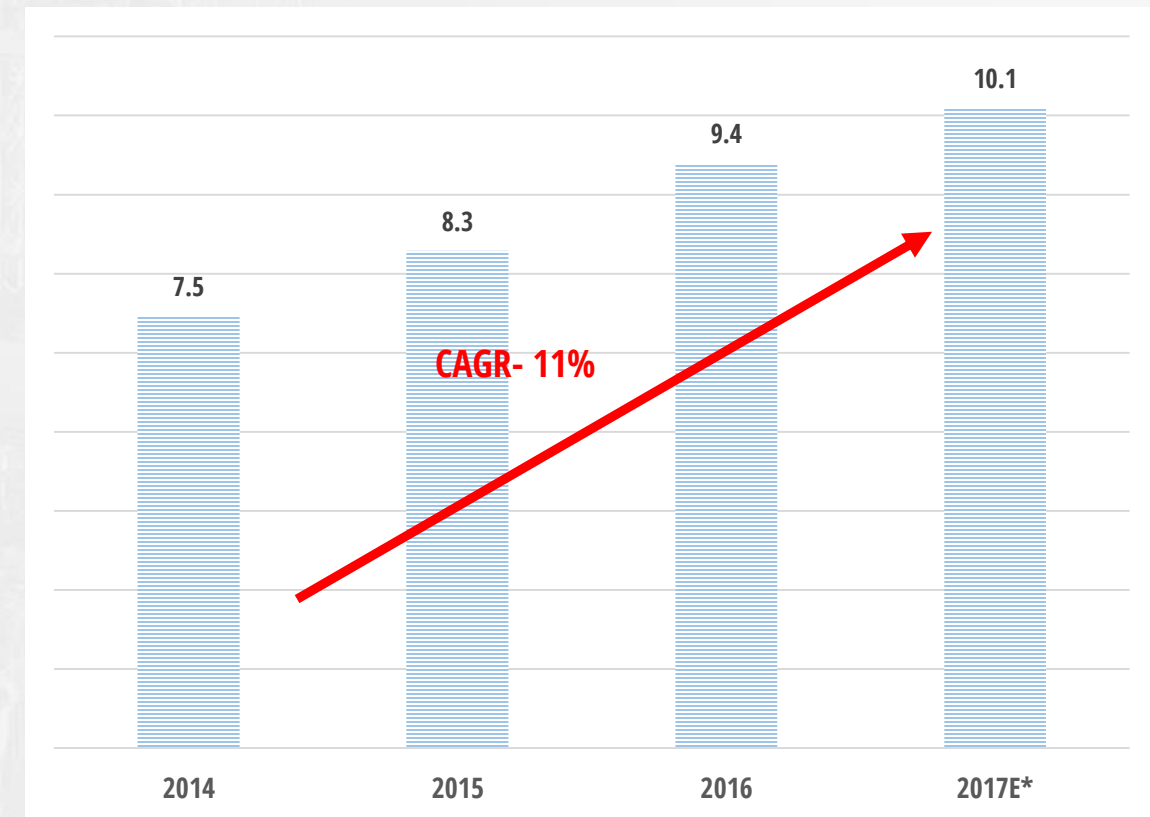
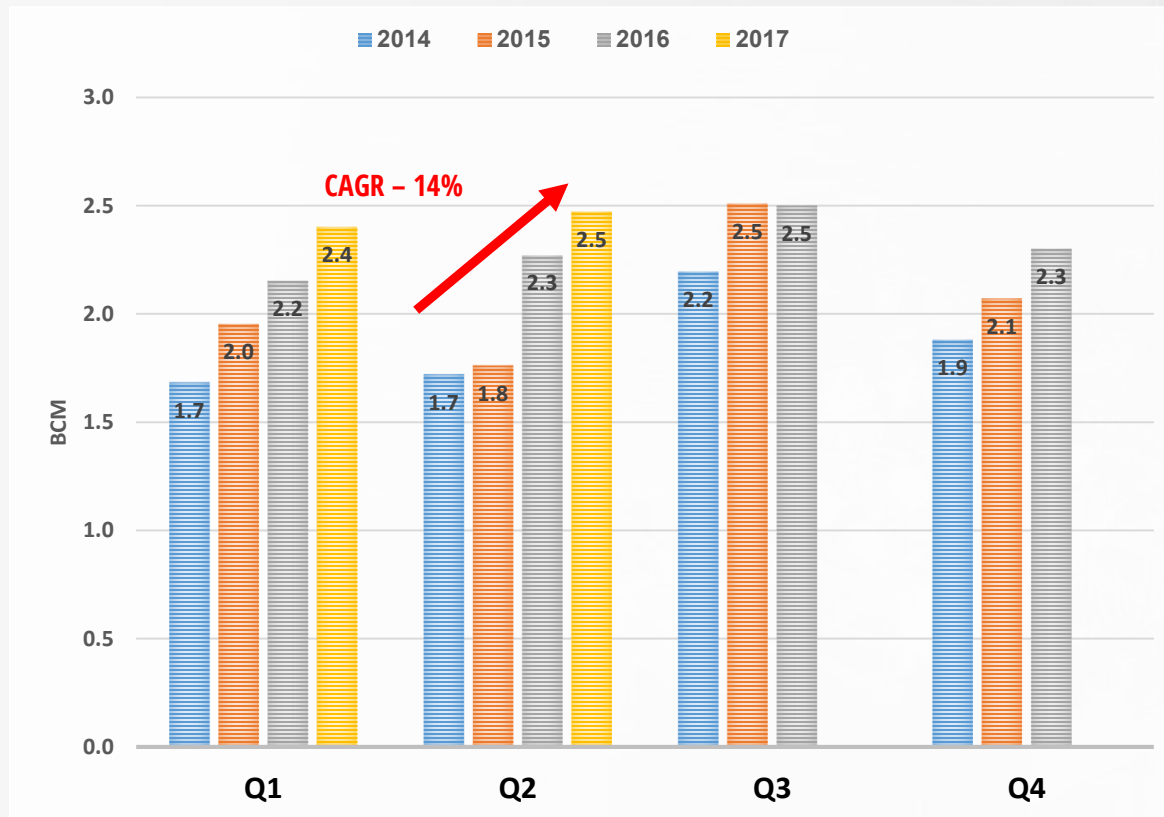
less than 4.5 years from discovery to first gas, strong operational track record (>99.9% up time) and low running costs

*Reserves estimate as published on 02/07/2017



Tamar Continued Excellence Performance

- ❑ Tamar daily production reaches maximum capacity for a growing and growing period each year
- ❑ 2017 2Q record gas sales :



gas sales based Delek Drilling financial report for 2Q 2017

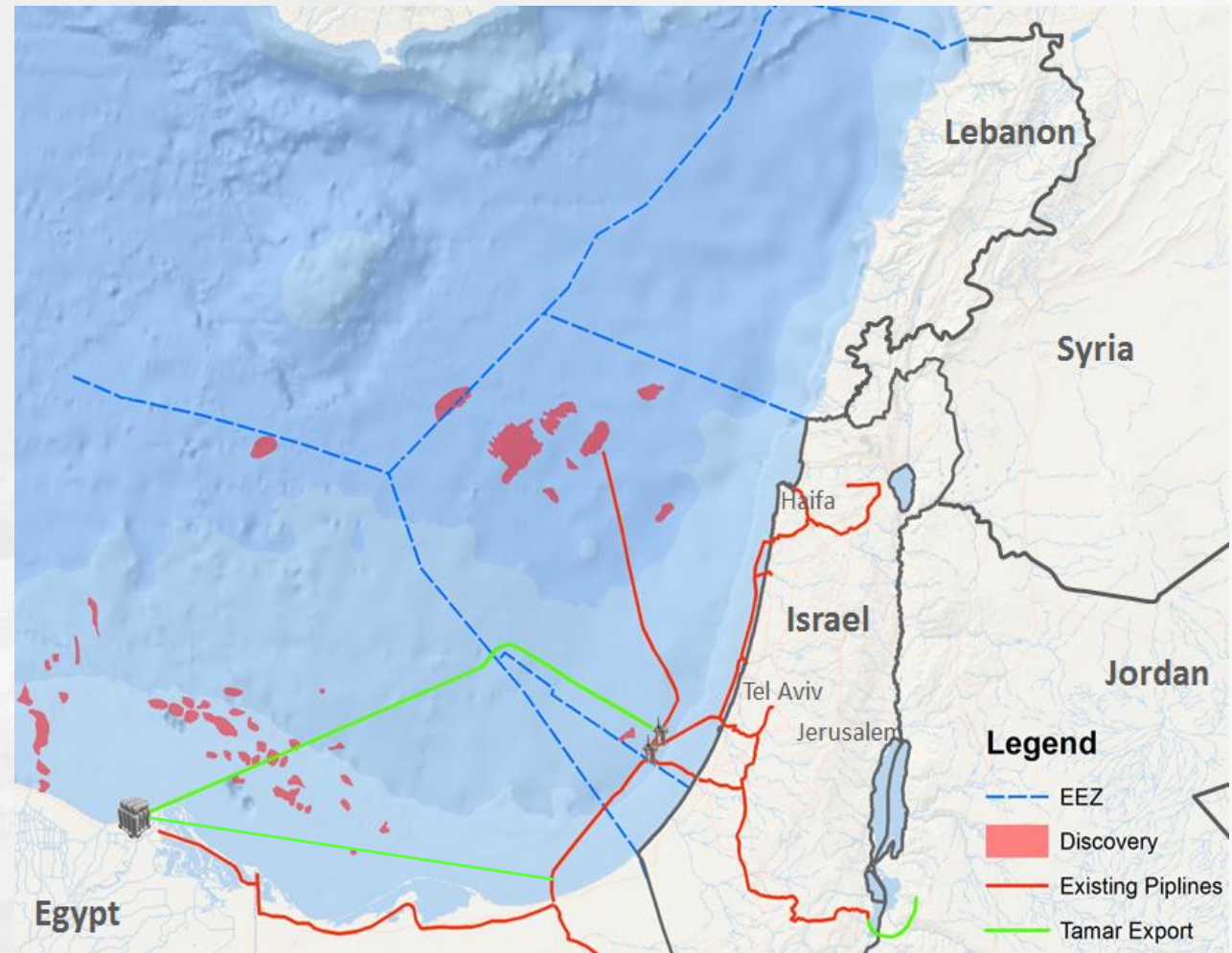
* 2017 expected sales based on NSAI estimated DCF for Tamar as published in DD reserve report 02/07/2017

Tamar Potential Expansion – Unlocking Value

Egyptian demand will serve as an anchor for capacity expansion of the Tamar Project

Expansion program

- A third pipeline from the field 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 Egypt using :
 - Existing infrastructure
 - New designated infrastructure



Tamar-Related Debt – Tamar Bond



- ❑ The sale of 9.25% of the working interest to Tamar Petroleum triggered a mandatory redemption of 20% of the outstanding DEVTAM bonds, across the 4 series.
- ❑ Redemption amounted to \$320 mm (plus crude interest)
- ❑ Remaining debt of \$1.28B. bullet payment of \$320 mm in years : 2018, 2020, 2023, 2025
- ❑ When selling down additional WI in Tamar, all net proceeds will be used first to satisfy 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

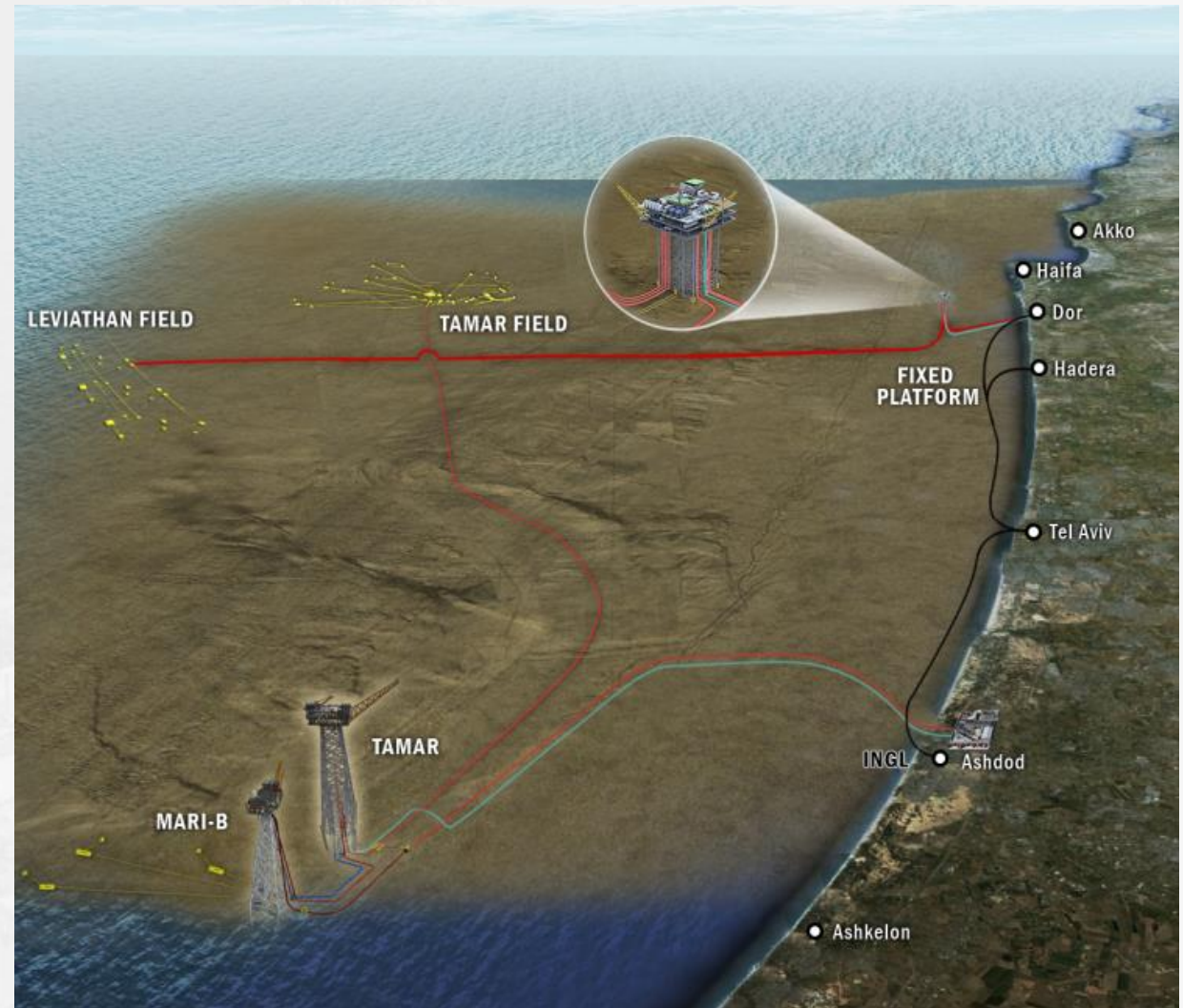
Estimated Capex Development (100%)

\$3.5-4 Billion – 1.2 bcf/d

\$1.5-2 Billion – Additional 0.9 bcf/d

Additional Prospective Resources (P50)

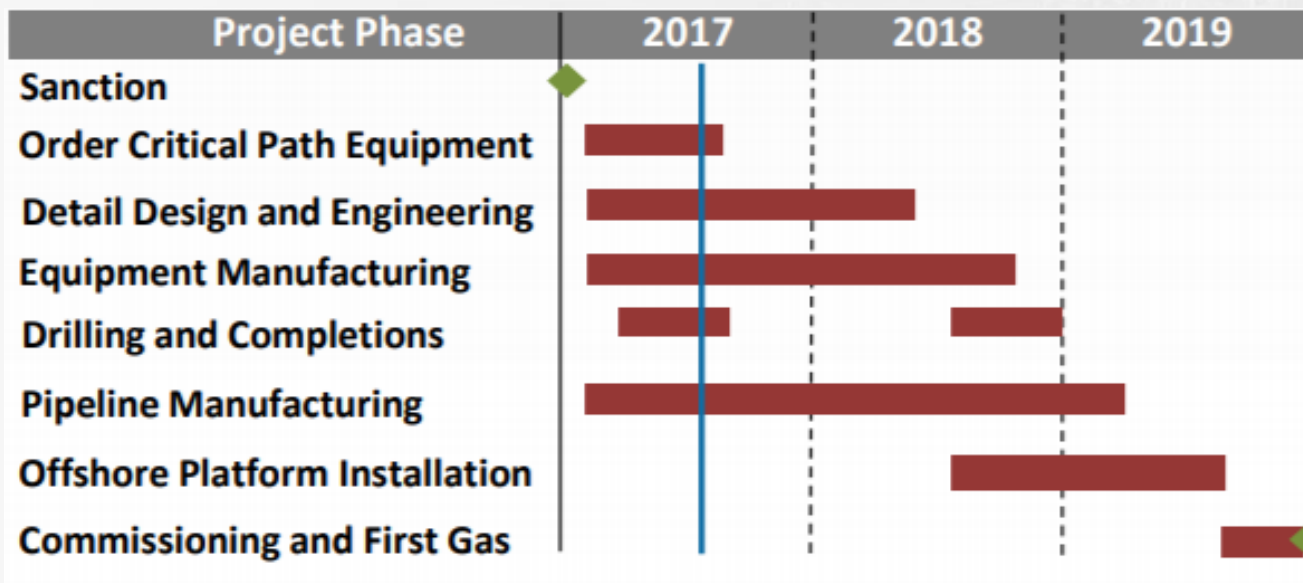
560 mmbbl oil (liquids) 4.5 tcf Gas



*Resources estimate as published in DD 2016 Annual Report

Project Development on Time on Budget

- ❑ Phase I development progressing- 15% complete
- ❑ Fabrication has started on the platform topsides, jacket, and the subsea equipment
- ❑ All building permits received or submitted
- ❑ More than 500 people currently working on the Project. 1500 people by the end of 2017
- ❑ Drilled upper section of Lev-7; Lev-5 drilled to depth



Source: Leviathan operator (NBL)



Leviathan Drilling Campaign

- ❑ Leviathan – 5 and Leviathan – 7 open hole were drilled in 2017 by the Atwood Advantage drill-ship. The Leviathan partners decided to complete the drilling and completion campaign with the Ensco DS- 7

Scope of work

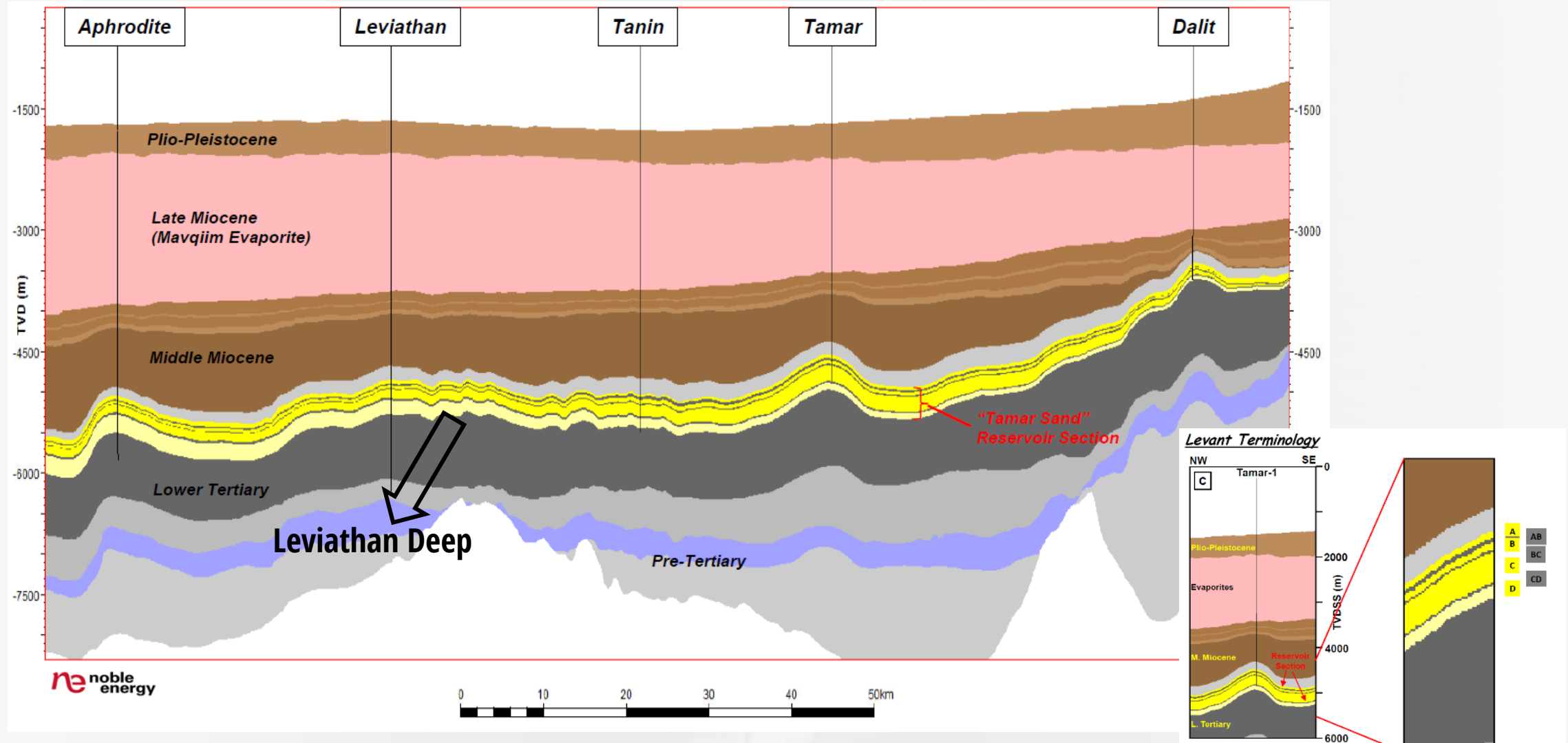
- ❑ Drill Leviathan – 7 to TD
- ❑ Drill Leviathan – 3 to TD
- ❑ Completion of Leviathan – 3,4,5,7

Ensco DS-7 Highlights

- ❑ Expected to arrive in 1Q 2018
- ❑ Significant drilling cost reduction
- ❑ High technical capabilities
- ❑ Systems enabling deep targets drillings (MPD ready)



Levant Basin – Geology





Markets

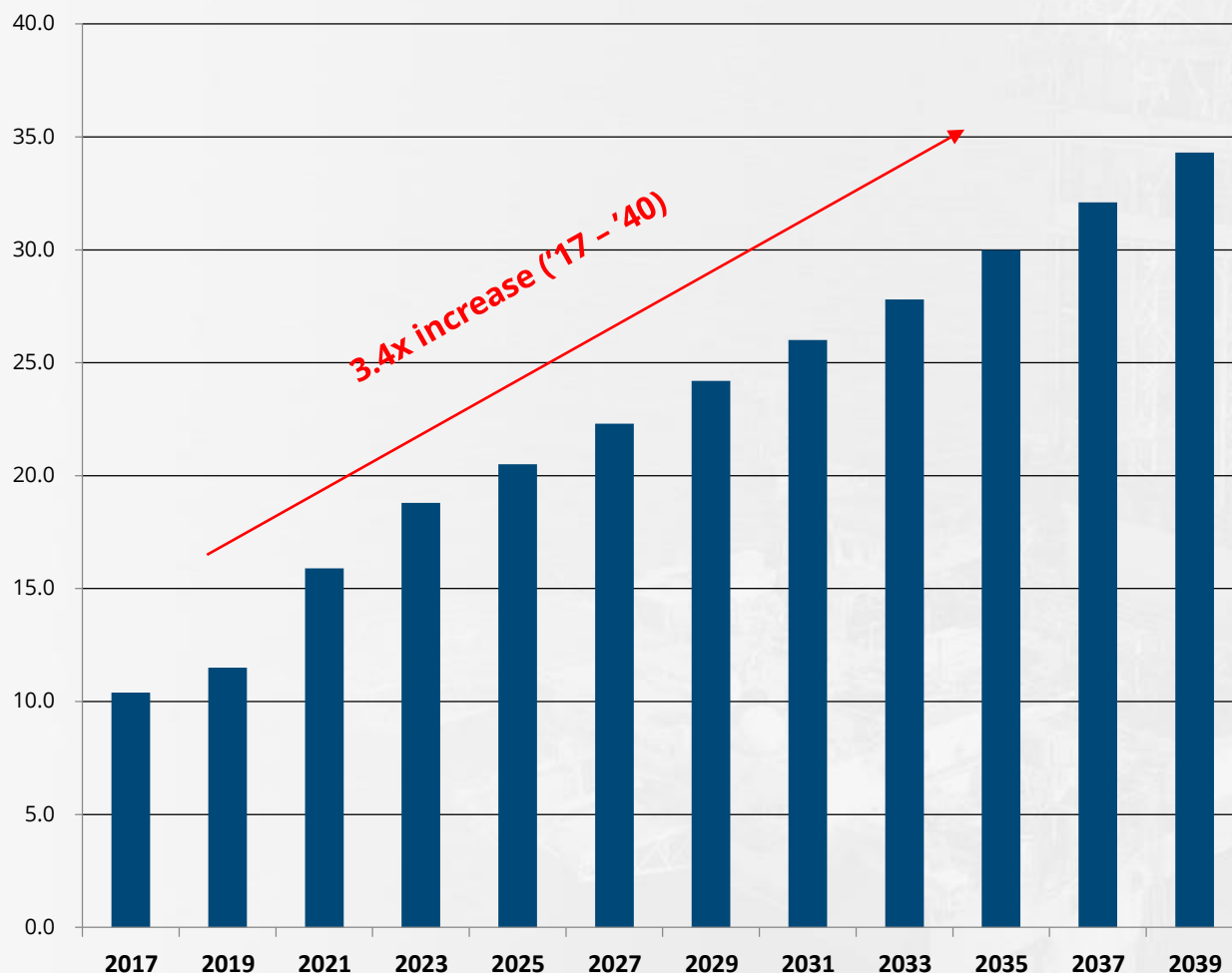
Sea of Demand





Domestic Long Term Gas Demand Forecast Growth

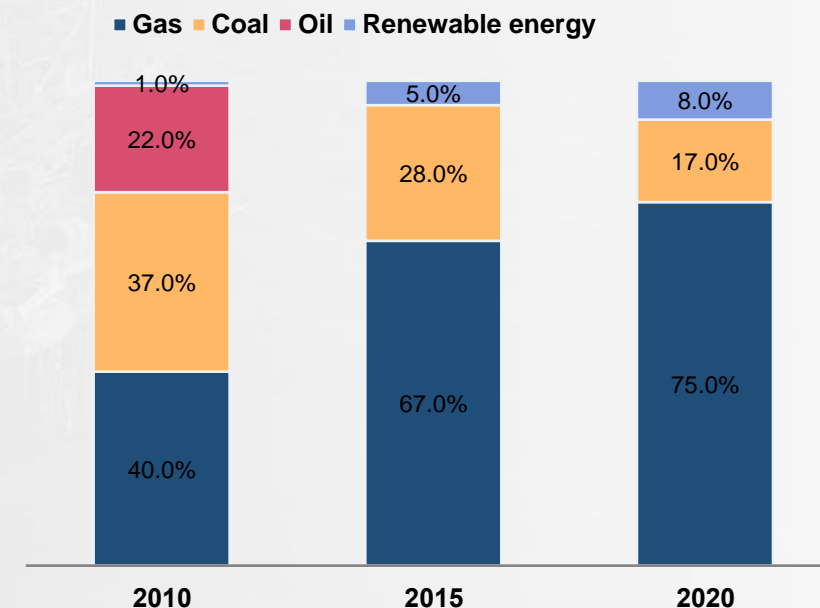
Gas Demand Forecast (BCM)



מקור: דוחות חח"י והערכות BDO

❑ Electricity generated by gas is expected to triple by 2040 and will represent 85% of total electricity generated according to Ministry of Energy and Water

Electricity generation by fuel type (%)





Growing domestic gas market

Domestic gas market growth engines

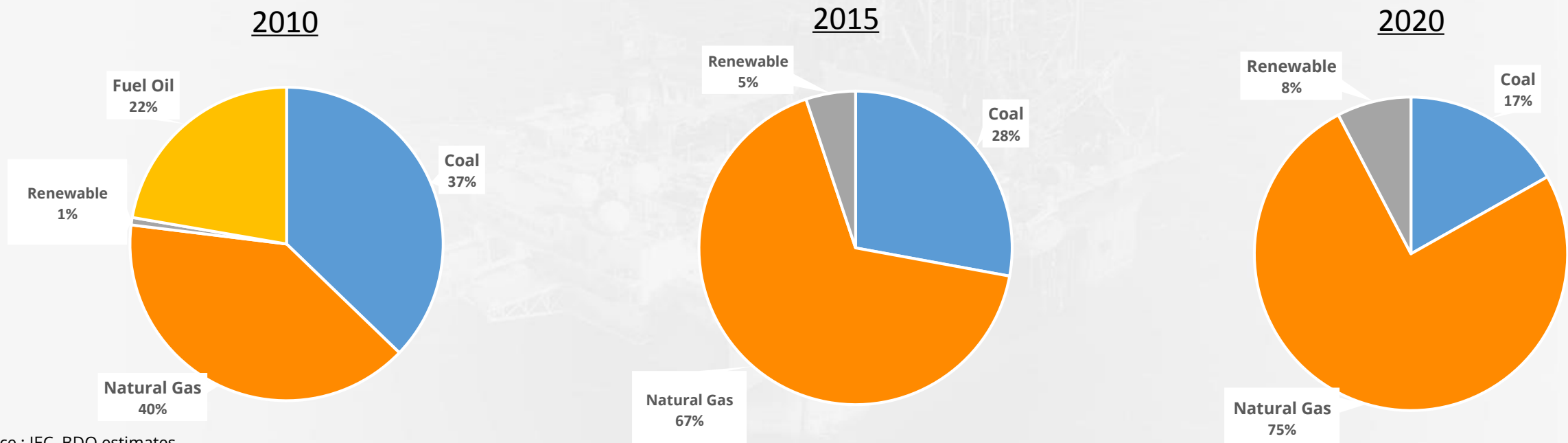
Increased electricity demand	Driven mainly by population growth, increase in disposable income and real wage and growth in the use of electrical appliances Increased connectivity of industrial clients to the natural gas network
Change in electricity energy mix	More local clean gas, less imported polluting coal
Electrification of Israel's railway system	Complete shifting of the entire Israel Railways network from diesel to electricity fueled by gas
Chemical and petrochemical industries	Potential to establish a chemical industry on the basis of domestic natural gas
Gas usage for transportation (CNG)	Expected CNG powered vehicles to penetrate into niche markets; electric vehicles and plug-in hybrids are also expected to enter the market, following global trends
Increased water desalination	Over time, the sole source of supplying increased demand for water in Israel is through desalination of seawater, a process that is energy intensive



Growing domestic gas market

- ❑ The consumption of coal (as of 2016) is equivalent to about 5 bcm per year
- ❑ Assuming complete production by natural gas without coal, gas consumption would now stand at about 15 bcm per year
- ❑ Continuous decline in the volume of electricity production by coal, which may continue to decrease from 2020 onwards, in accordance with government policy

Electricity production capacity, historical development and expected capacity by type of fuel



Source : IEC, BDO estimates

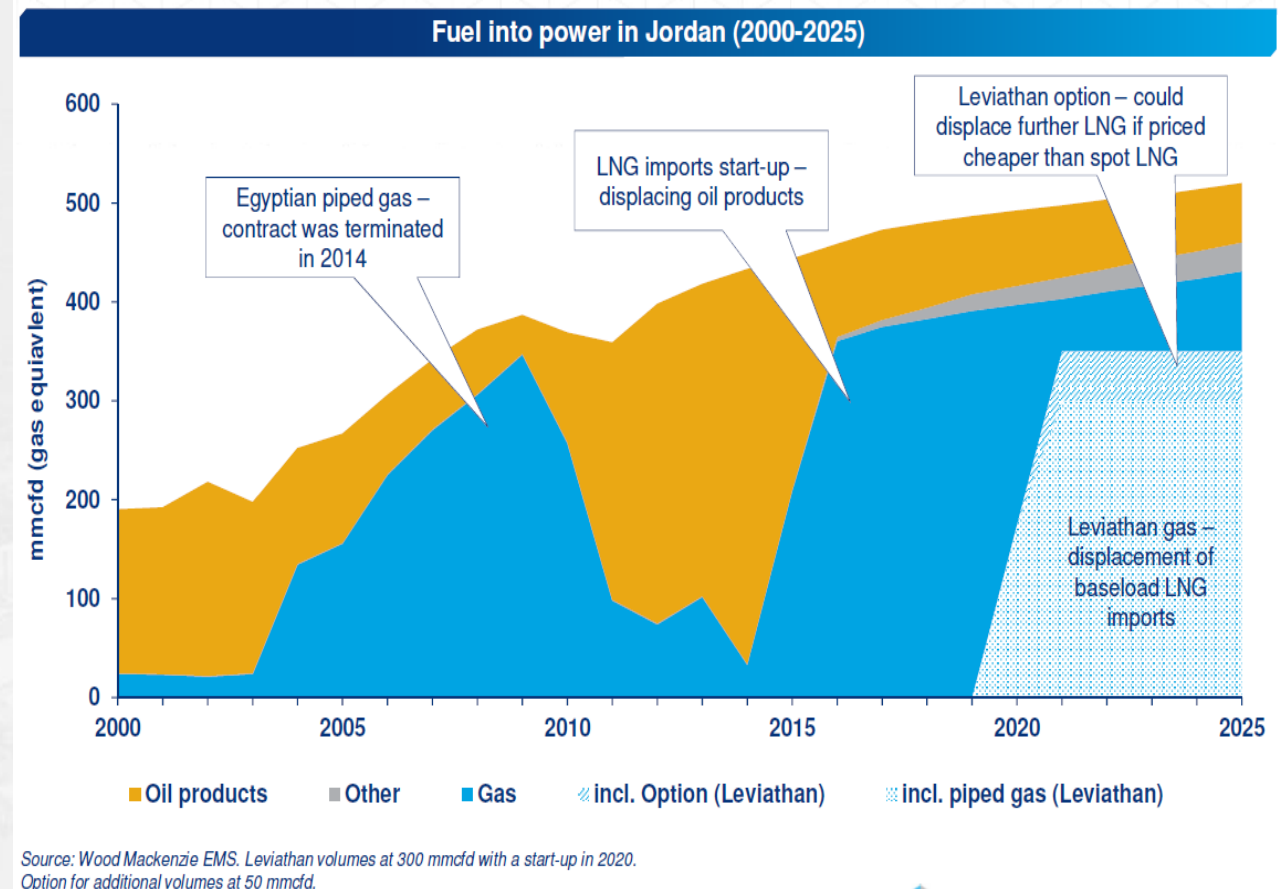


Jordan NEPCO – Ideal Export Offtaker

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*

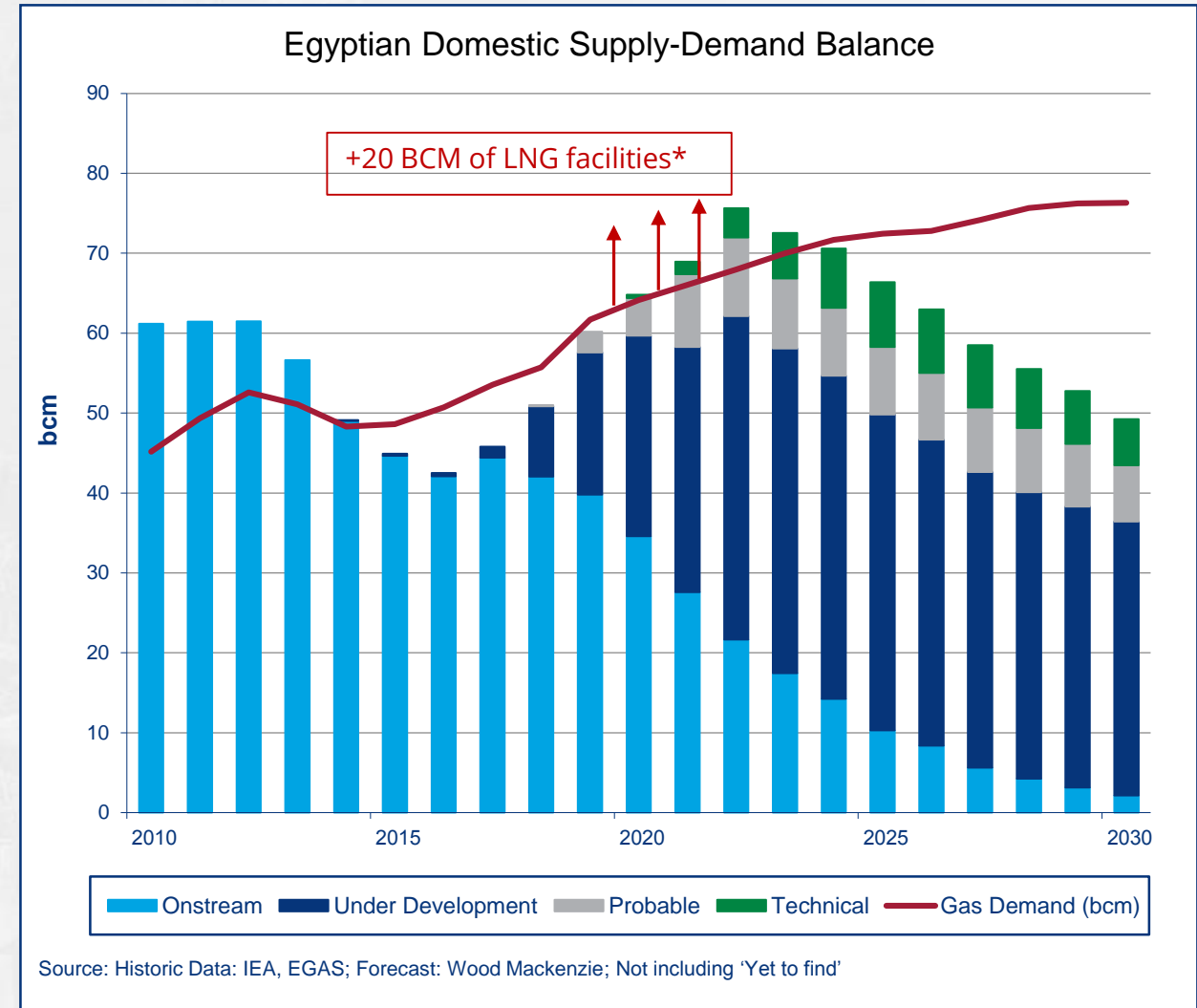


* Assuming NEPCO will consume the Total Contract Quantity, and based on the Partnership's estimation regarding the price of natural gas during the agreement period



Egypt – Supply Demand Imbalance

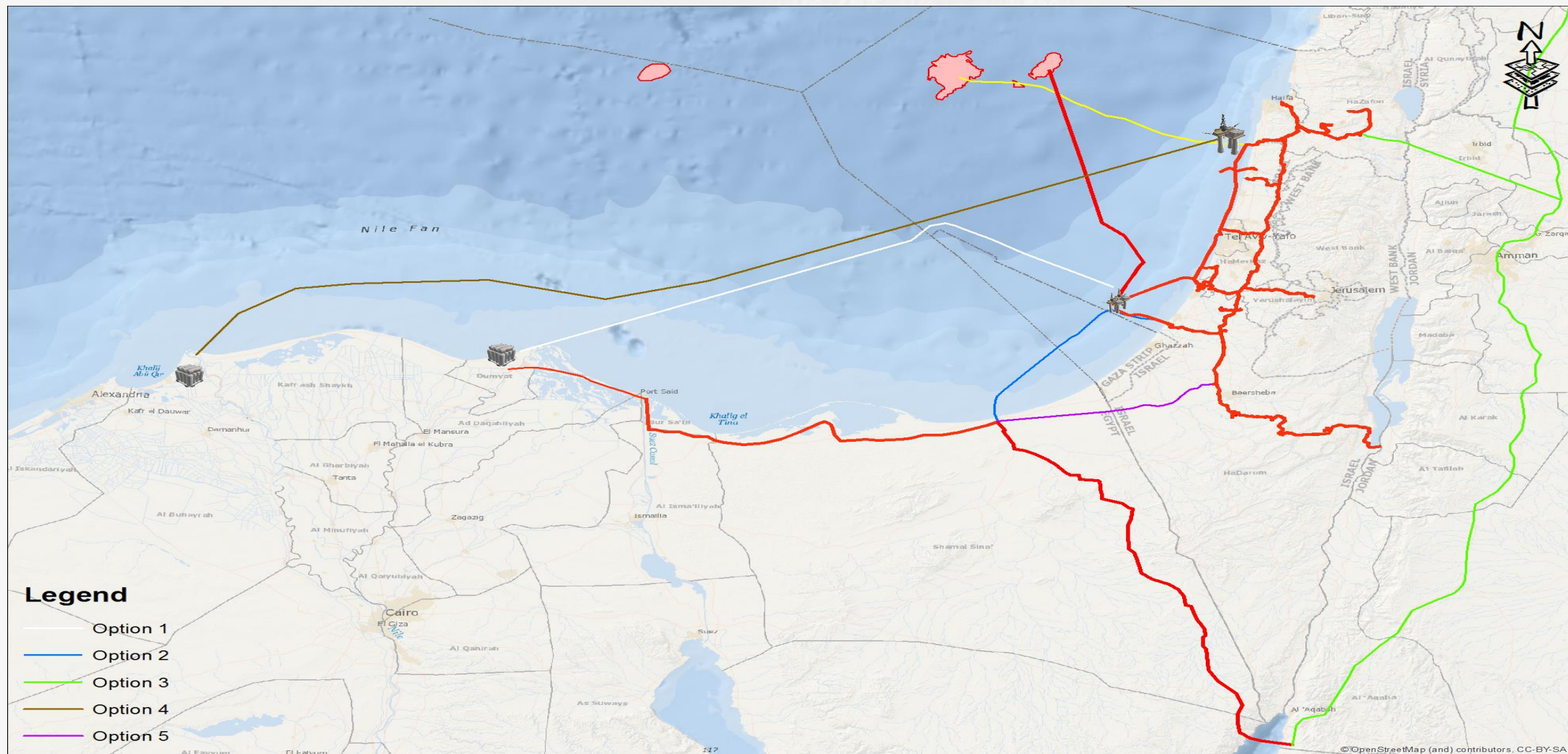
- Significant consumption of over 50 bcm/y, and increasing by Approx. 8% year on year
- Additional gas is required for two existing LNG facilities, consuming approx. 17 to 20 bcm/y
- Egypt is fast tracking new developments such as West Nile Delta and Zohr to restore supply, but is short of gas even if the latter is over 22.5 tcf recoverable
- Government of Egypt recognizes the gas shortage and recently amended the law to allow the private sector in Egypt to directly trade gas using the pipeline and network infrastructure. This opens the door for the import of gas to Egypt



*The demand shown does not include the Egyptian LNG facilities at Damietta and Idku
Source: Wood Mackenzie

Regional Sales - Infrastructure Solution

Regional market access via multiple infrastructure entry options solutions



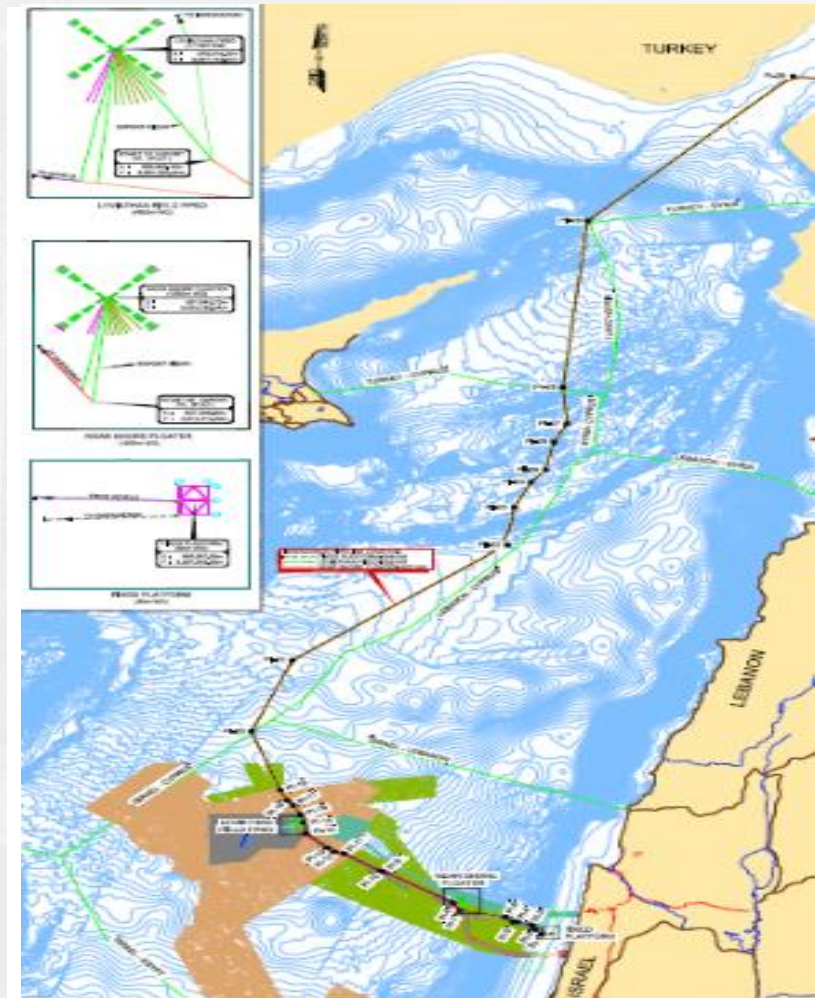
Regional Export – Turkey's Huge Potential

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 mmcf/d to Turkish market
- ❑ Second stage – additional 800 to 1,000 mmcf/d to European markets



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

An aerial photograph of an offshore oil rig in the Eastern Mediterranean. The rig's deck is painted with the Israeli flag, featuring two horizontal blue stripes and a blue Star of David. Several large cranes are visible on the rig, including a prominent red one. To the left, a supply vessel with "EEREMA" and "MA" markings is connected to the rig by a barge. The scene is set against a backdrop of a deep blue sea and a cloudy sky.

Thank You