Leviathan Development And Tamar Expansion

Rowing Forward In Parallel Tracks

Delek Drilling

Avner
Oil Exploration

April 2016

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Over 42 TCF Discovered In Israeli and Cypriot EEZ

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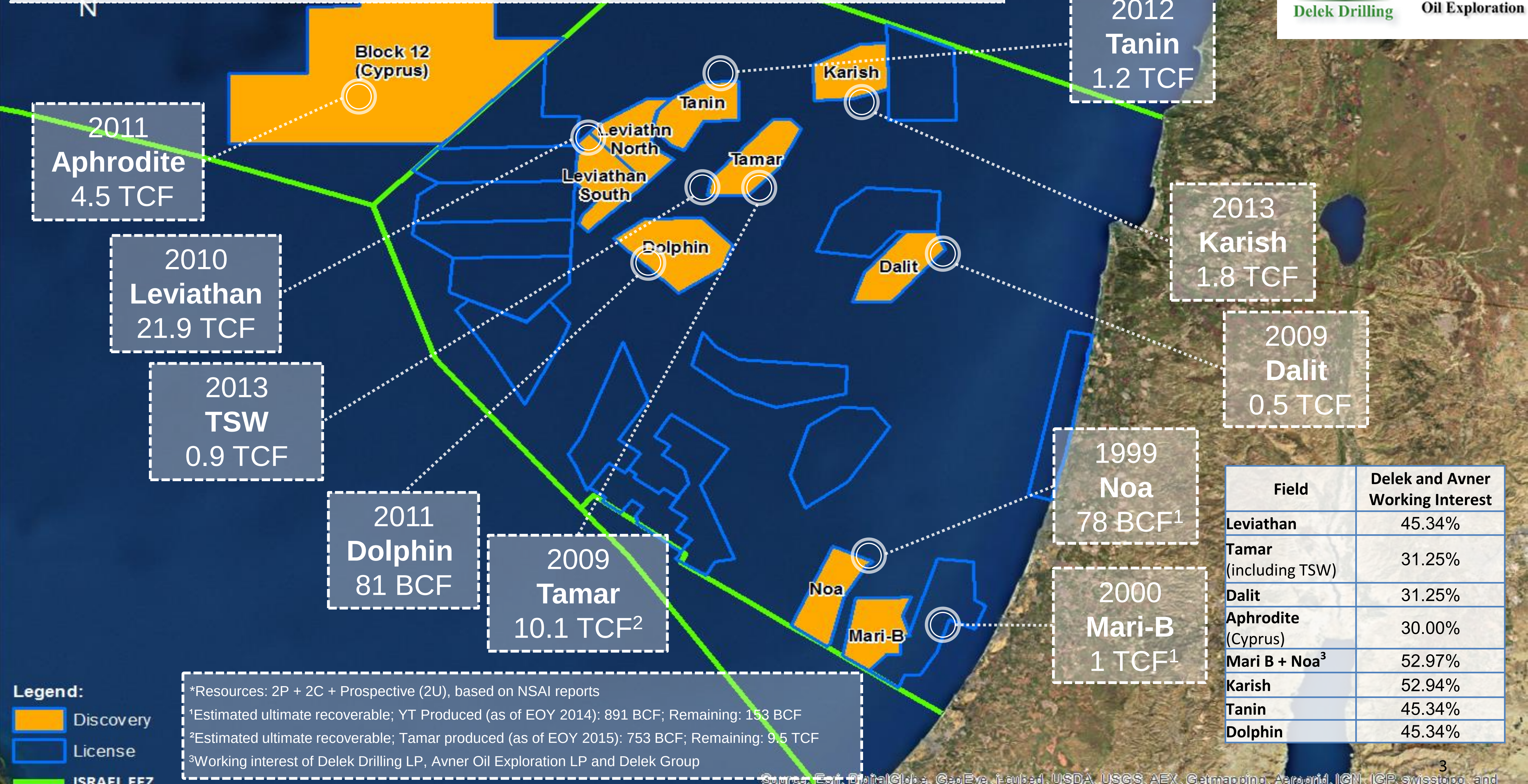


Field	Delek and Avner Working Interest
Leviathan	45.34%
Tamar (including TSW)	31.25%
Dalit	31.25%
Aphrodite (Cyprus)	30.00%
Mari B + Noa[3]	52.97%
Karish	52.94%
Tanin	45.34%
Dolphin	45.34%

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

[1]Estimated ultimate recoverable; YT Produced (as of EOY 2014): 891 BCF; Remaining: 153 BCF

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

[3]Working interest of Delek Drilling LP, Avner Oil Exploration LP and Delek Group

Source: Esri, DigitalGlobe, GeoEye, i-cubed, USDA, USGS, AEX, Getmapping, Aerogrid, IGN, IGP, swisstopo, and

Excellent Track Record

Delek Drilling

Avner Oil Exploration

2004-2008 Sole domestic gas supplier in Israel

1999-2008 Established the Israeli natural gas market

2009+ Continues to transform Israel into a NG energy independent state and gas exporter

1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016

*Discovered **Noa field** (78 BCF)*

*Discovered **Mari-B field** (1 TCF), which together with Noa marked the beginning of Israel's natural gas market*

*Introduced **natural gas into the Israeli market** through the Yam Tethys facilities*

*Discovered **Tamar field** (10.1 TCF), the world's largest natural gas field of 2009, as well as **Dalit field** (0.9 TCF) – a turning point for Israel's energy sector*

*Discovered the **Leviathan field** (21.9 TCF), the largest natural gas field in Israel's history*

*Noble Energy, Delek and Avner discovered a significant gas volume in **Block 12 offshore Cyprus** (4.5 TCF) as well as the **Dolphin field** (81 BCF) in the Israeli EEZ*

*Discovery of **Tanin field** (1.2 TCF)*

*Tamar produces first gas; Discovery **Karish field** (1.8 TCF)*

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

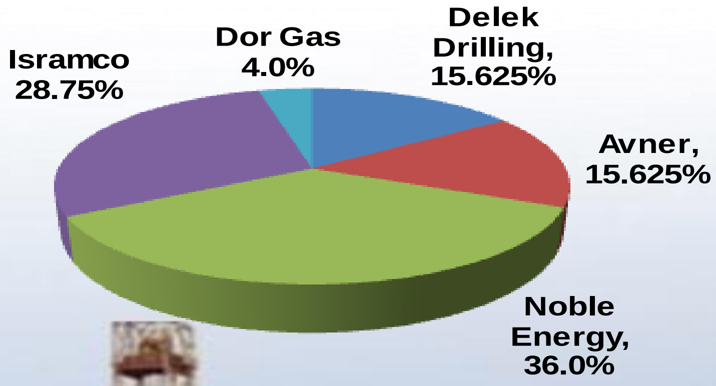
The ‘Gas Framework’

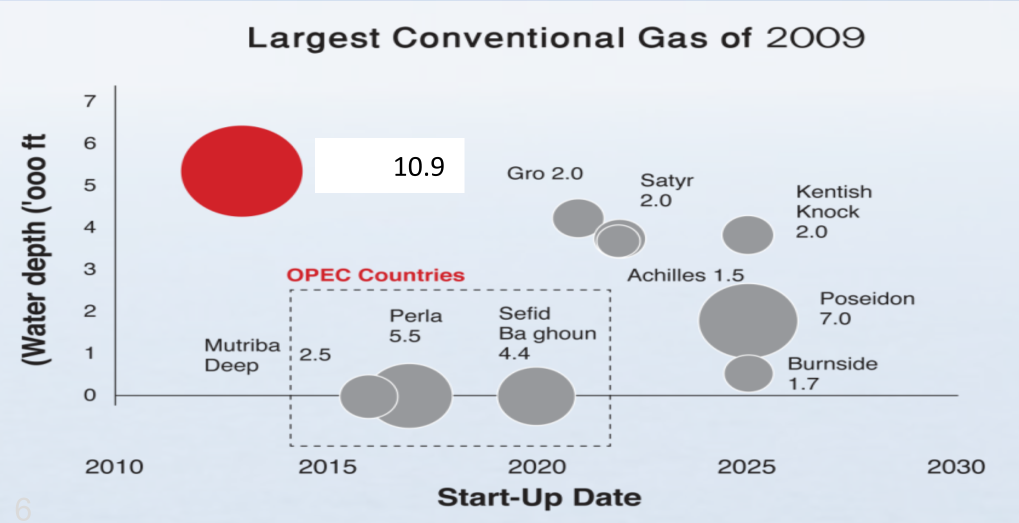
- *Following the government’s approval of the Framework for increasing the quantity of natural gas produced from the Tamar natural gas field and rapid development of the Leviathan, Karish and Tanin natural gas fields and others, On December 17, 2015, the Framework was validated after the Prime Minister, in his role as Minister of the Economy, exercised the authority vested in him pursuant to Section 52 of the Antitrust Law**
- *The ‘Gas Framework’ refers to Tamar, Leviathan, Karish and Tanin fields. Main Resolutions:*
    - *Sale by Noble and Delek of 100% of their interests in Tanin and Karish*
    - *Partial sale by Noble and full sale by Delek of their interests in Tamar*
    - *Timetable and milestones for development of the Leviathan field*
    - *Certainty in natural gas pricing in sales agreements from Tamar and Leviathan*
    - *Limitations on gas sale agreements from Tamar and Leviathan in favor of Karish and Tanin*
    - *Local content by Leviathan*
    - *Infancy protection for small/medium fields*
    - *Regulatory stability for 10 years*
- *The Israeli Court of Justice ruled on the Framework approving all of it with the exception of the stability clause*

Tamar Project

- World largest deep water gas discovery in 2009
- Operator: Noble Energy
- Natural Gas (2P) Reserves: 10.9 TCF (310 BCM)
- Condensate (2P) Reserves: 13.7 MMBBL
- First Gas : March 31st 2013
- Development Budget: Approx. 3.1 Billion USD (100%)
- Overall Tamar Costs up to date: Approx. 4 Billion USD (100%)
- Max Hourly Production: 1.2 bcf/d (~12 BCM/Y)
- **World scale fast development: less than 4.5 years from discovery to supply**

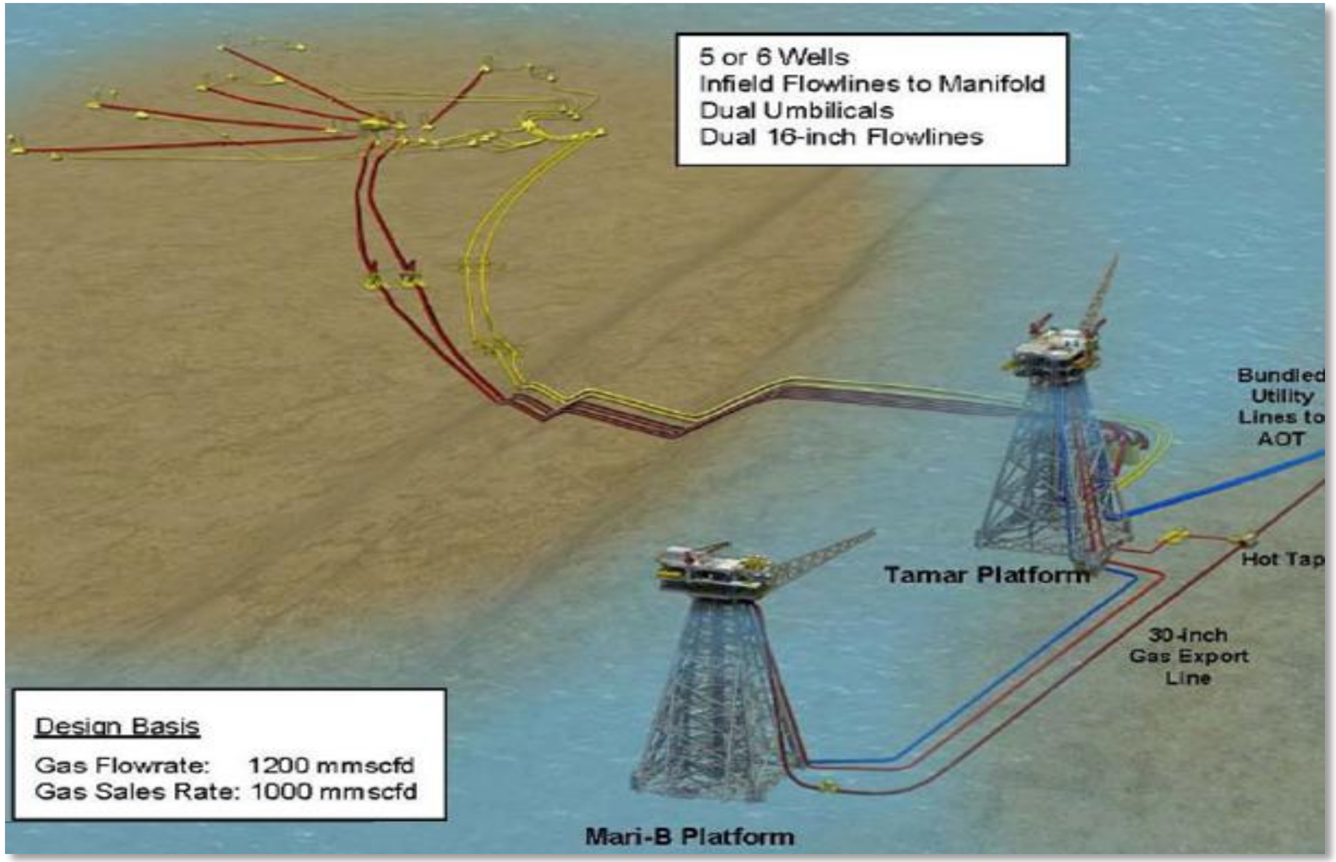
Tamar Ownership:





Tamar Project Development Program

- *5 subsea wells (up to 250 mmcfd each), WD of ~1,700m*
- *Gas produced is gathered at the field and delivered via Dual 16" flowlines to the new Tamar platform*
- *New Tamar platform is located 25 km from shore at 237m water depth adjacent to the existing Mari-B platform*
- *Tied into the existing 30" pipeline that delivers natural gas to the Ashdod onshore receiving terminal*
- *Sole supplier of natural gas to the Israeli market*
- ***Tamar's natural gas is the source for more than 50% of the electricity generated in Israel***
- *Natural gas sales from Tamar since start up of 754 bcf (approx. 21 BCM)[1]*
- ***Over 99.5% reliability availability and maintainability (RAM) achieved***



[1] 31/3/2013 to 31/12/2015

Tamar Natural Gas Sales in Q4/2015

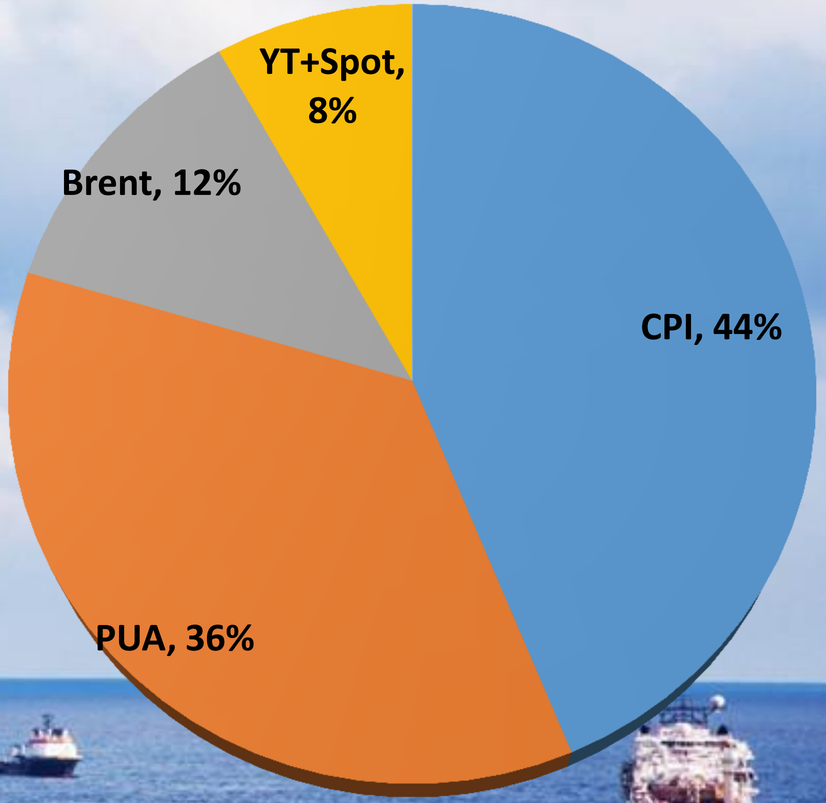
Breakdown by Indexation

Domestic Market Gas Price – Low Exposure to Commodity Risk

- Gas price in the Israeli market is mostly linked to the American Consumer Price Index (CPI)
- Approx. 28% of sales are under agreements linked to the electricity production tariff (PUA)
- Approx. 10% of sales are under agreements linked to the oil barrel price with a fixed floor price

Natural gas sales from Tamar	2014	2015			
	Q4	Q1	Q2	Q3	Q4
Average price - natural gas (USD per MCF)	5.51	5.45	5.33	5.35	5.18

Tamar Natural Gas Sales by Type of Indexation



2016 – Turning Point and Year of Action

Moving forward on three parallel tr

Commercial Agreements

Leviathan

- Israeli domestic market
- Shell – ELNG liquefaction terminal in Egypt
- Jordanian national electricity company (NEPCO)
- Egyptian domestic market

Tamar

- Israeli domestic market
- Jordanian Dead Sea factories
- UFG – Damietta liquefaction terminal in Egypt
- Egyptian domestic market

Engineering-Planning

Leviathan

Optimization of the development plan

Tamar

Optimization of Tamar expansion based on UFG agreement

Financing

Leviathan

Entering into financing agreements with a consortium of international banks

Tamar

Expansion of Tamar Bond or additional financing based on projected UFG cash flow

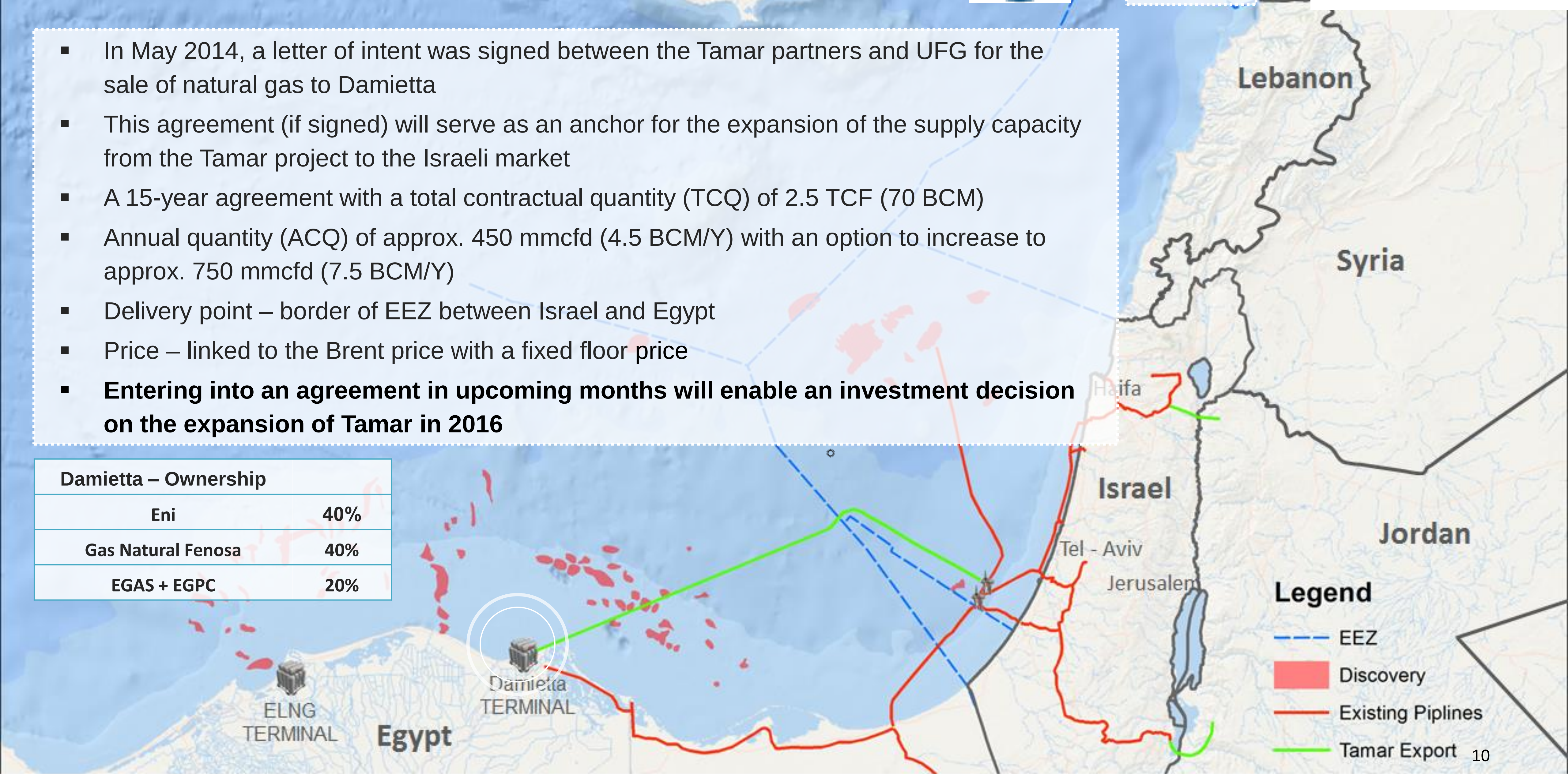
Target:

Investment decisions on Leviathan's development and Tamar's expansion in 2016

Tamar: UFG-Damietta Agreement

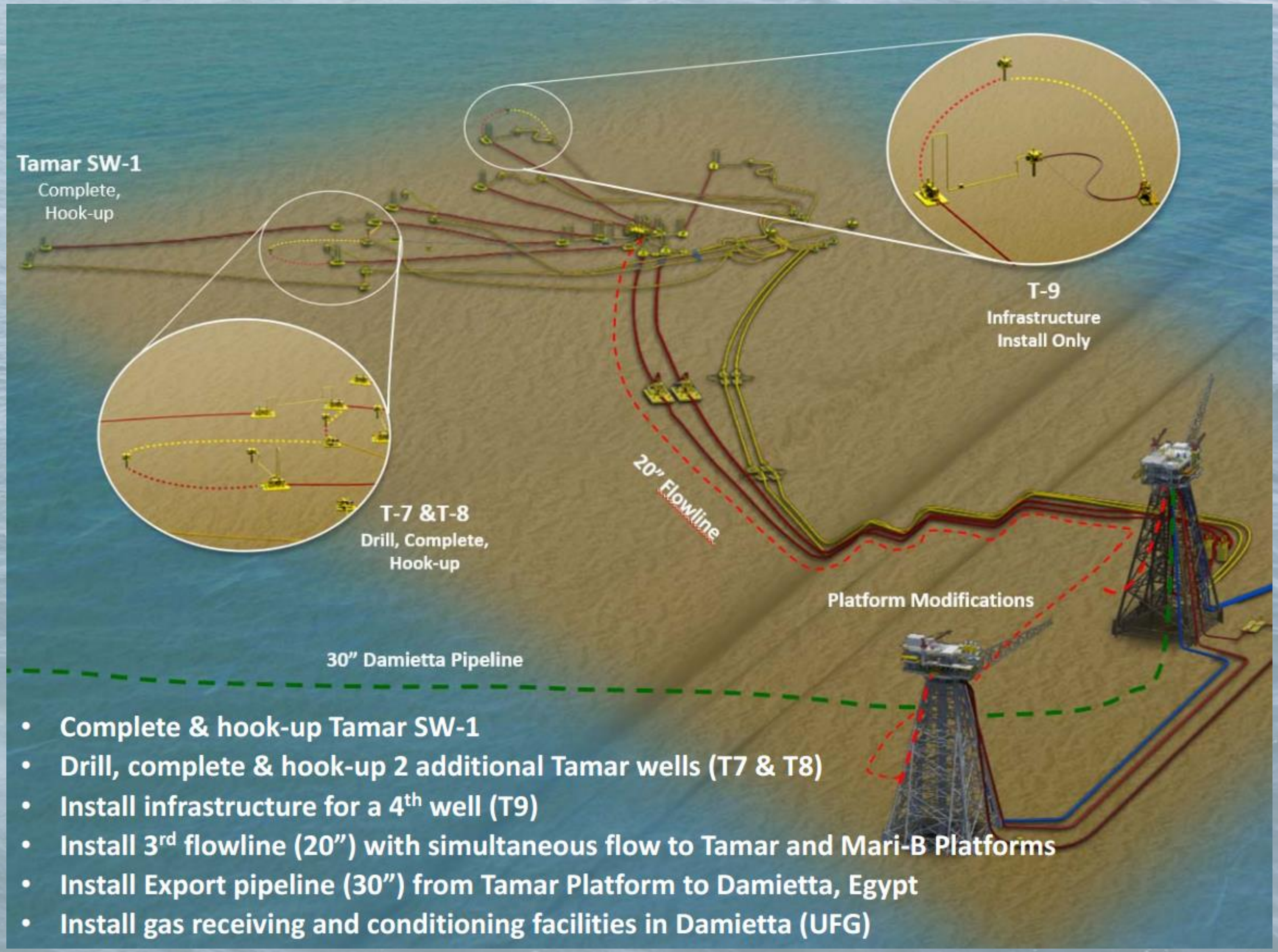
- In May 2014, a letter of intent was signed between the Tamar partners and UFG for the sale of natural gas to Damietta
- This agreement (if signed) will serve as an anchor for the expansion of the supply capacity from the Tamar project to the Israeli market
- A 15-year agreement with a total contractual quantity (TCQ) of 2.5 TCF (70 BCM)
- Annual quantity (ACQ) of approx. 450 mmcfd (4.5 BCM/Y) with an option to increase to approx. 750 mmcfd (7.5 BCM/Y)
- Delivery point – border of EEZ between Israel and Egypt
- Price – linked to the Brent price with a fixed floor price
- **Entering into an agreement in upcoming months will enable an investment decision on the expansion of Tamar in 2016**

Damietta – Ownership	
Eni	40%
Gas Natural Fenosa	40%
EGAS + EGPC	20%



Tamar's Expansion Following UFG-Damietta Agreement

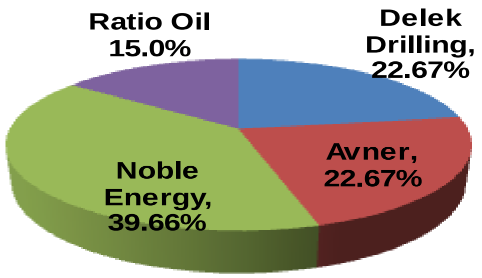
- Expansion of maximum production capacity to 20.4 BCM/Y – in advanced planning stages
- Including:
  - A third pipeline (20") from the reservoir to Tamar and Mari-B platforms
  - Development of Tamar SW and additional wells
  - Expansion of Mari-B treatment capacity
  - Export pipeline to Damietta facility
- Cost of expansion project to Tamar Partners estimated at approx. $1.5-2 billion (100%)
- Cost reduction examined in view of the market opportunity



Source: Noble Energy

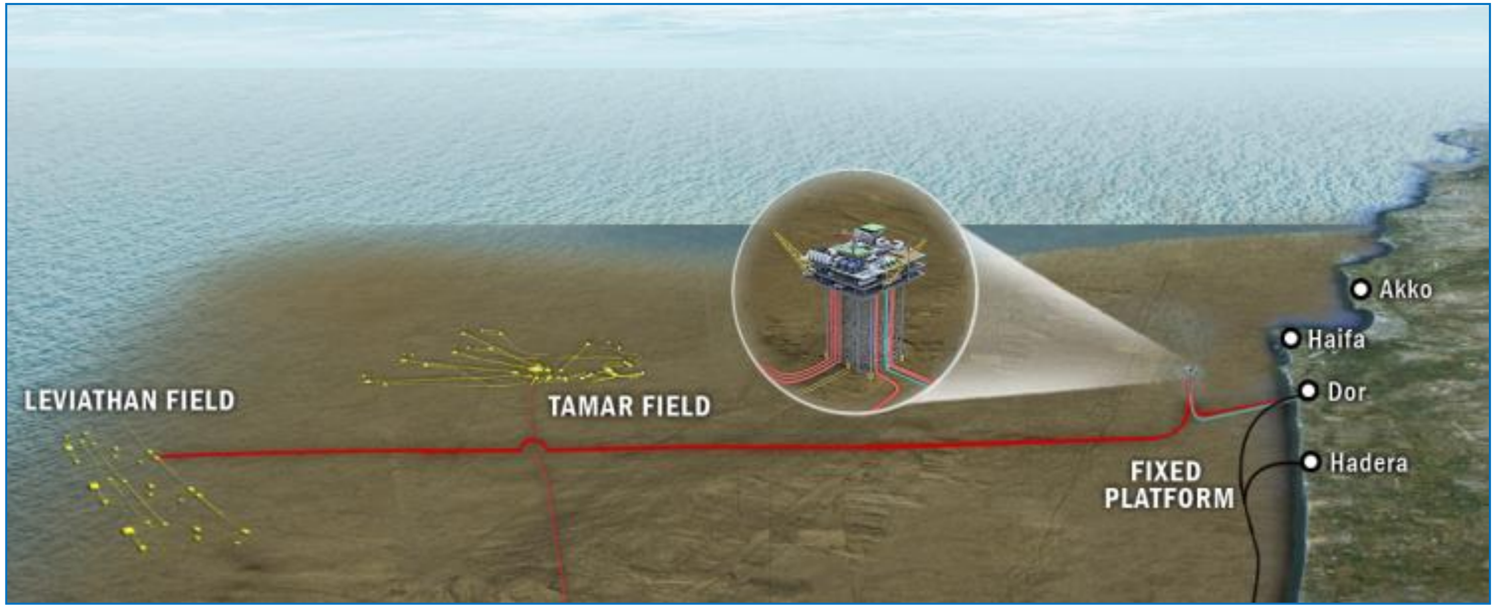
Leviathan Field
Phase 1 of Leviathan Development

Leviathan Ownership:



- *Leviathan field resources are estimated at 21.93 TCF of natural gas and approx. 39.4 barrels of condensate (2C)*
- *Development plan for phase 1 includes construction of an offshore fixed platform with natural gas supply capacity of 2.1 BCF/D (approx. 21 BCM/Y)*
- *Possible modularity – first stage of 1.2 BCF/D (approx. 12 BCM/Y), second stage of 900 MMCF/D (approx. 9 BCM/Y)*

- ***Estimated CAPEX***
  - ***US$5-6 billion for the full development (2.1 BCF/D)***
  - *Of which first stage to the domestic market, Jordan and the P.A. (1.2 bcfd) with CAPEX of US$ 3.5-4 billion*



Leviathan Field
Phase 1 Modularity

LEVIATHAN

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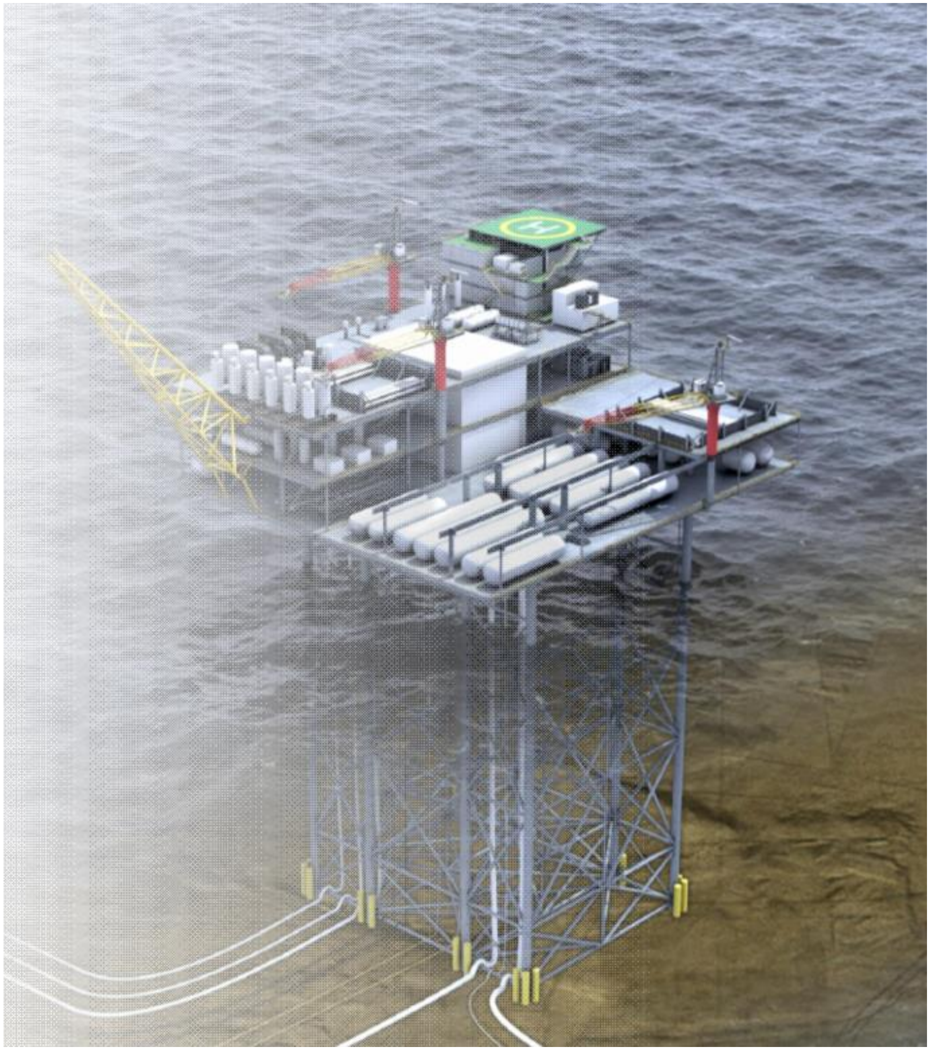
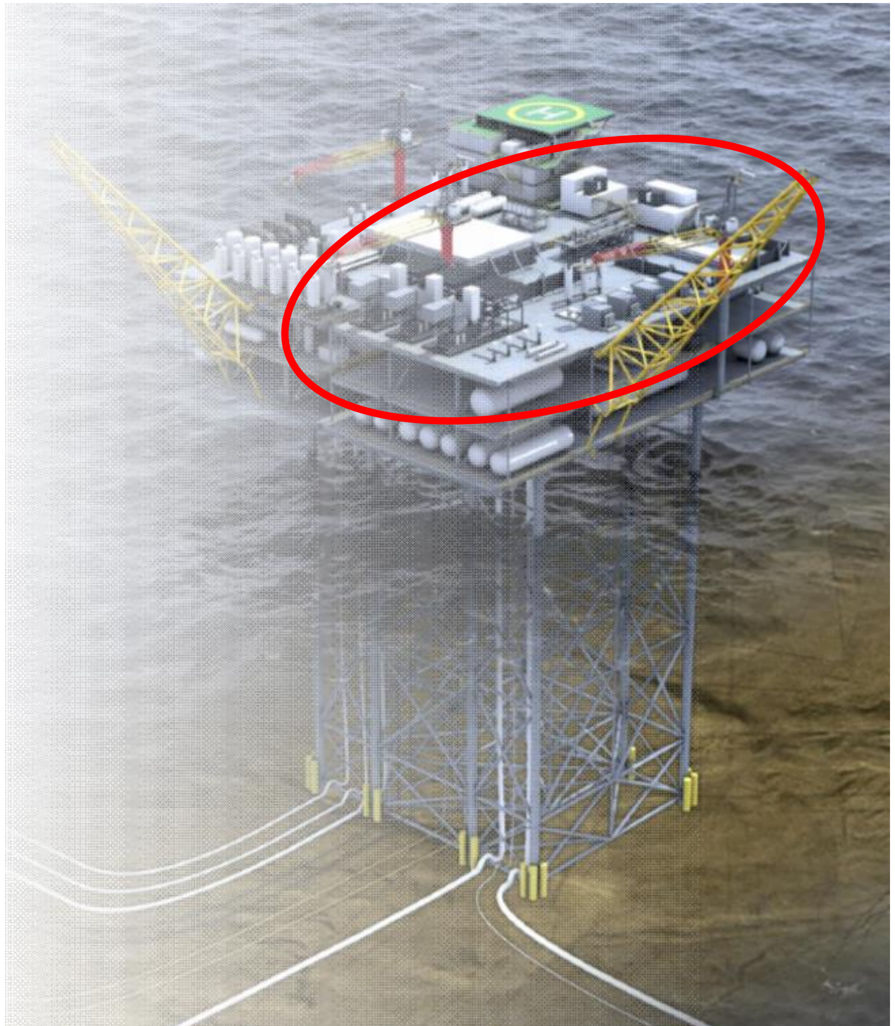
First stage to the domestic market, Jordan and the P.A.

1,200 mmcfd (approx. 12 BCM/Y)

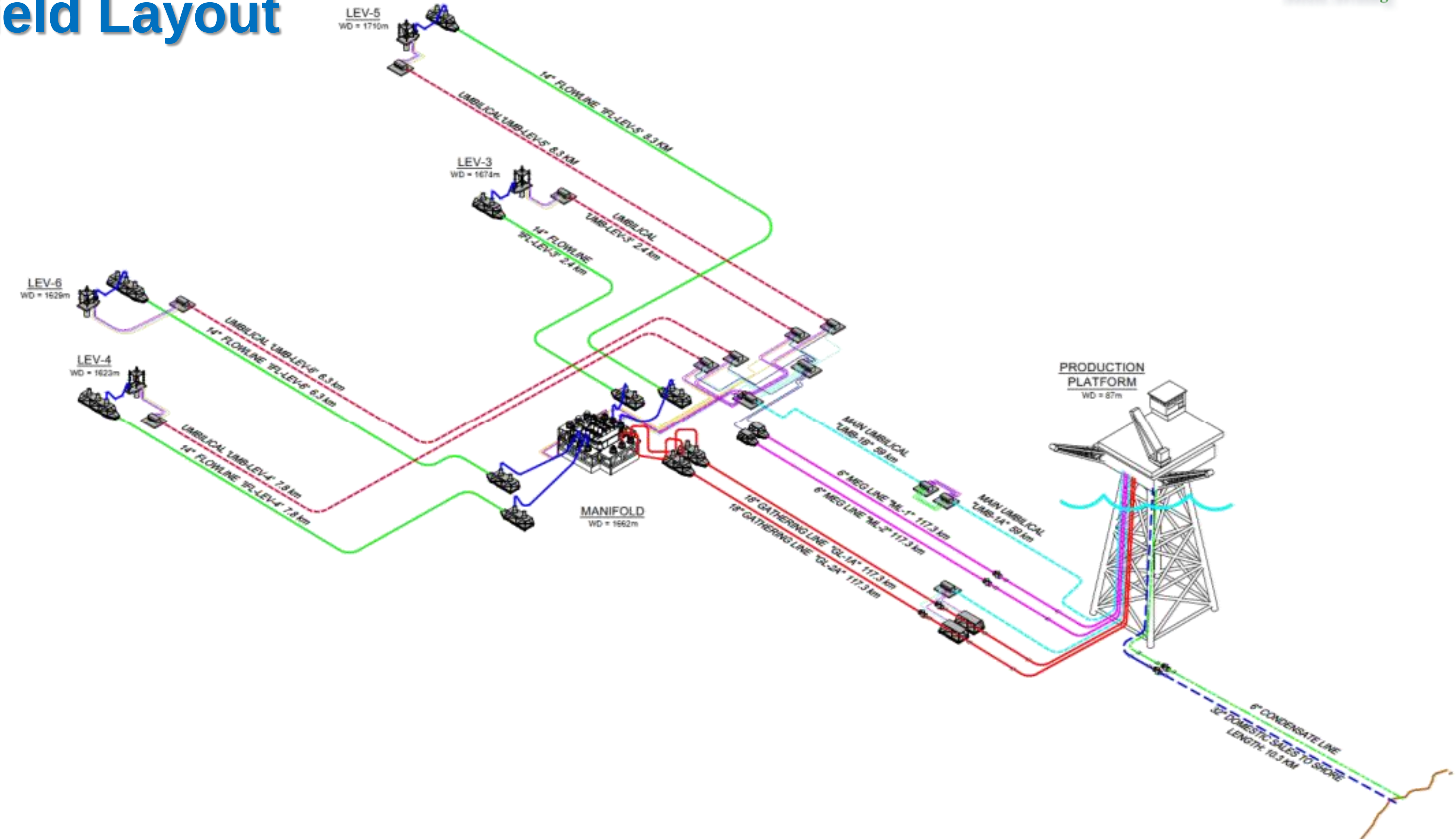


Second stage by adding an export module of 900 mmcfd

Total capacity of 2,100 mmcfd (approx. 21 BCM/Y)



Leviathan Field Layout



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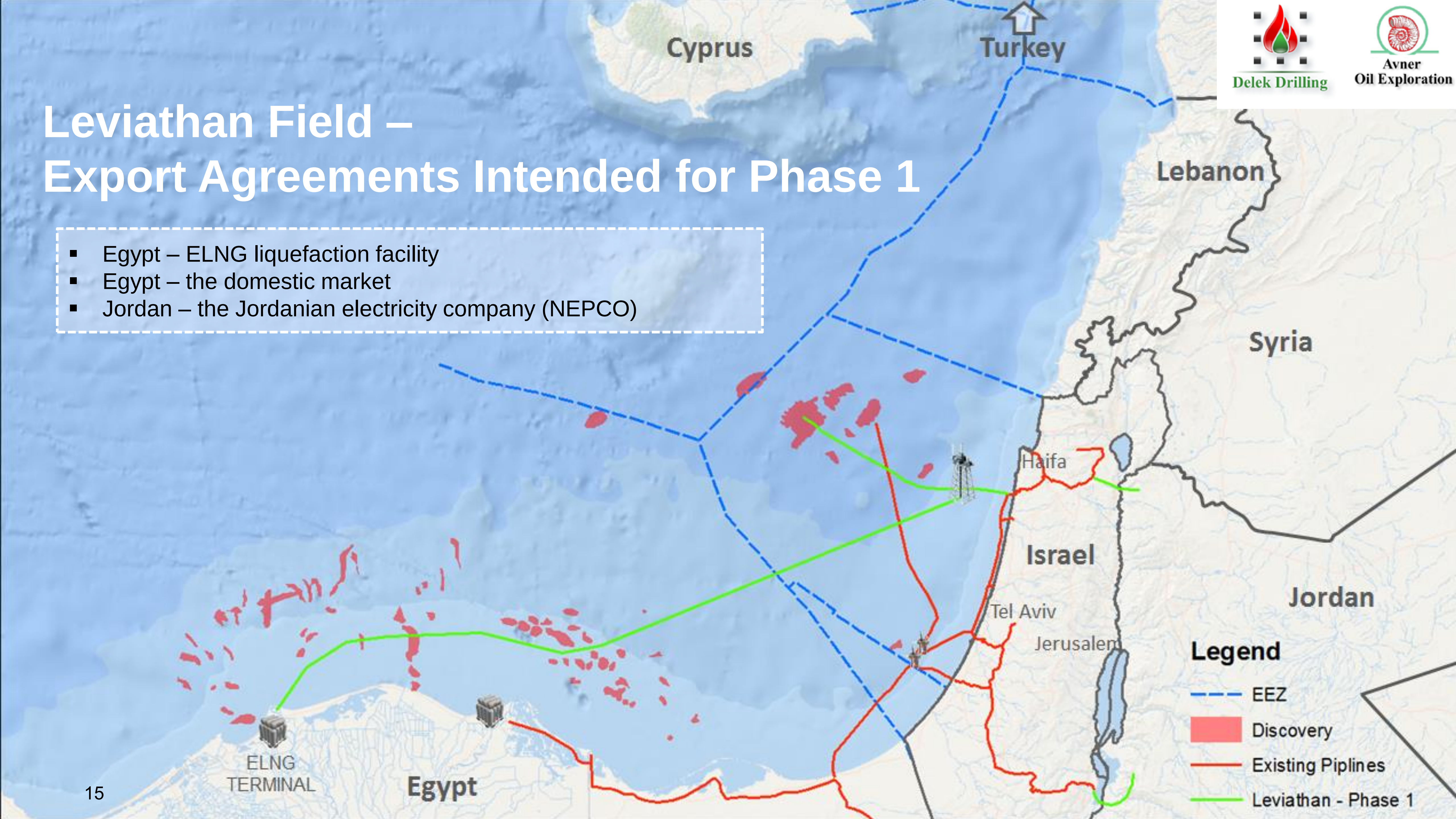
Leviathan Field –
Export Agreements Intended for Phase 1

- Egypt – ELNG liquefaction facility
- Egypt – the domestic market
- Jordan – the Jordanian electricity company (NEPCO)



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Egypt \ Zohr:
Even Assuming A Development Scenario Of More Than 25 BCM/Y, Egypt Domestic Demand Remains Under Supplied, Much Less The Egyptian LNG Export Facilities Demand

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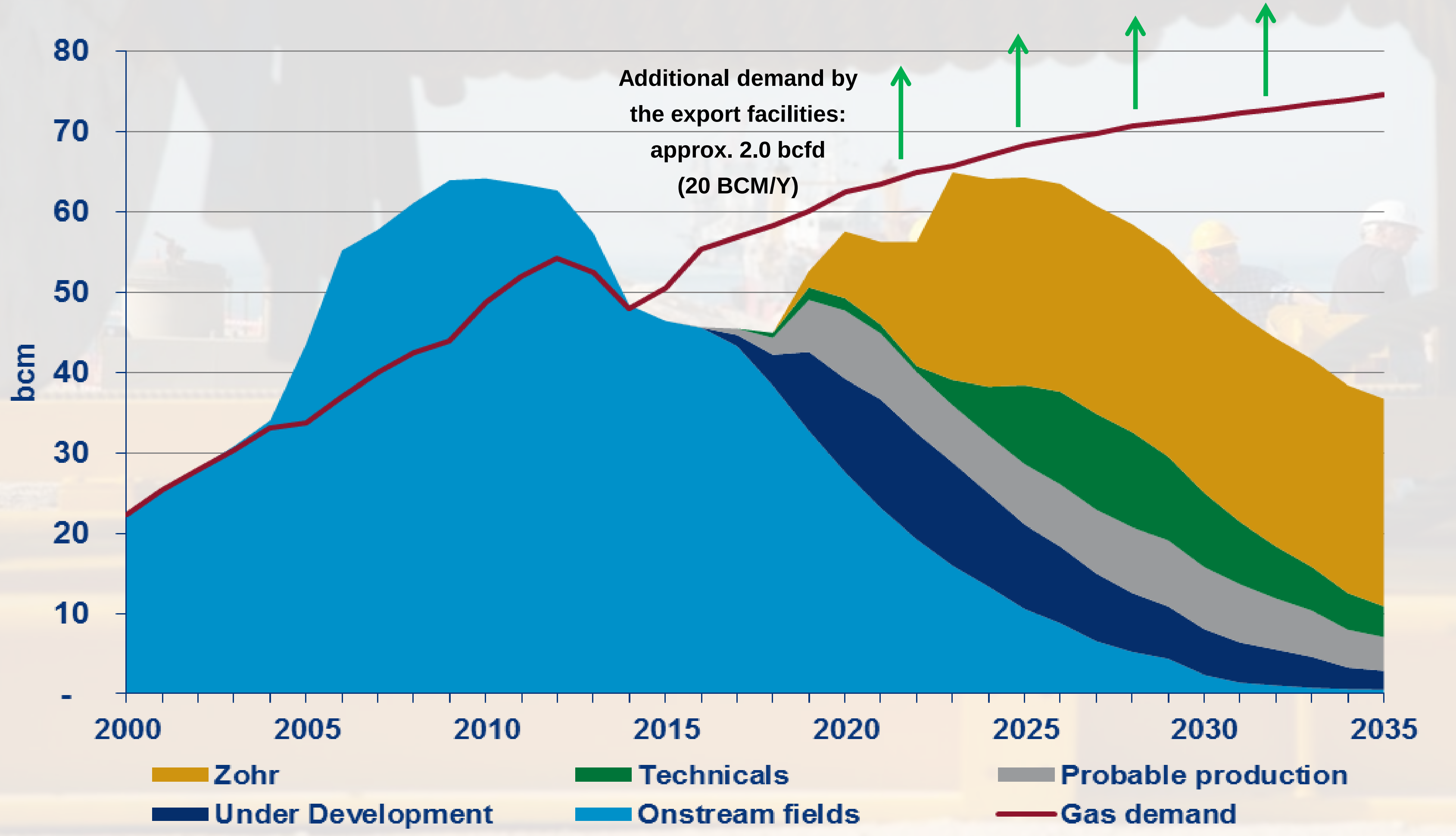
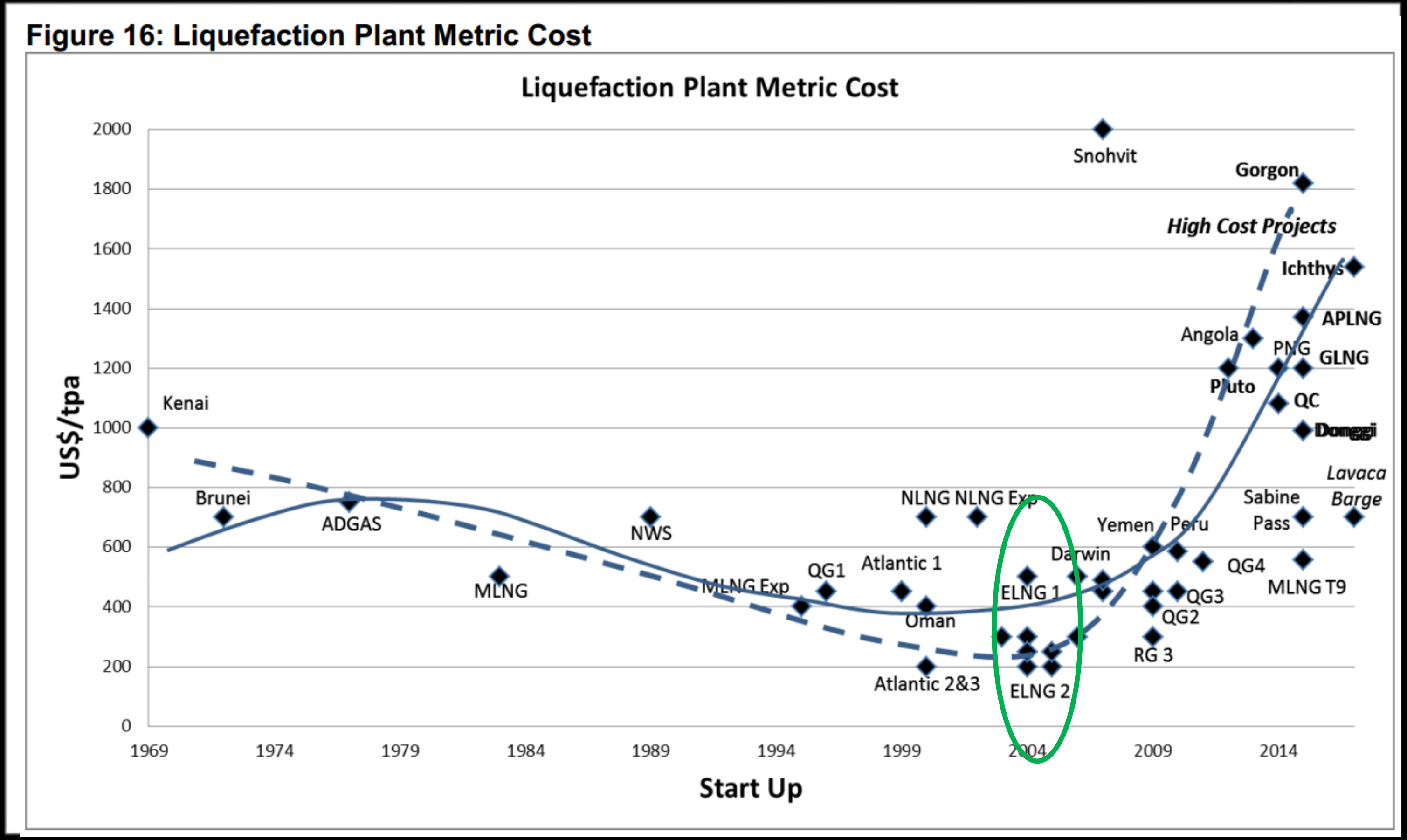


Source: Wood Mackenzie. Yet to find not included. Gas demand excludes exports.

- Aggregate demand compared to local production in Egypt, including production from Zohr field.

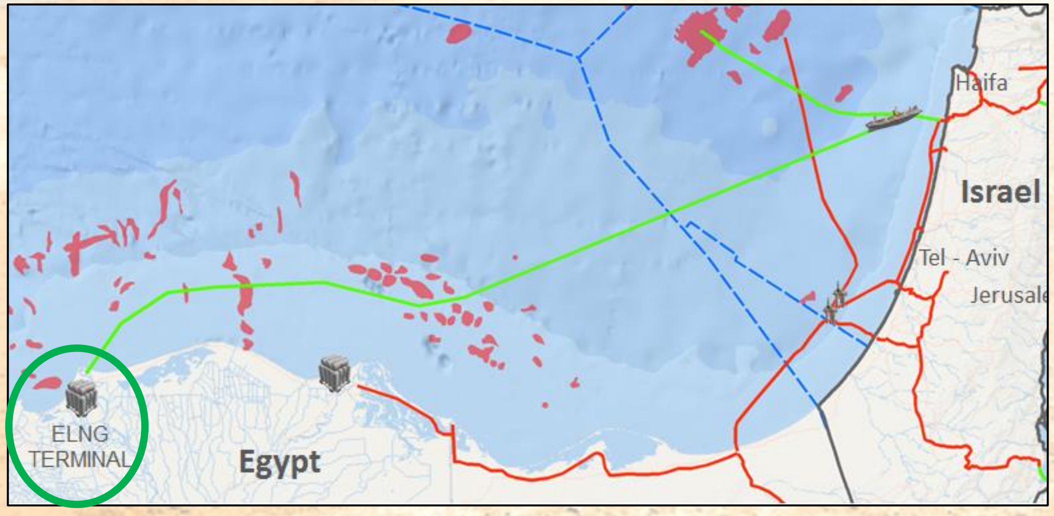
The Competitive Advantage of the Egyptian LNG Facilities



Source: The Oxford Institute for Energy Studies

Leviathan: ELNG Agreement

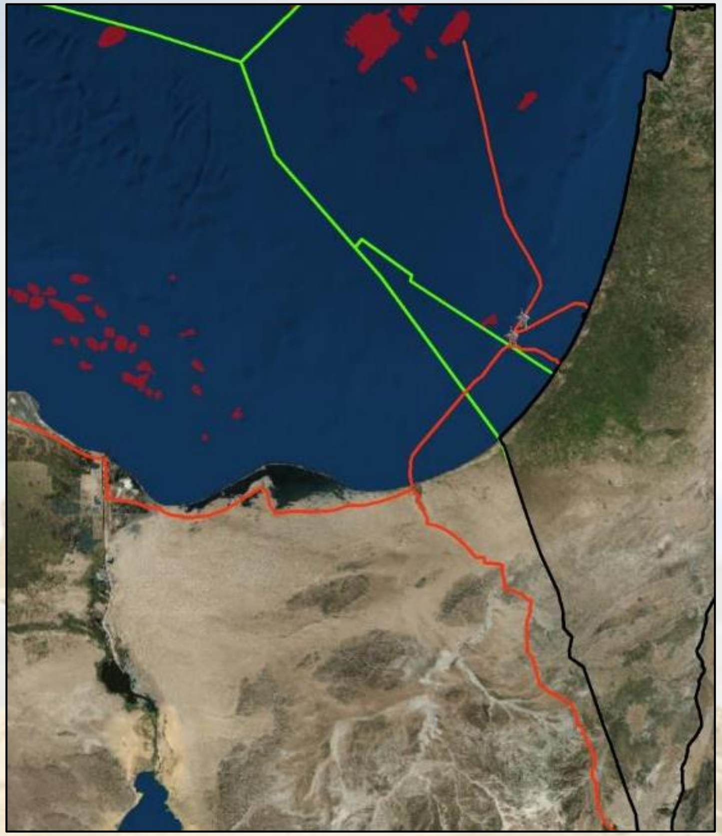
- Export of gas from Leviathan to ELNG liquefaction terminal
- Anchor agreement for the first stage of Leviathan Reservoir's development
- ELNG terminal consumes more than 1.1 bcfd (11 BCM/Y)
- LOI agreement signed with BG for the purchase of natural gas for 15 years
- Gas piping through a new and designated underwater pipeline
- TCQ: 3.7 TCF (105 BCM); ACQ: 700 mmcfd (7 BCM/Y) or more
- **Status: examining the possibility of increasing the annual quantity and the total purchased quantity as well as extending the term of the agreement**
- **Aiming to sign agreement in upcoming months**



Ownership	ELNG 1	ELNG 2
Shell (BG)	35.5%	38%
PETRONAS	35.5%	38%
ENGIE	5%	-
EGAS + EGPC	24%	24%

Natural Gas Supply To Egyptian Domestic Market Based On EMG Infrastructure

- In March 2015 an agreement was signed for natural gas sale from Tamar to Dolphinus Holdings
- Natural gas supply is based on existing infrastructure (EMG pipeline)
- A 7-year agreement that includes a minimum-supply undertaking of 5 BCM during the first 3 years
- Daily amount of up to 250 mmcfd
- Gas supply in this agreement is based on the excess volume of gas from Tamar after supplying Israeli market demand (interruptible-type agreement)
- Price linked to Brent with a fixed floor price
- A license to export from the Tamar project to the Egyptian domestic market has been obtained
- The agreement is subject, *inter alia*, to a transmission agreement being signed between Dolphinus and EMG



Status:

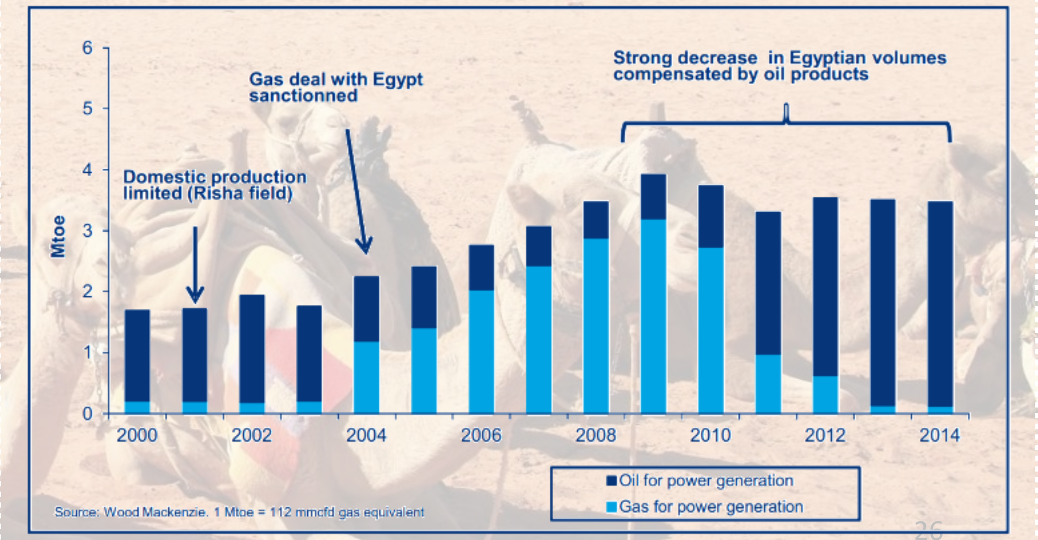
- According to the buyer's estimation, gas supply under this agreement is expected to commence in the upcoming months

18

Jordan – Natural Gas Market

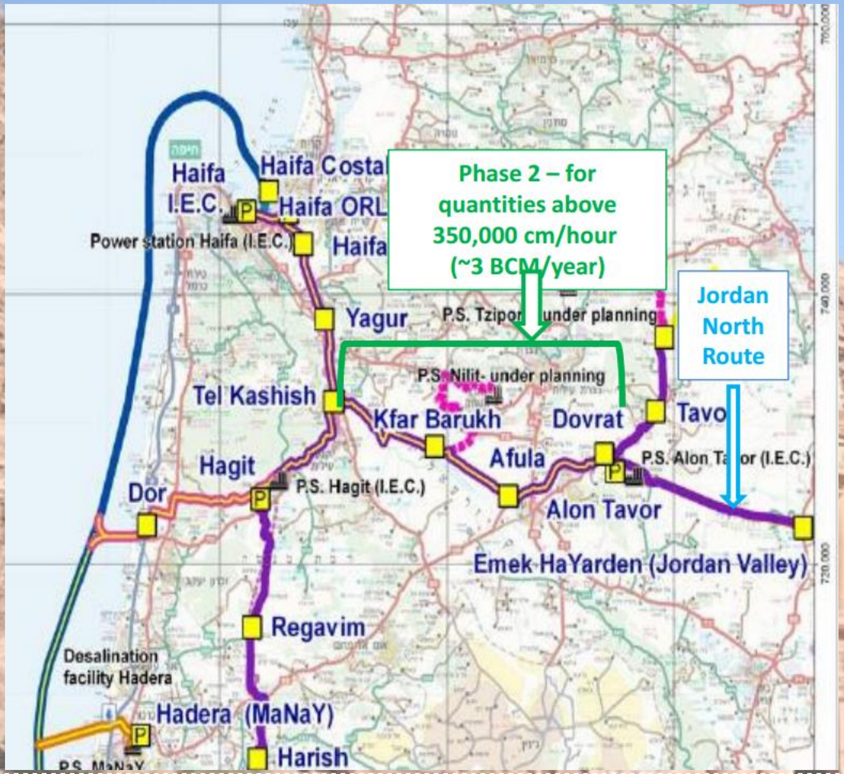
- Volume of natural gas consumption in Jordan, 2009 – more than 300 mmcfd (3 BCM/Y)
- Negligible self-production – approx. 20 mmcfd (0.2 BCM/Y)
- Natural gas serves as the basis for approx. 80% of the Jordanian market's electricity generation (under business-as-usual conditions)
- Natural gas from Egypt served as the only source of natural gas supply to Jordan
- 2010 saw the beginning of disruptions in Egyptian natural gas supply; in 2013, Egyptian gas supply stopped almost completely
- NEPCO – the national electricity company owned by the Jordanian Government
- NEPCO signed agreements for LNG imports until 2019

Jordan's oil and gas used for power generation



Jordan – Leviathan-NEPCO Agreement

- LOI agreement signed between Leviathan partners and NEPCO – the Jordanian electricity company
- Anchor agreement for the Jordanian energy market, equivalent in importance to the IEC agreement in Israel
- Holds a twofold strategic and geopolitical importance – to Israel and to Jordan
- Term of the agreement – 15 years
- Total quantity (TCQ) – approx. 1.6 TCF (45 BCM)
- Annual supply quantity (ACQ) – 300 mmcfd (3 BCM/Y) with an option to increase annual quantities
- Delivery point – border between Israel and Jordan
- **Agreement expected to include backup by the Jordanian Government for NEPCO's obligations**
- National Outline Plan (TAMA) and detailed plan up to Jordanian border approved
- **Estimated schedule for completion of the transmission pipeline to the Jordanian border and connection to the Jordanian system – Q1/2018**



Binding agreement expected to be signed in upcoming months

Sources: INGL

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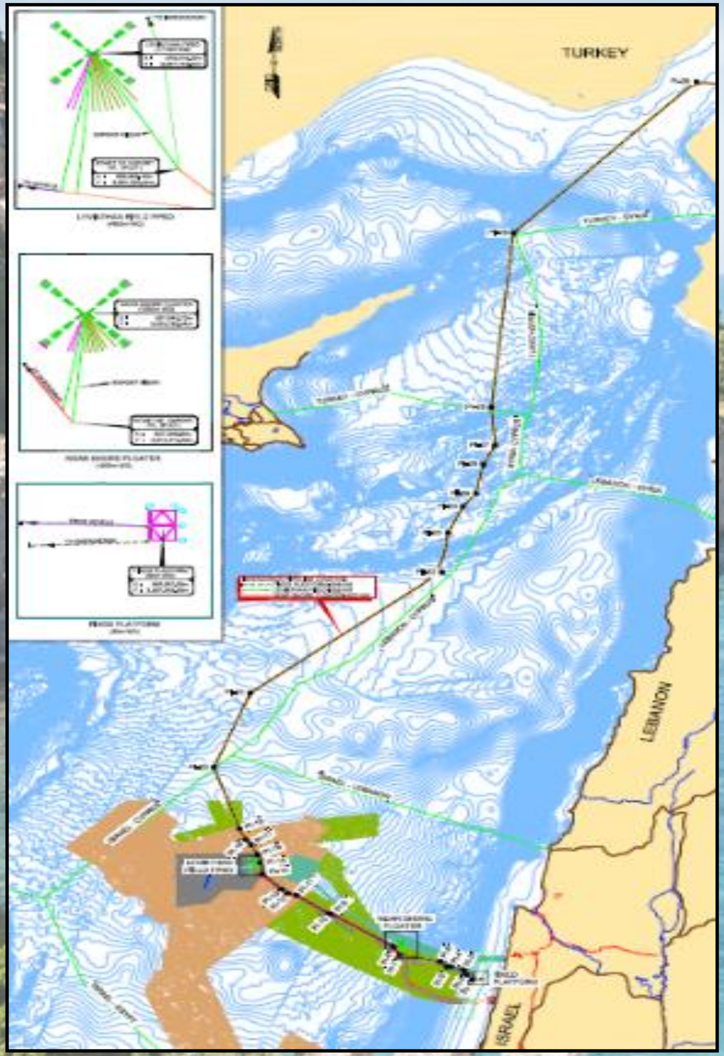
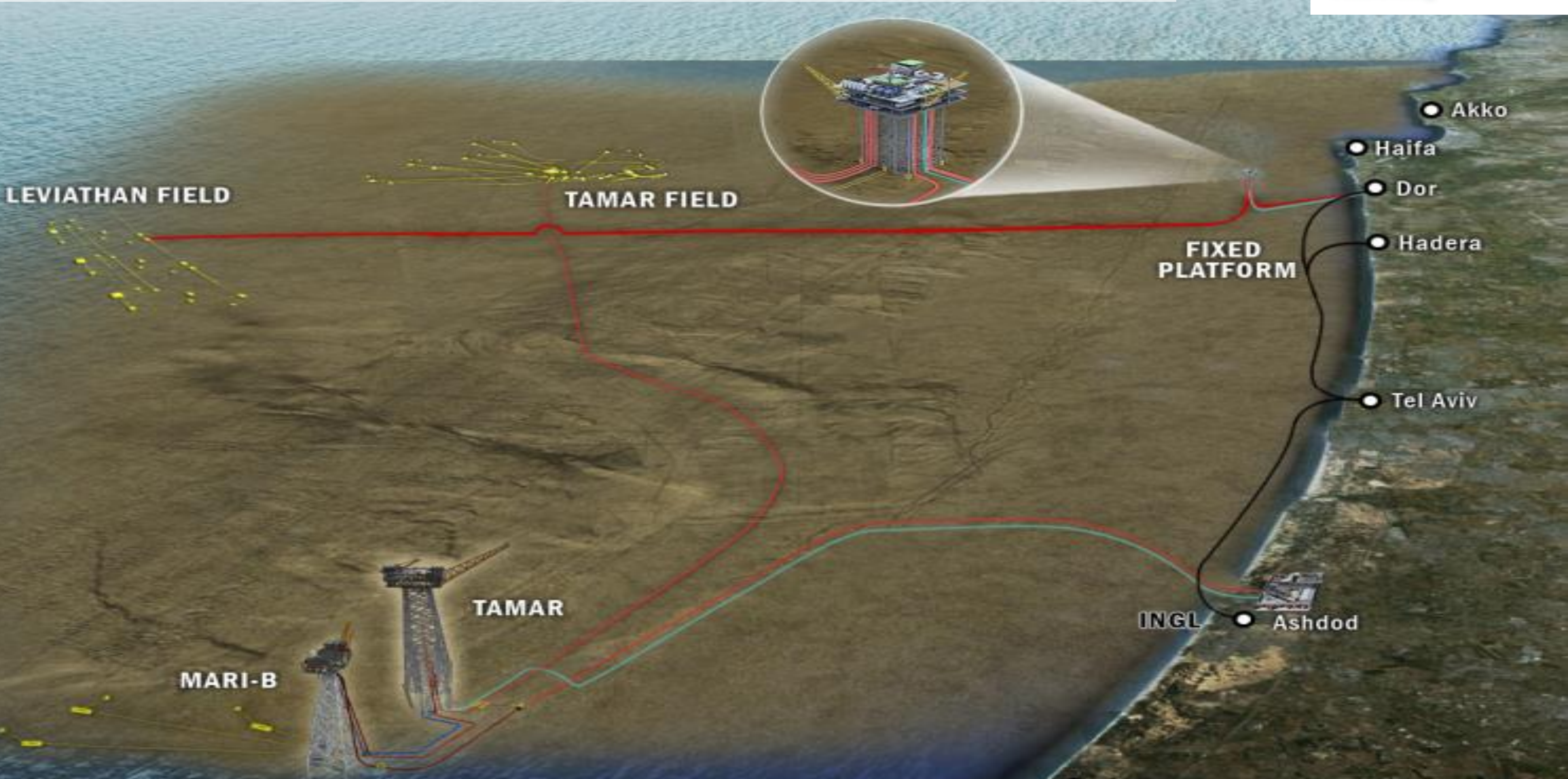
The Turkish Option



- **Turkey is completely dependent on natural gas import – approx. 99% of gas is imported**
- **Approx. 84.5% imported by pipeline, approx. 14.5% imported as LNG**
- **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
- **Discussions have been held with leading Turkish companies**
- **Ongoing and continuous contact with officials in the Turkish Government**

The Vision: Leviathan Start Up by 2019



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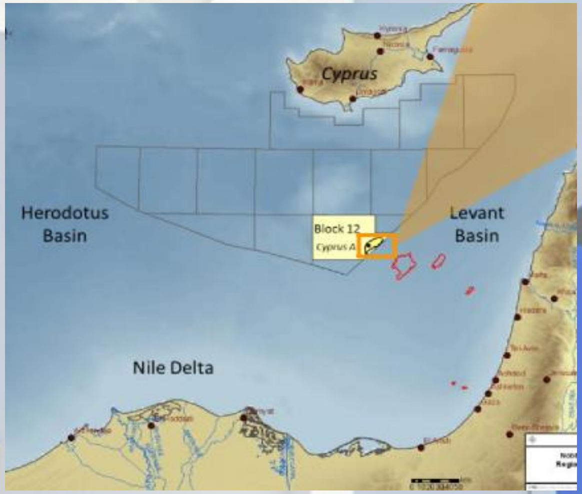
Cyprus

Block 12, Identity Card

- Significant gas discovery of approx. 4.5 TCF (129 BCM)
- First discovery in Cyprus
- Located approx. 168 km south of Limassol
- Water depth - approx. 1,700 m
- Partners: Noble Energy 35%, Shell (BG) 35%*, Delek Drilling 15%, Avner Oil Exploration 15%



*Based on best estimate of Contingent and Prospective Resources – NSAI Certified (Nov 2014)

*The Transfer of rights from Noble Cyprus to BG has been completed on January 2016

Cyprus – Block 12

Development Plan

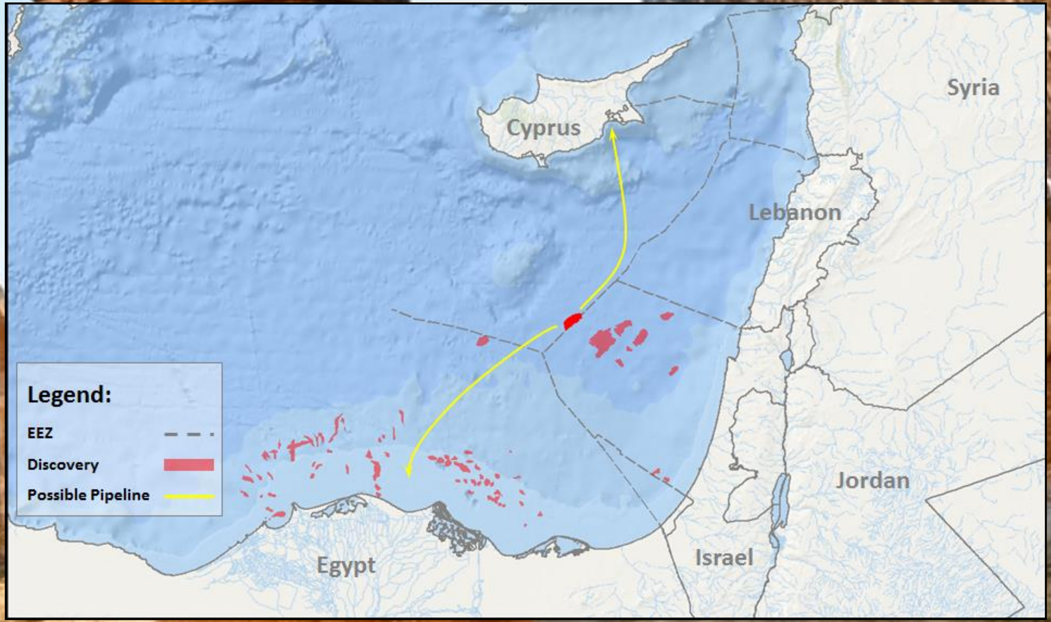
- Development plan outline submitted to Cypriot Government in June 2015 with an application for a declaration of commerciality
- Including a floating production facility with a supply capacity of 800 mmcfd
- Gas sale from exit point of production facility, with the pipes owned by a third party

Target Markets

- Cyprus: Domestic market 60-100 mmcfd
- Egypt: Domestic market + supplementation of supply to liquefaction facilities: Damietta, ELNG

Marketing

- RFP process launched, which includes approaching Egyptian companies – local market and LNG players
- Process launched vis-à-vis DEFA for gas sale to local market



Regional Export Agreements

Leviathan: Dolphinus Holdings
10-15 years
ACQ: 400 mmcfd
TCQ: NA

Tamar: Dolphinus Holdings
7 years
ACQ: NA
TCQ: 180 BCF in three years

Block 12:
Examine Regional Development

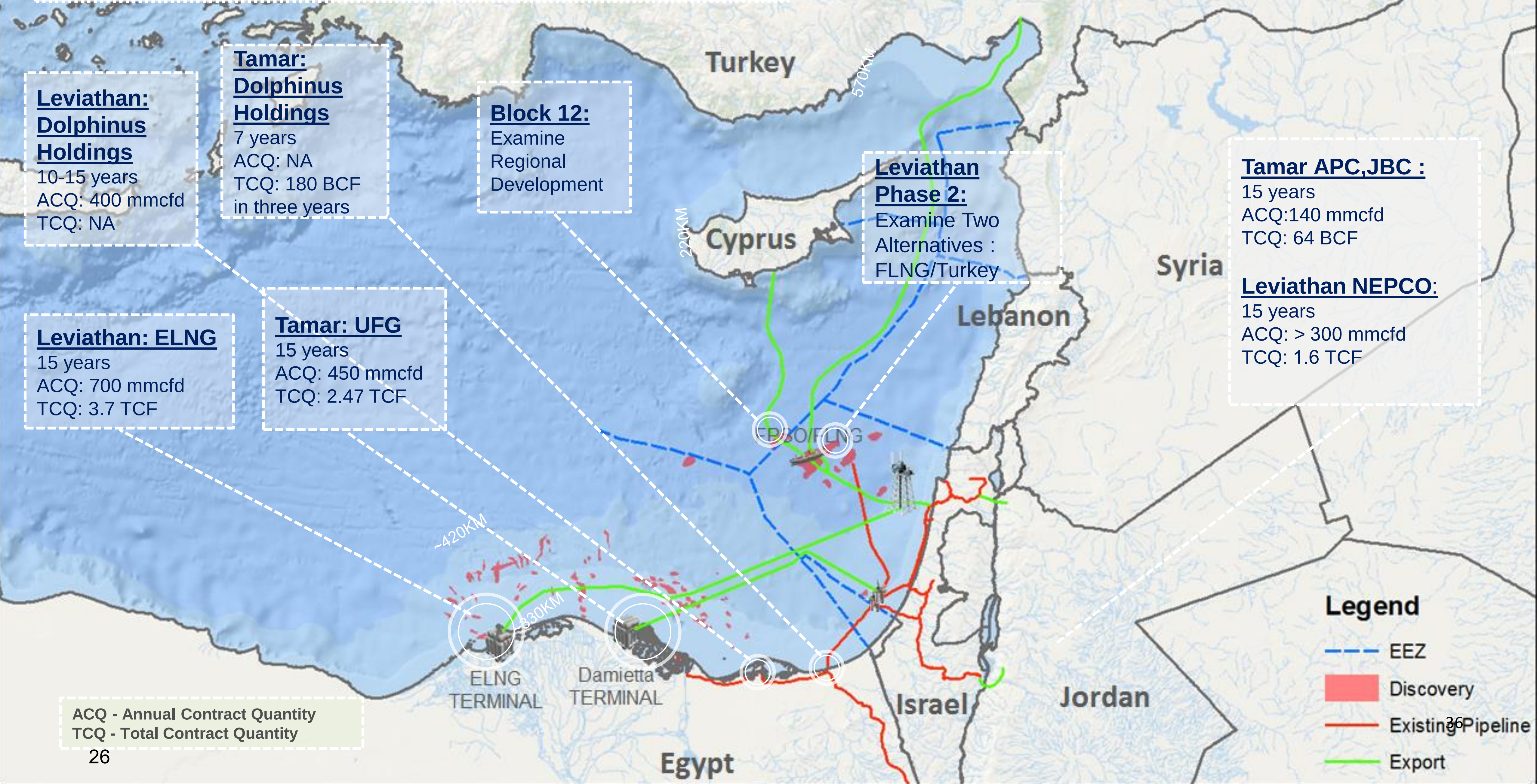
Leviathan Phase 2:
Examine Two Alternatives : FLNG/Turkey

Tamar APC,JBC :
15 years
ACQ:140 mmcfd
TCQ: 64 BCF

Leviathan NEPCO:
15 years
ACQ: > 300 mmcfd
TCQ: 1.6 TCF

Leviathan: ELNG
15 years
ACQ: 700 mmcfd
TCQ: 3.7 TCF

Tamar: UFG
15 years
ACQ: 450 mmcfd
TCQ: 2.47 TCF



ACQ - Annual Contract Quantity
TCQ - Total Contract Quantity

Financially

Ready For The Next Challenge

Strong balance sheet

- Long-term, limited recourse-type debt based on significant revenues from the Tamar reservoir only
- No debt tied to the Leviathan reservoir or to Aphrodite
- High cash reserves
- Well-established and stable cash flow
- Low interest environment

Financially

Ready For The Next Challenge (cont')

Leviathan financing

- As of the date of the Commissioner's notice (December 2014), the Partnerships were in final stages of negotiations for the framework agreements for the financing of their share in the Leviathan development project, in the amount of $2 billion
- An update to the documents will be required once the Gas Framework is finalized
- Foreign and local banks are demonstrating brisk demand to participate in the financing

Additional financing based on UFG cash flow

- Tamar bonds are secured by a cash flow from all Tamar agreements (both current and future)
- The model used for the bond issuance is based on a scenario of up to 9.5 BCM per year
- Upon the signing of the UFG agreement, the adoption of an investment decision and commencement of the Tamar expansion, it will be possible to perform an additional financing round (in the context of the Tamar bonds or as financing based on surplus cash after Tamar bond service), in a considerable scope, to finance the investments in the expansion of Tamar and development of Leviathan


Thank You
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