Delek Drilling

Energizing The Eastern Med

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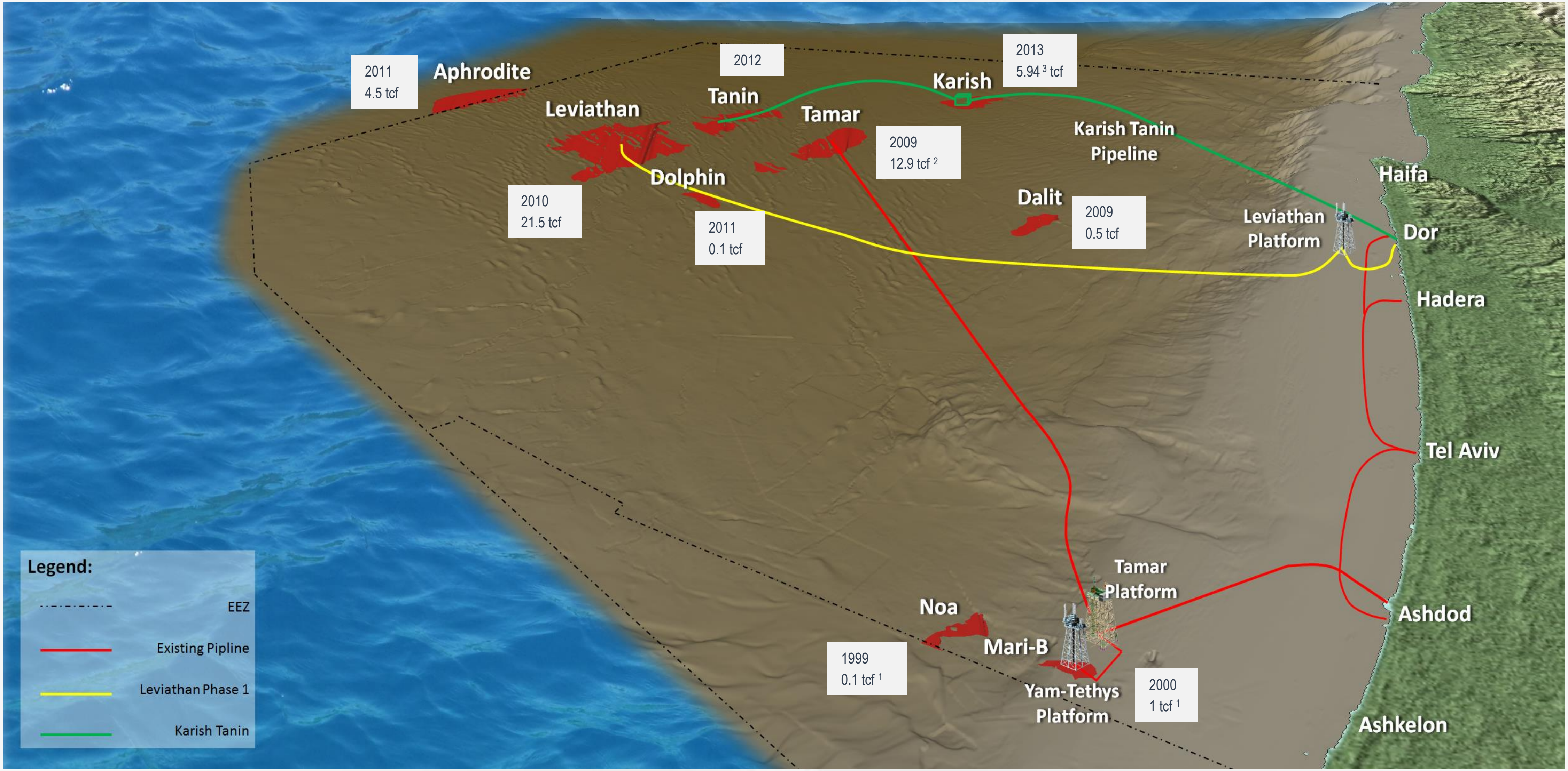
Delek Drilling – Eastern Med E&P Operation

Transforming the Levant Basin into a Natural Gas Export Hub

- Top Tel-Aviv- 35 index listed LP with a market cap of c. $2.7 Billion
- World class E&P portfolio of assets, from exploration through development and producing
- Senior partner in all major gas discoveries off-shore Israel and Cyprus
- The East Mediterranean 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/

Israeli and Cypriot EEZ – Over 42 TCF Discovered



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

[1] Estimated ultimate recoverable; Now almost depleted and classified as negligible petroleum asset, [2] Estimated ultimate recoverable including Tamar SW as of 19/02/2019 [3] Resources: 2P + 2C + Prospective (2U) of Karish and Tanin combined, based on Energean publication

Tamar – World Class Deepwater Project

Ownership

Delek Drilling 22%, Isramco 28.7%, Dor Gas 4%, Everest 3.5%, Tamar Petroleum 16.75%, Noble Energy (operator) 25%

2P Reserves*

11.1 tcf (337 bcm); / 14.5 mmbbl condensate

First gas

End of Q1 2013

Development budget:

$3.1 Billion (100%)

Overall Tamar costs to date:

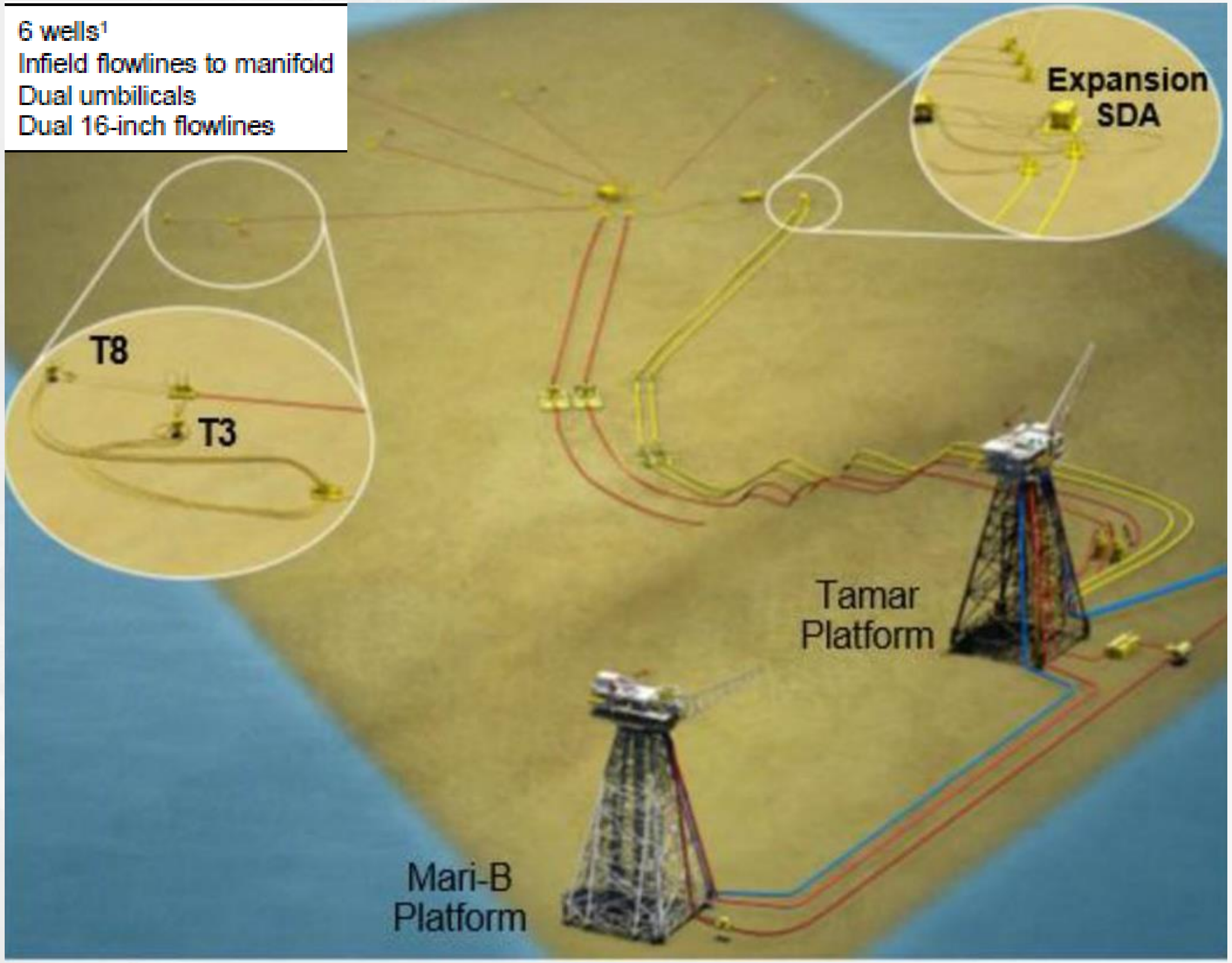
$4.5 Billion (100%)

Production capacity

1.1 bcf/d (250 mmcfd from each well)

Global Scale Development & Operation :

less than 4.5 years from discovery to first gas, strong operational track record and low running costs



*Reserves estimate as published 19/02/2019

Tamar – Contracts and Sales Breakdown

Long term contractual structure with limited commodity price risk

Israel Electric Corp.

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

Price linked to US CPI

Represent Approx. 50% of sales in 2018

IPP & Electricity Related

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

Majority of contract pricing linked to electricity index with a floor price

Represent Approx. 40% of sales in 2018

Industry & Other

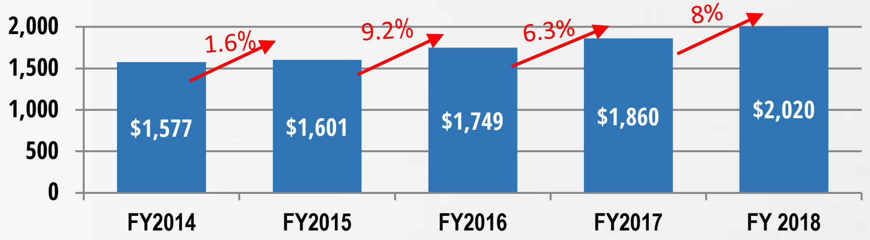
- TCQ : 8.5 bcm (0.3 tcf) + Condensate
- 5-8 years

Majority of contract pricing linked to Brent with a floor price

Represent Approx. 10% of sales in 2018

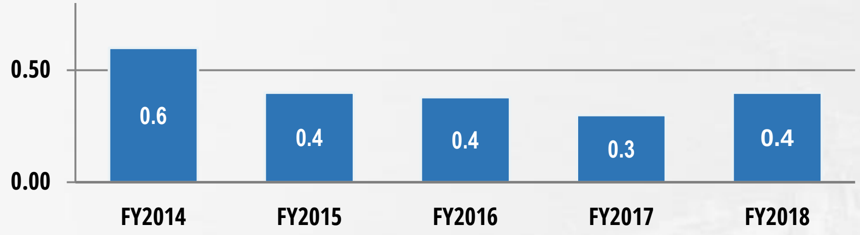
Robust Steady CF Generating Project

Gross revenues ($mm)



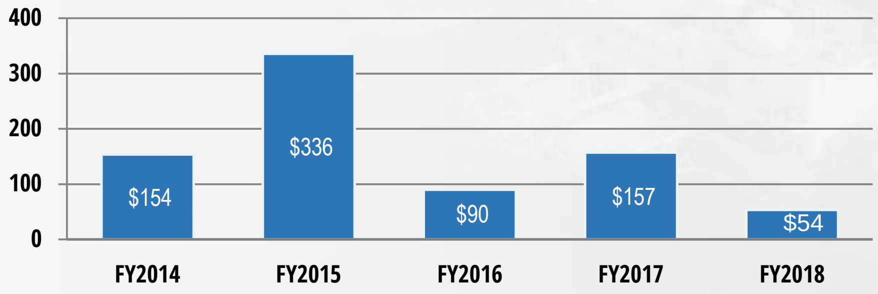
- Revenue increase resulting from supply growth and price protective GSPAs (despite weakness in O&G market)

Natural gas production cost per output unit ($/MCF)[1]



- Very low unit operating costs of $0.4/MCF in 2018
- Continuous reduction in unit operating costs driven by production ramp up

Historical capital costs ($mm)

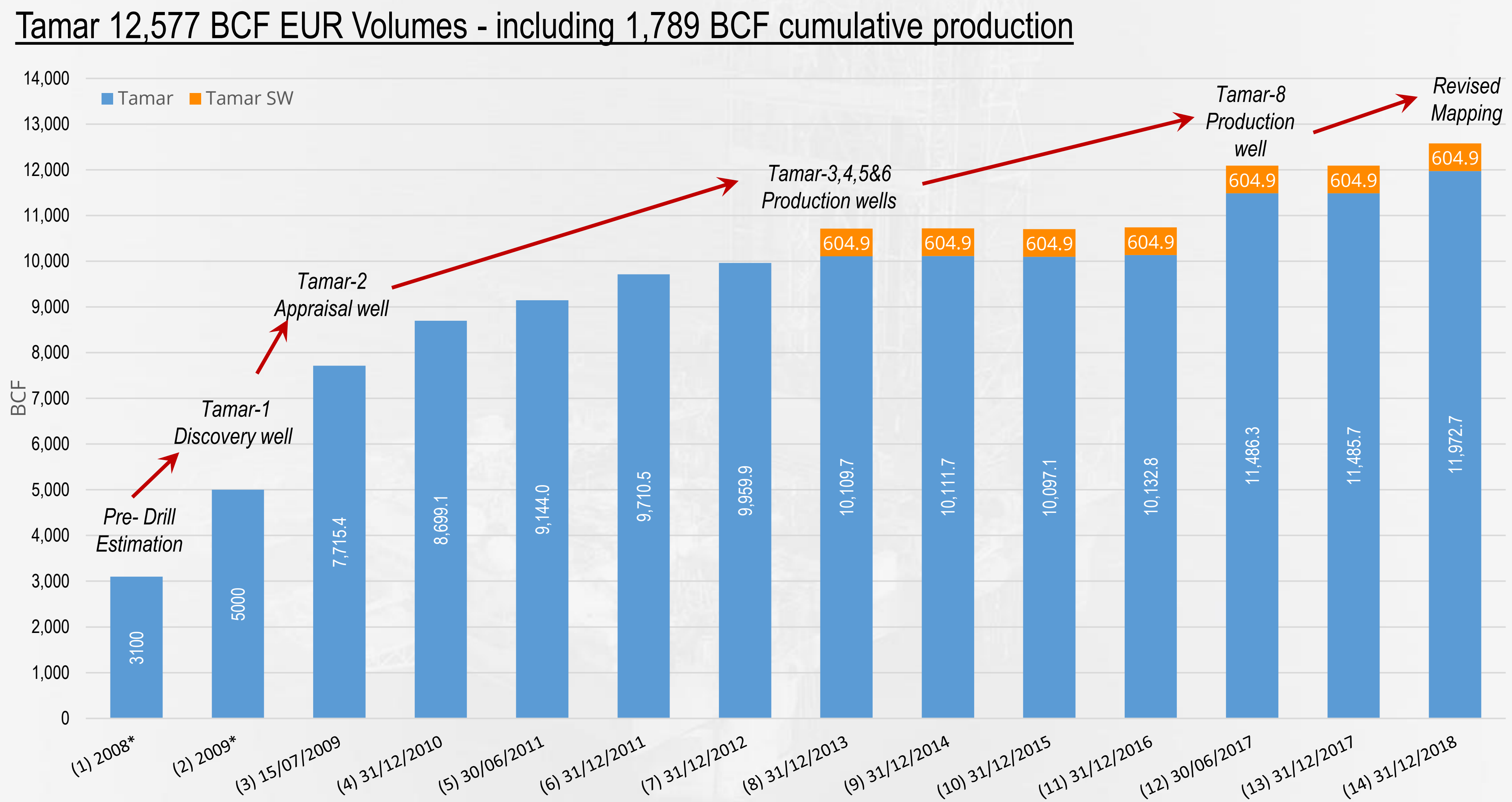


- Reduction in capital expenditures due to completion of investment phase for production ramp-up and capacity expansion (compressor project at the Ashdod terminal) and completion of FUA Yam Tethys payments in 2015
- 2016/2017 capex includes drilling of Tamar-8 well

Source: Delek Drilling annual reports
Note: Charts reflect 100% Tamar working interest, [1] Average production costs per output unit (attributable to the holders of the equity interests)

Tamar Reserves

Tamar reserves consistently increased since pre-drill estimation and during last 5 years of production



Tamar Divestment Process

- Delek Drilling is examining various alternatives for satisfying its commitment to divest its working interest in Tamar
- The first step was accomplished in July 2017, a divestment of working interest through the Capital Markets via the IPO of “Tamar Petroleum” (a special purpose vehicle). The total consideration for the 9.25% WI purchased by Tamar Petroleum was $980mm (IPO Proceeds: $650mm raised in a debt bond, $330mm raised in equity)
- Delek aims to monetize its remaining share in Tamar (22%) through the capital markets in one or more transactions, as well as potential bilateral transactions.
- An additional alternative is being examined and includes a potential spin-off of the LP assets

Potential Spin Off of Business

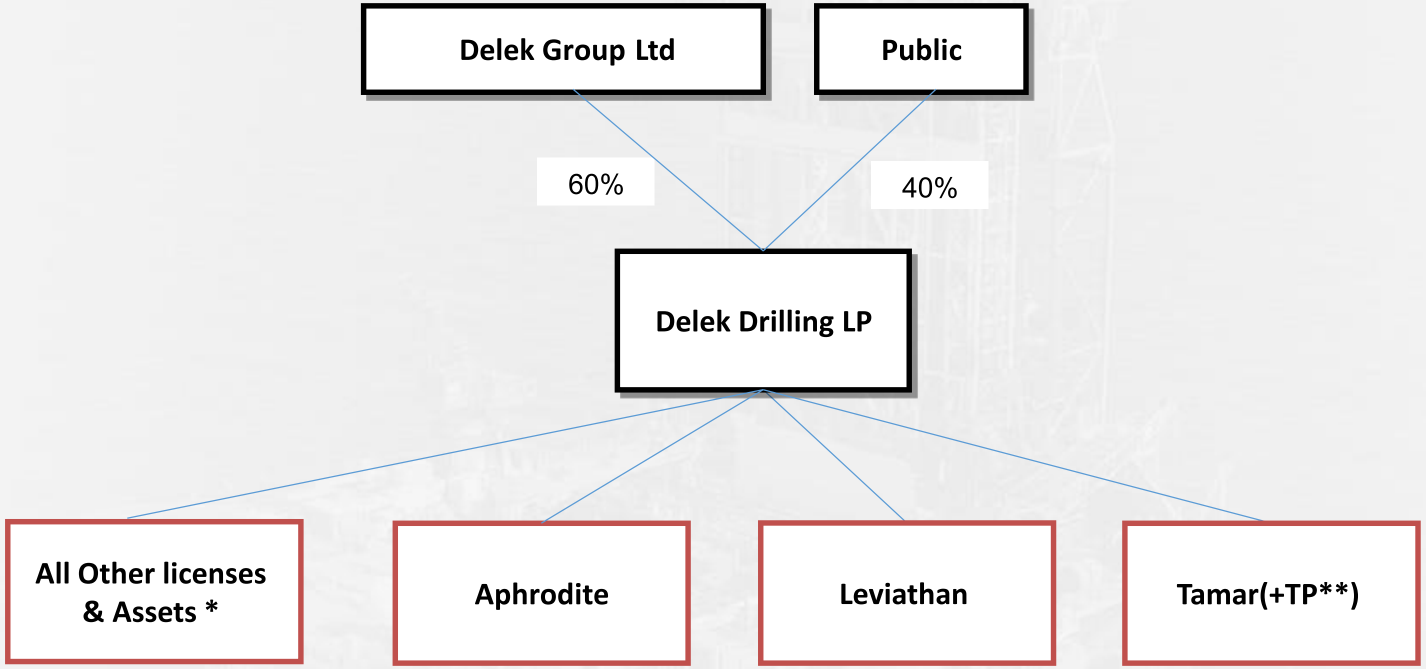
Examining a plan for the spin-off of the Partnership's non-Tamar assets and liabilities. The main purposes of which is to reside in a more suitable venue and to unlock value

- In terms of the strategic objectives of the partnership, which are related to the corporate structure, management identified two main goals:

  1. **Sale of Tamar -** in accordance with the commitment stipulated in the Gas Framework
  2. **Expanding** the investor base of the partnership, **Improving** tradability, **Floating value** to partnership's investors, **Improve** access to Debt and Equity and more, inter alia by examining listing for trading in London
  3. **Creating a suitable and efficient corporate vehicle** for growth and expansion of activities, with an emphasis on international markets

- Therefore the Partnership's Board of Directors instructed the management to examine a combined move that will enable those targets to be realized concurrently
- The Partnership intends to apply for tax ruling providing among other things that the spin off would be accorded tax deferral treatment for both the partnership and the unit holders. Such ruling are expected to postpone the actual tax liability to the date of actual future disposition or sale of the asset and the units, as the case may be.

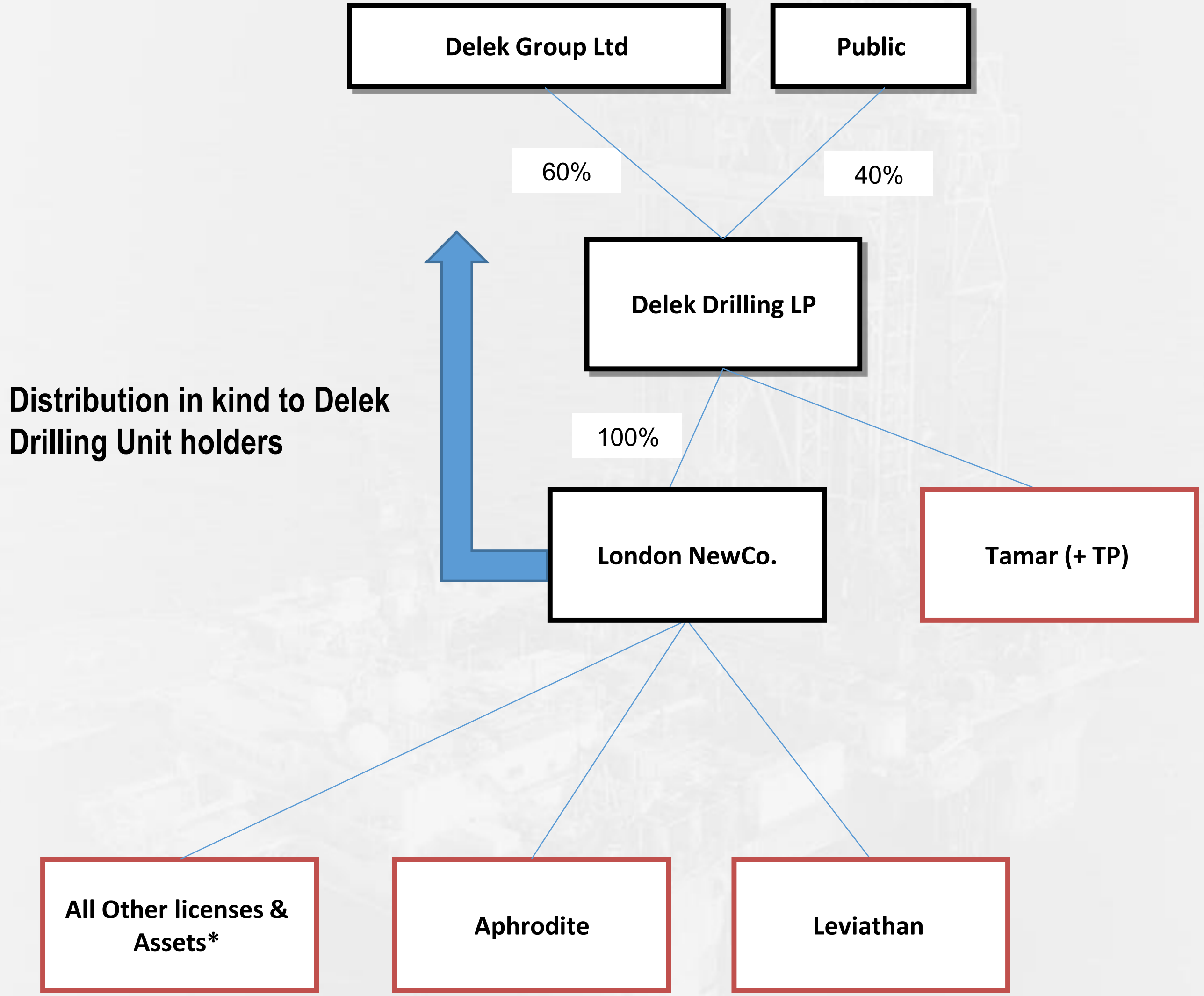
Current Structure



* Represents all other licenses and assets not related to Tamar, Leviathan and Aphrodite, and include, inter alia: Yam Tethys, Alon license, EMED, Karish-Tannin royalties and more •

** Tamar Petroleum LTD

Spin Off Process



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Final Structure

*** Represents all other licenses and assets not related to Tamar, Leviathan and Aphrodite, and include, inter alia: Yam Tethys, Alon license, EMED, Karish-Tannin royalties and more**

Tamar Related Debt

- Initial issuance of $2.0B Tamar Bond (Devtam) with 5 bullets payment maturities of $400mm each
- 2016 and 2018 bullets payed as well as $320mm repayment due to sale of 9.25% WI
- $960mm outstanding in 3 series of $320mm bullets payment in years : 2020, 2023, 2025

Leviathan – A Regional Energy Game Changer

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

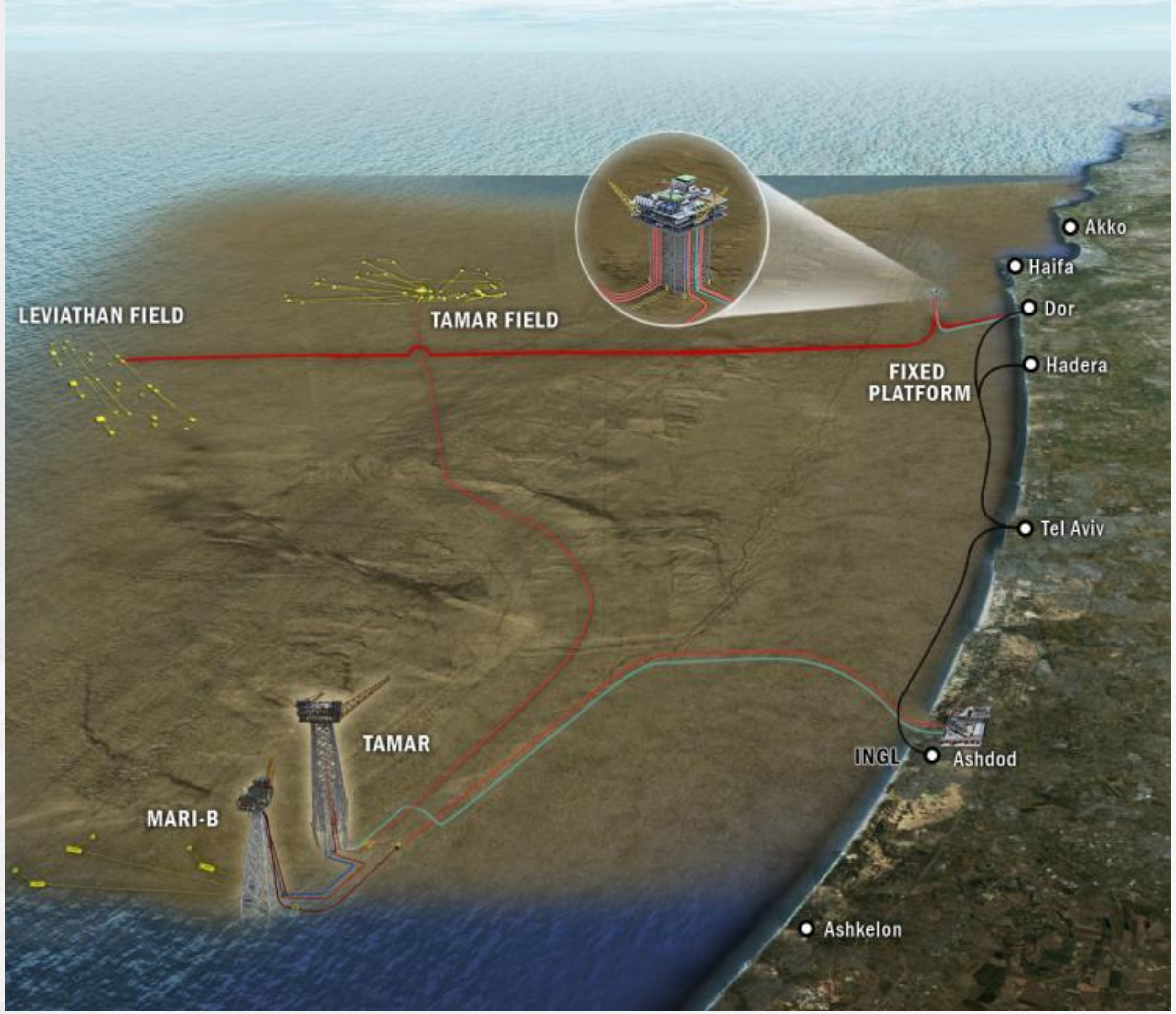
2P+2C Resources*
21.5 tcf (616 bcm), 38.6 mmbbl condensate

Estimated First Gas
4Q 2019

Production Capacity (to be built in 3 stages)
DSM - 1.2 bcf/d (~12 bcm/y)
DSMX - 0.4 bcf/d (~4 bcm/y)
REM – 0.8 bcf/d (~ 8 bcm/y)

Estimated Capex Development (100%)
$3.75 Billion – 1.2 bcf/d only

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

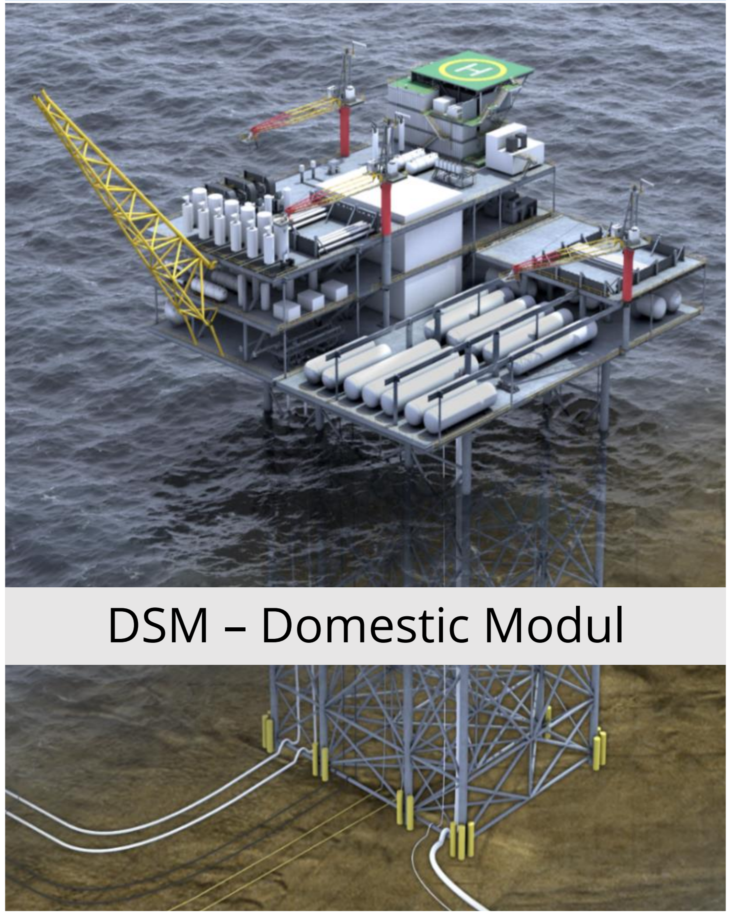


*Resources estimate as published in DD 2018 Annual Report

Leviathan – Modular Development

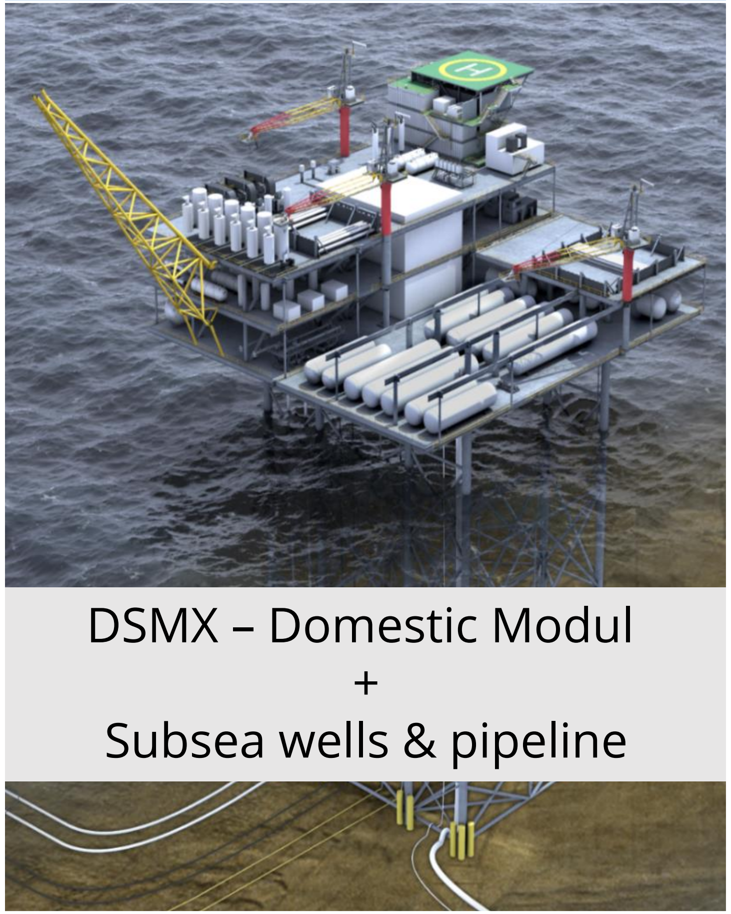
Leviathan partners approved $25mm for FEED In order to examine various expansion alternatives

Capacity of 1.2 bcf/d (approx. 12 bcm/y)



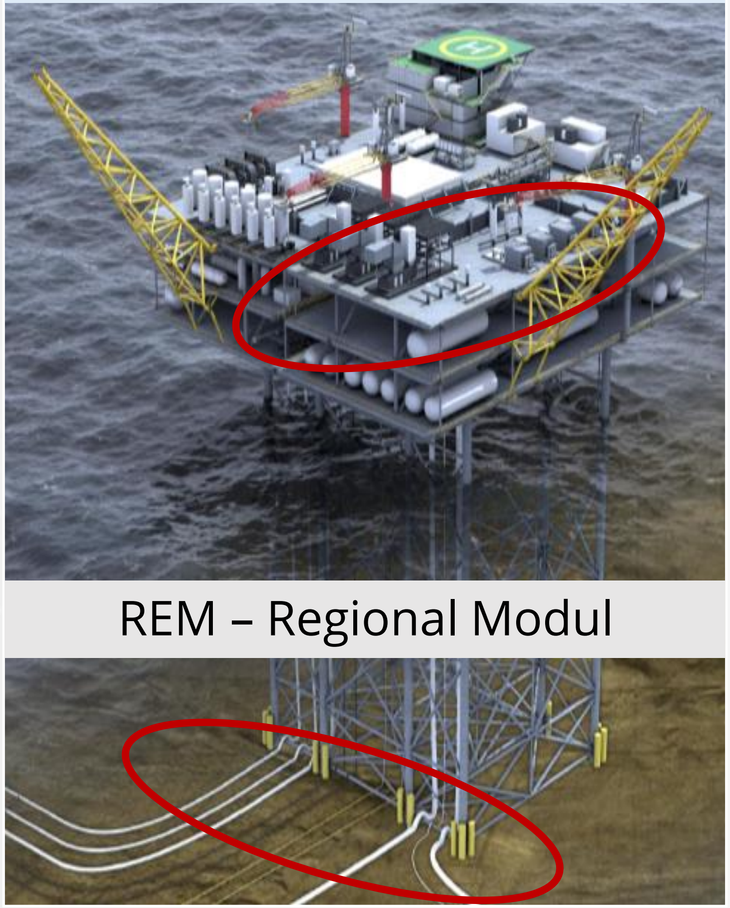
DSM – Domestic Modul

Capacity of 1.6 bcf/d (approx. 16 bcm/y)



DSMX – Domestic Modul
+
Subsea wells & pipeline

Capacity of 2.4 bcf/d (approx. 24 bcm/y)

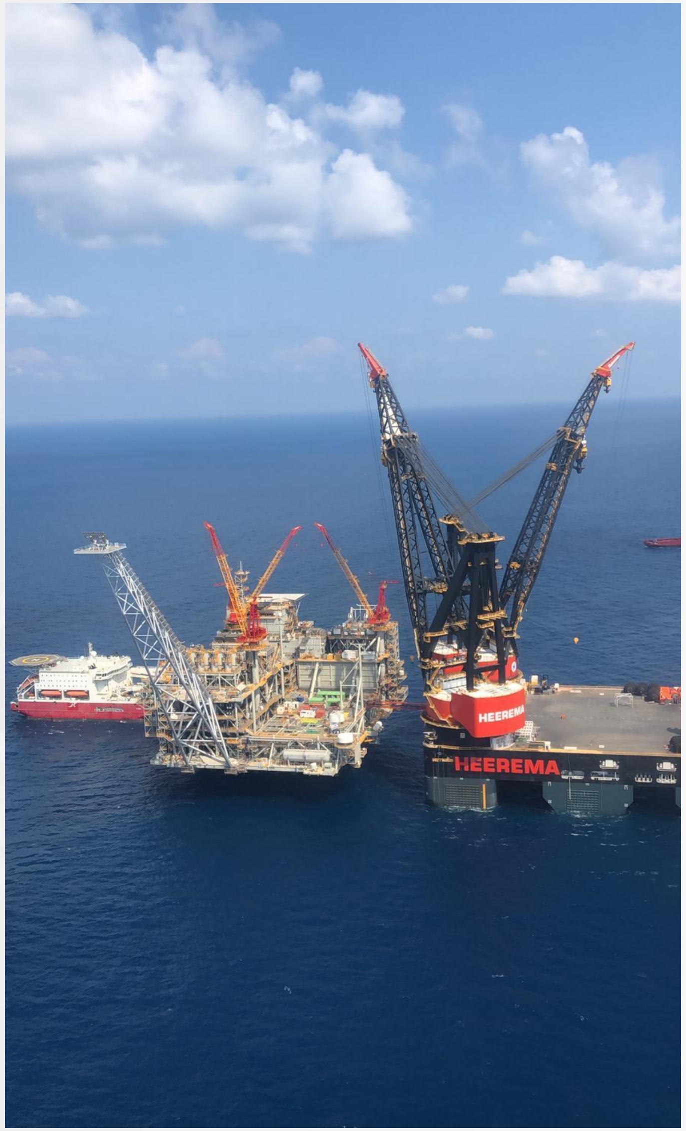


REM – Regional Modul

Source: Leviathan operator (NBL)

Leviathan Development on Time on Budget

- Phase 1a development ~95% completed
- Jacket & TopSide installation completed
- Hook-up & Commissioning to be started soon
- To date, the project budget has been revised downwards by $150mm
- **First gas expected by year end**



Source: Leviathan operator (NBL)

Leviathan – Contracts and Sales Breakdown

Long term contractual structure with limited commodity price risk

Domestic – Israel		Regional Export	
Israel Electric Corp.	**IPP & Electricity Related**	**Jordan NEPCO**	**Egypt- Dolphinus**
❑ ~4 bcm for a period of 2 years on an available-capacity basis ❑ Fixed price	❑ Aggregate of number of contracts ~ 2 bcm/y ❑ Electricity production index as published by PUA ❑ Floor price at 4.7-4.8 $/mmbtu	❑ ~3-3.5 bcm/y ❑ S-curve, Brent linked formula ❑ Floor price	❑ ~3.5 bcm/y ❑ Brent linked formula ❑ Floor price
Represent Approx. 30% of sales in phase 1a		**Represent Approx. 70% of sales in phase 1a**	

Leviathan Financing

Project finance facility to be taken out with a Bond issuance

Project Finance Facility

- Delek Drilling Leviathan Capex share of c. $1.75 B fully funded through first gas
- Funding is based on a combination of debt and DD sources
- Facility drawn over time, subject to development progress and milestones
- Remaining Capex c. $300mm

Future International Bond

- Refinancing of the project finance facility with a Bond issuance
- Facility raising will include additional funds on top of the refinance requirement
- Long term asset backed international Bond
- Estimated issuance timing 2020

Cyprus – Aphrodite Field

Ownership
Delek Drilling 30%, Shell 35%, Noble Energy (operator) 35%

Discovered Contingent Resources (2C) *
3.5 tcf (100 bcm)

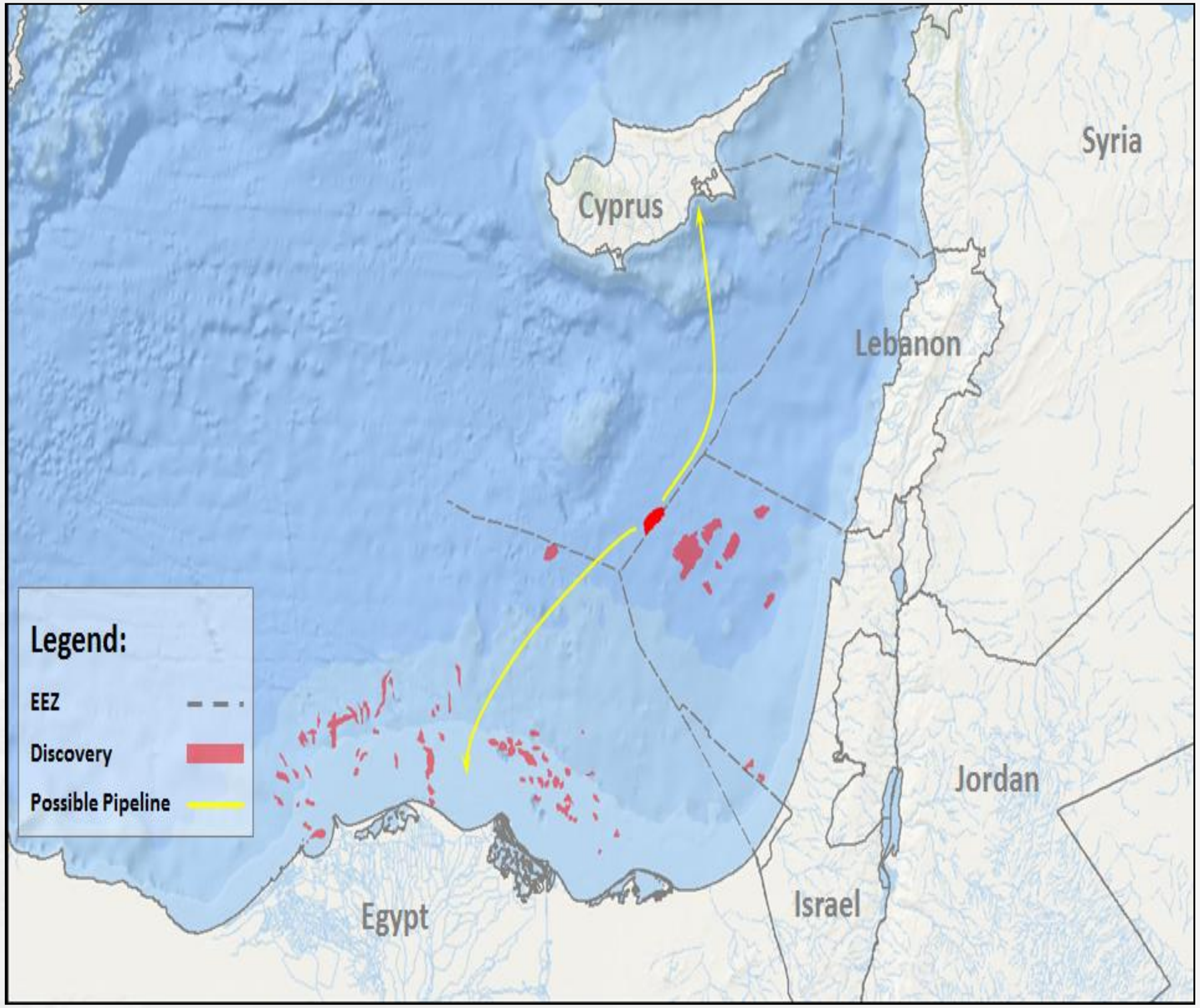
Additional Prospective Resources (P50)
1.0 tcf (29 bcm)

Location
168 km south of Limassol
1,700m water depth

Target markets
Cyprus - Domestic
Egypt - Domestic + LNG facilities

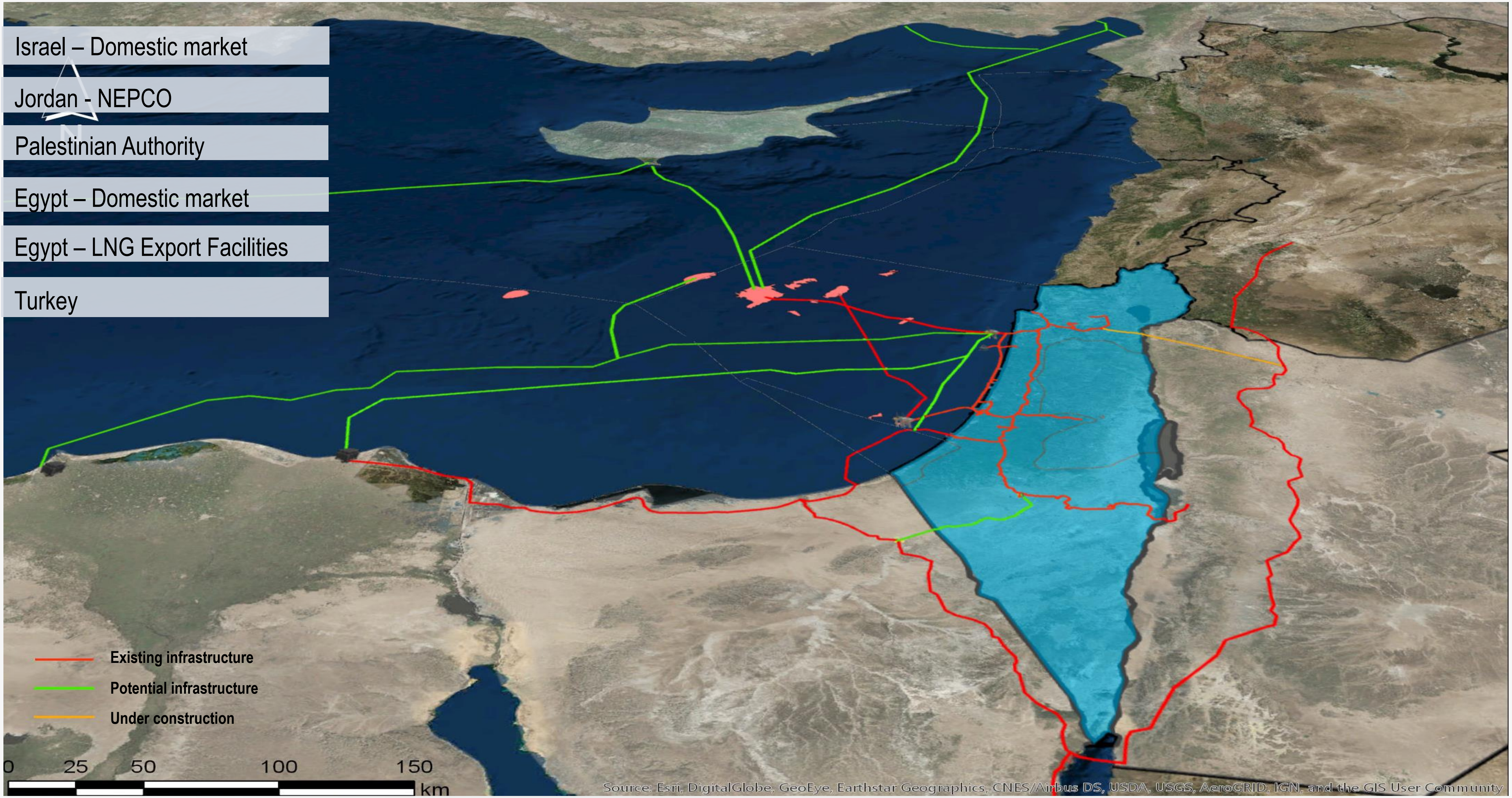
Estimated production capacity
600-800 mmcfd

Status
Development plan submitted to Cypriot Government



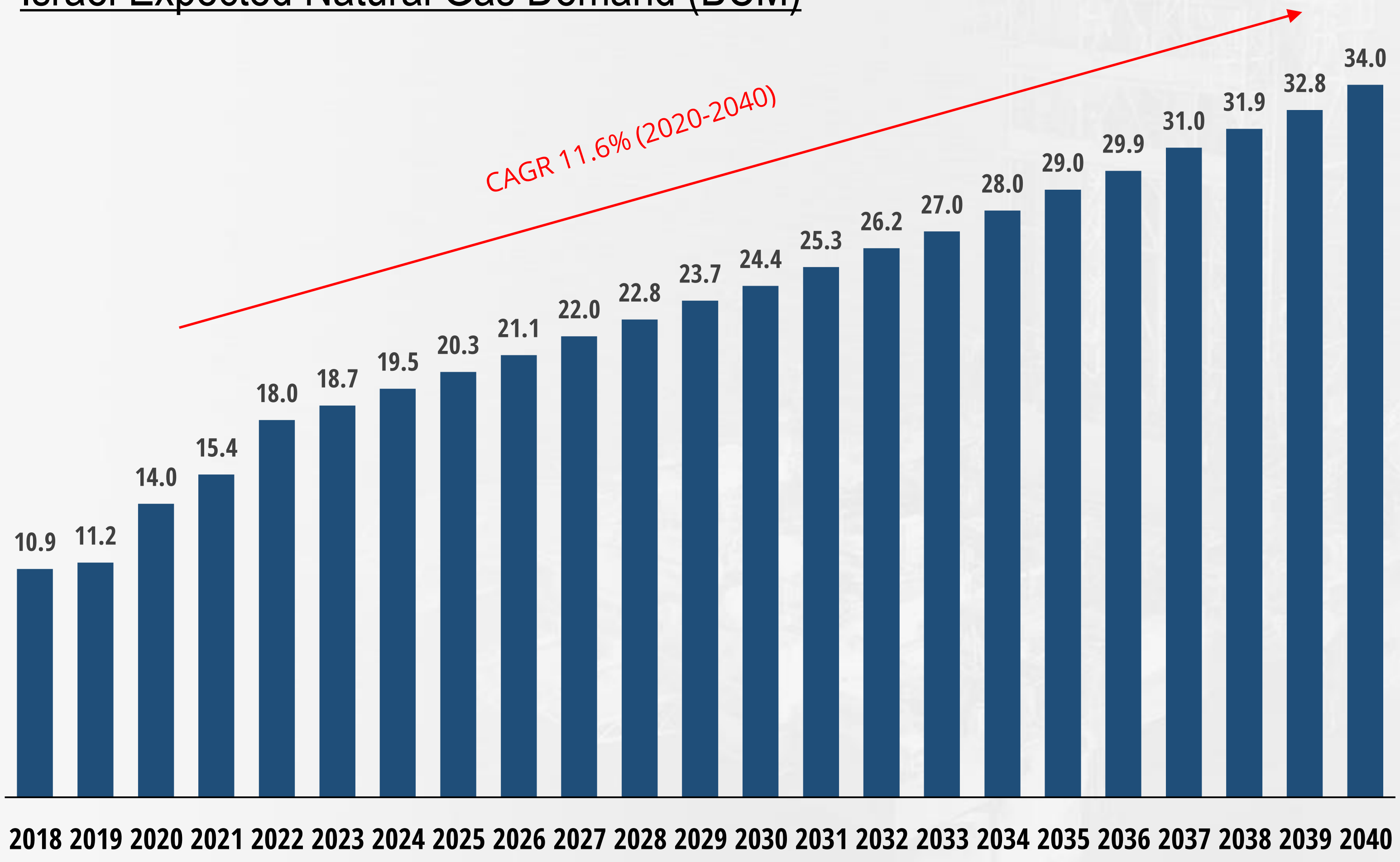
* reserves estimate -2018 Annual report

Delek Regional Strategy

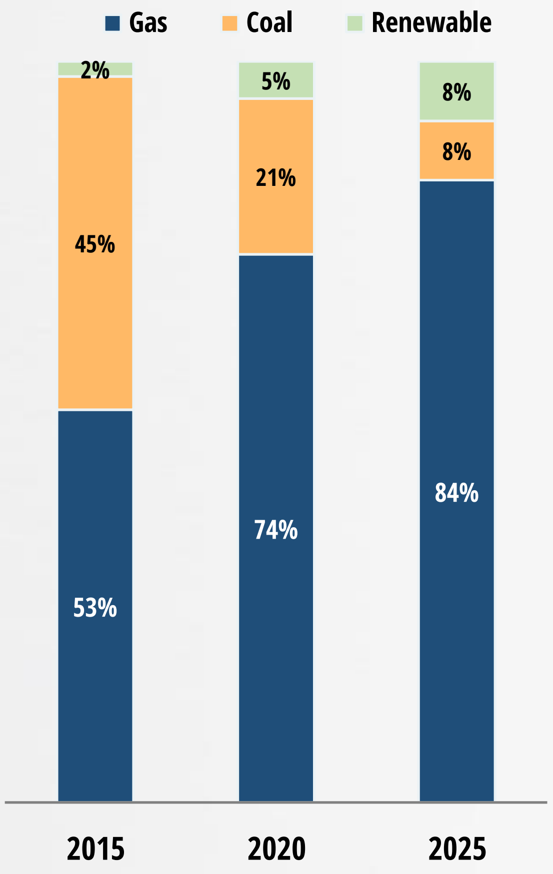


Israel Long Term Demand Growth

Israel Expected Natural Gas Demand (BCM)



Electricity Generation Mix

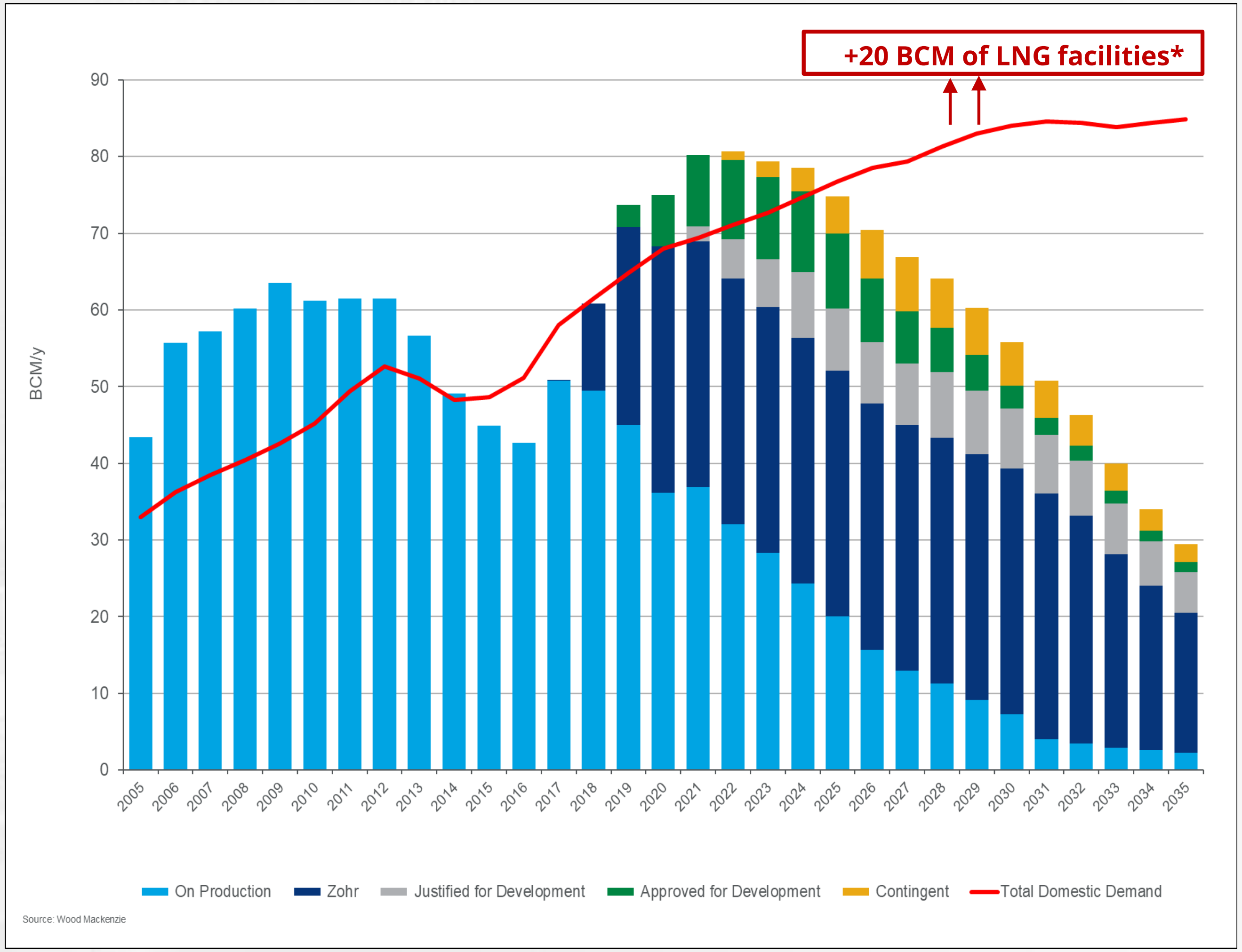


Source : BDO consulting Group estimate

Egypt – Long Term Supply Demand Imbalance

- Significant consumption of over 60 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
- Zohr contributes the most to the near-term production ramp-up, Some existing discoveries remain to be sanctioned, yet mature gas field production is declining sharply (~10% a year)
- <u>Government of Egypt intention is to become a regional hub for gas export internationally</u>

Egypt - Domestic Production vs Demand, BCM/y



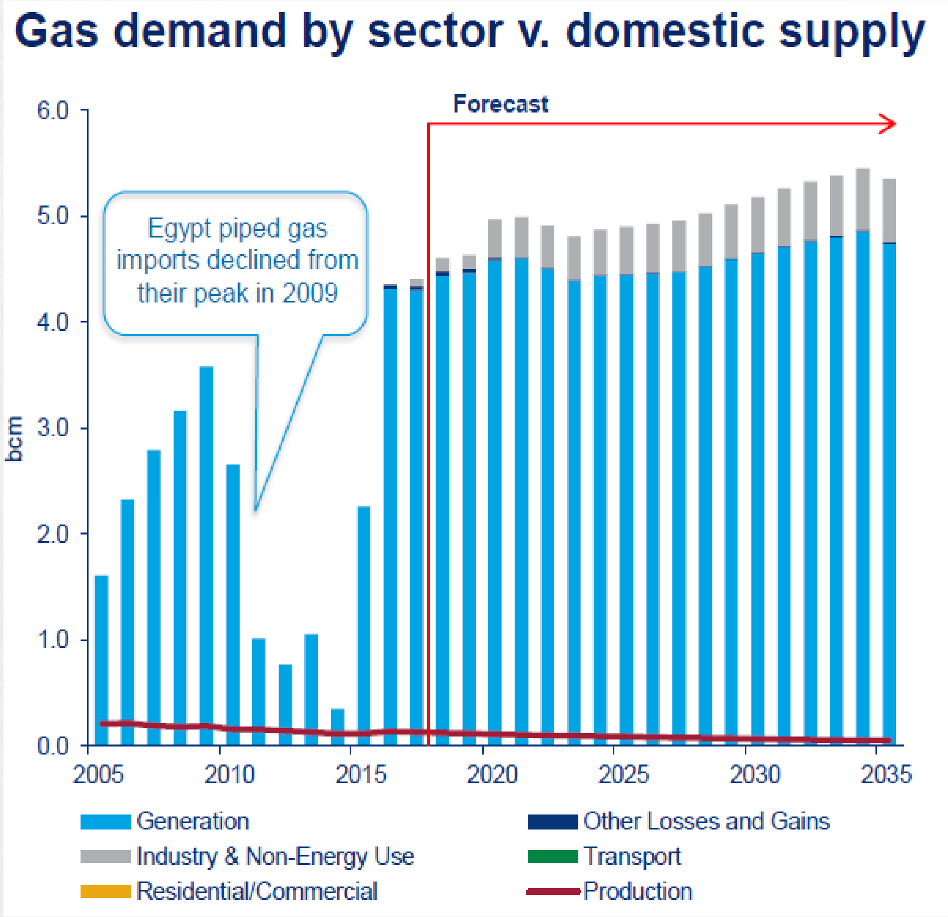
*The demand shown does not include the Egyptian LNG facilities at Damietta and Idku
Source: Wood Mackenzie

Jordan NEPCO – Ideal Export Offtaker

An anchor contract for Leviathan phase-1 development

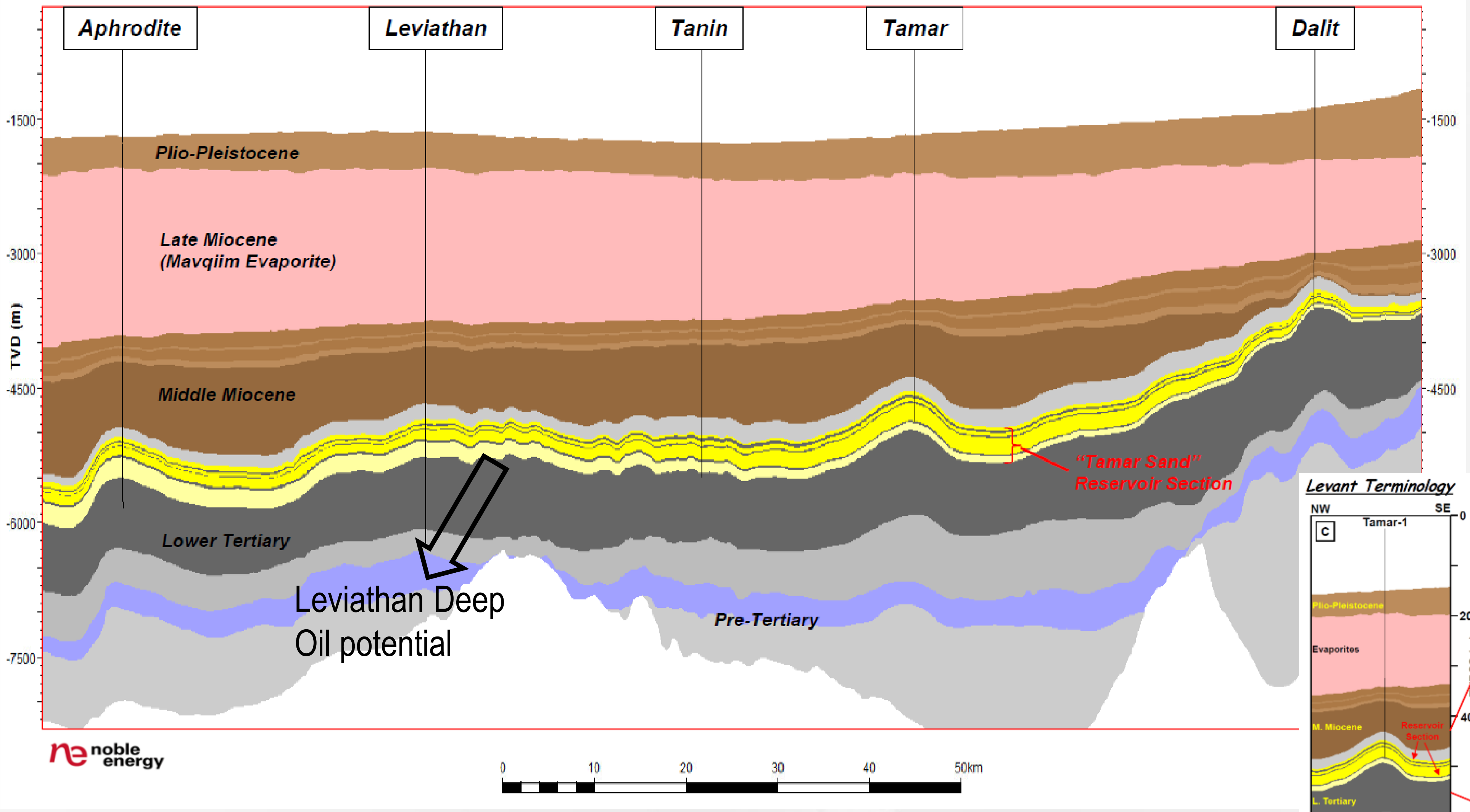
NEPCO GSPA main parameters:

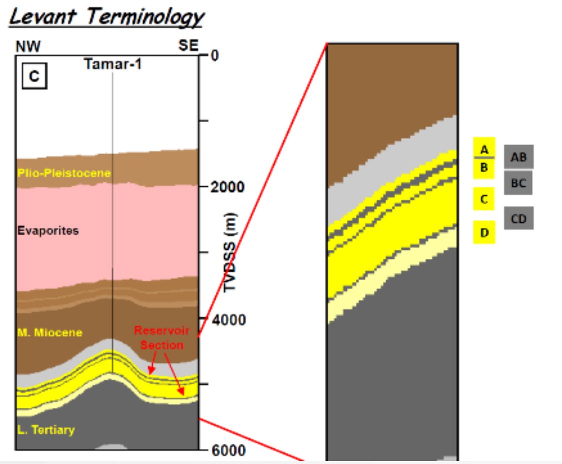
- **Buyer :** National Electric Power Company of Jordan (NEPCO)
- **Seller :** NBL Jordan Marketing Limited (SPV owned pro-rata by Leviathan partners, according to their working interests)
- **Total Contract Quantity :** 45 bcm
- **Duration :** up to 15 years from the commencement of commercial supply from Leviathan
- **Price :** Brent linked price formula with a 'floor price'
- **Expected Start Date :** First comercial gas



* 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

The Levant Basin Geology





Near Term Milestones

Activity & Operation :

Tamar – Dolphinus Flow Test & Sales

EMG Transaction Closing

Leviathan Platform Installation

Leviathan Deep Exploration FID

Leviathan First Gas : Israel + Jordan + Egypt

Leviathan Expansion DSMX + REM

Structural Change

Leviathan Refinancing (Potential Bond issuance)

Aphrodite Marketing + FID

Years : 2019 - 2020

Thank You

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