Delek Drilling

Energizing The Eastern Med

September 2018

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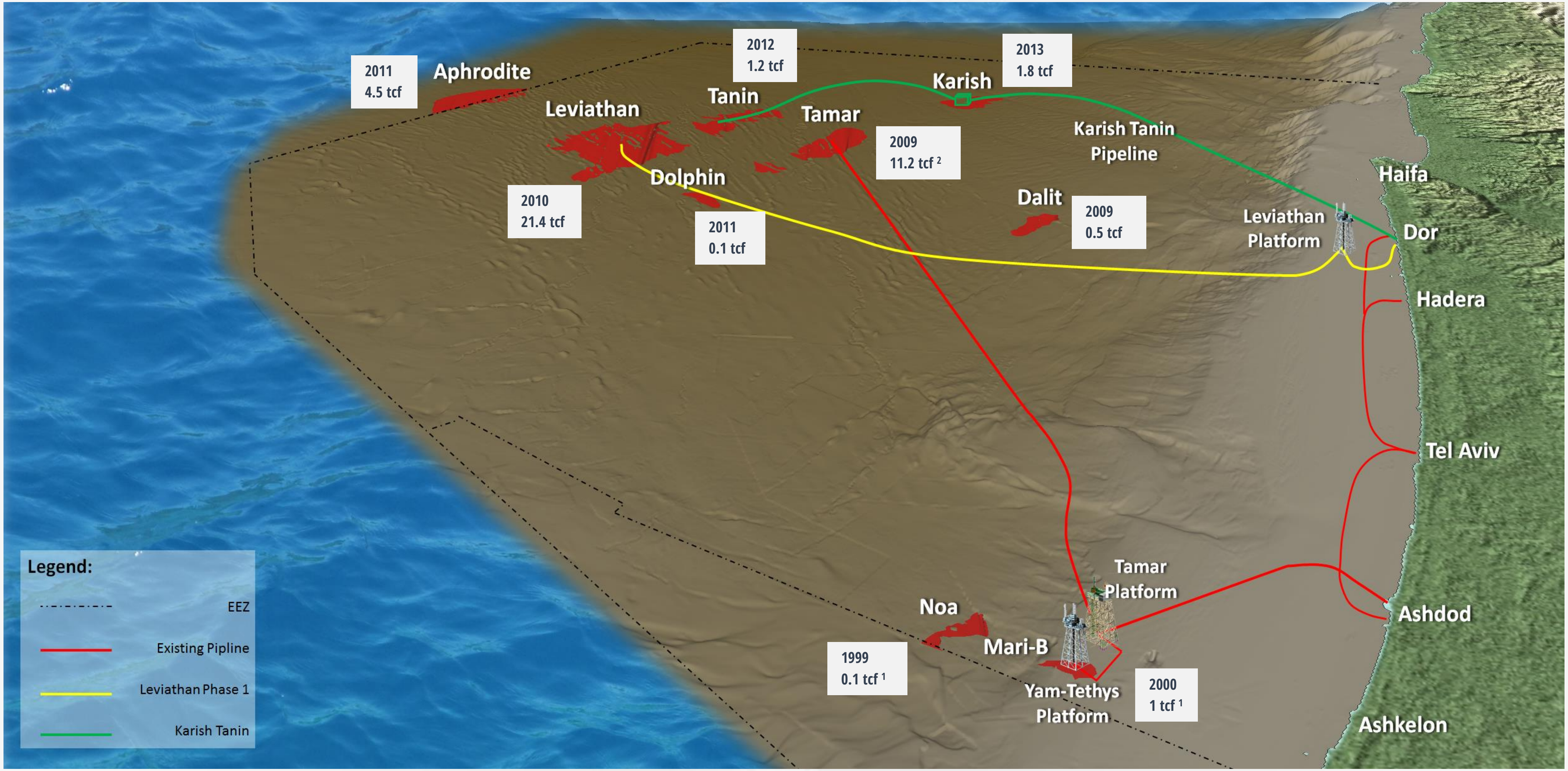
Delek Drilling – East Mediterranean E&P Operation

Transforming the Levant Basin into a Natural Gas Export Hub

- Top Tel-Aviv- 35 index listed LP with a market cap of c. $3.2 billion
- World class E&P assets portfolio, from exploration through development and producing assets
- 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 (as of 02/07/2017)

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*

11.2 tcf (318 bcm); / 14.6 mmbbl condensate

First gas

End of Q1 2013

Development budget:

$3.1 Billion (100%)

Overall Tamar costs to date:

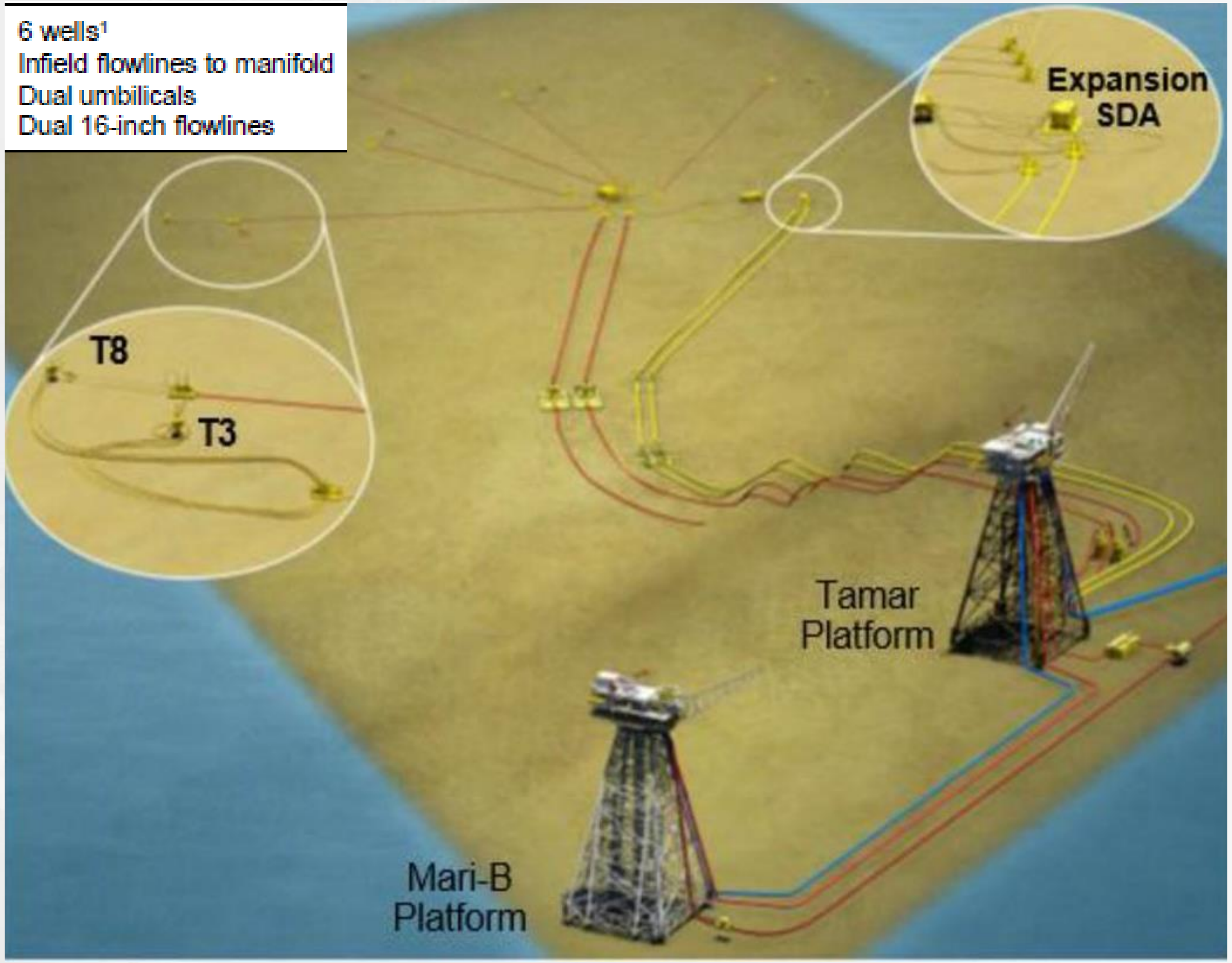
$4.5 Billion (100%)

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 in DD 2017 annual financial report

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. 54% of sales in 2017

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. 34% of sales in 2017

Industry & Other

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

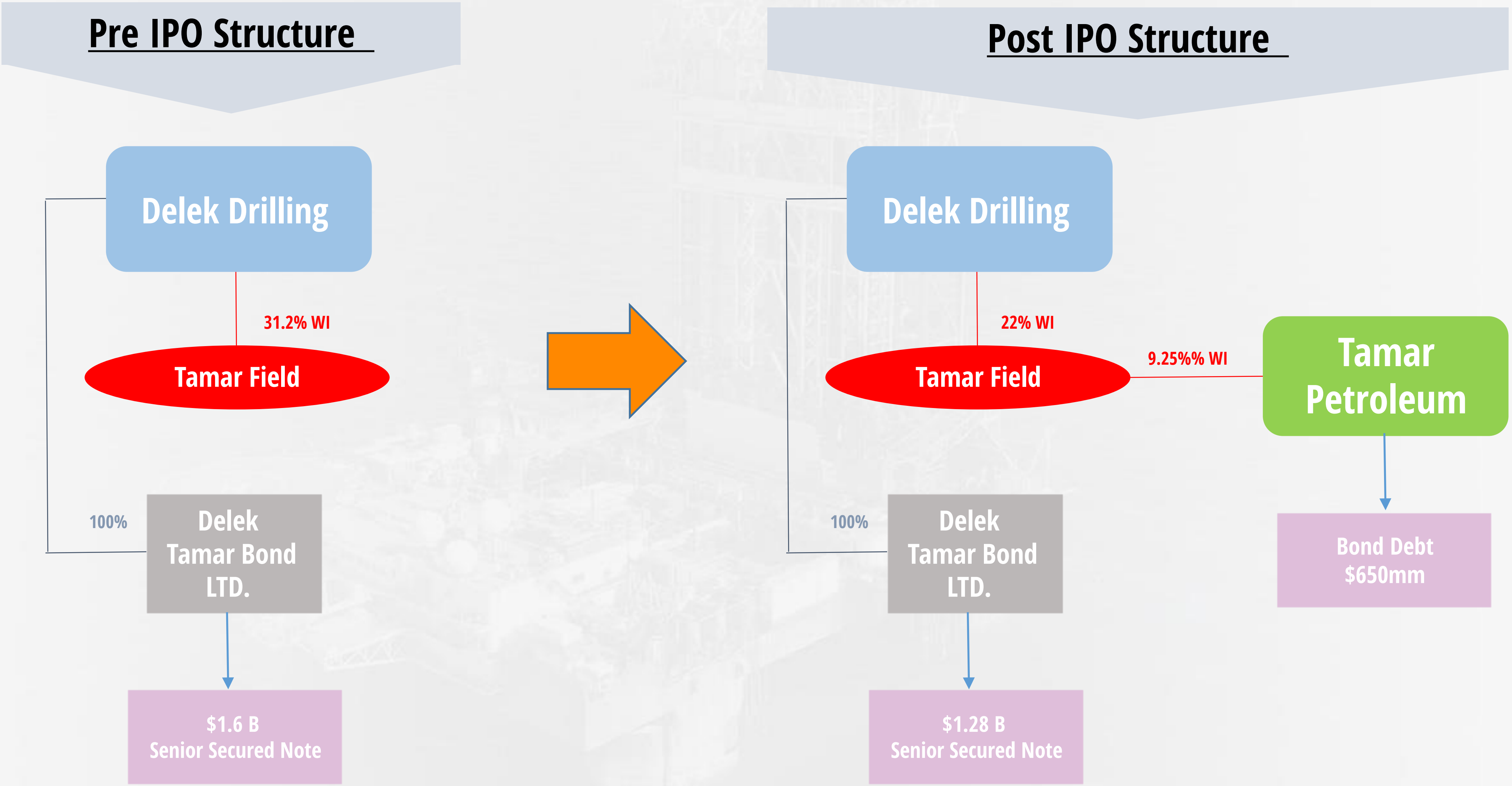
Price of majority of contracts linked to Brent price with a floor price

Represent Approx. 12% of sales in 2017

Tamar Divestment Process

- Delek Drilling examines various alternatives for the sell out of its working interest in Tamar decided to sell a 9.25% stake of its Working Interest in the project through the Capital Market
- The first step was accomplished in July 2017 via the IPO of “Tamar Petroleum” (A special purpose vehicle)
- Debt and equity issuances on the Tel Aviv Stock Exchange provided the necessary funds and set the asset sell price. 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 market in one or several transactions, as well as potential bilateral transactions

Tamar Divestment – Recent Sell of 9.25% WI



Leviathan – A Regional Energy Game Changer

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

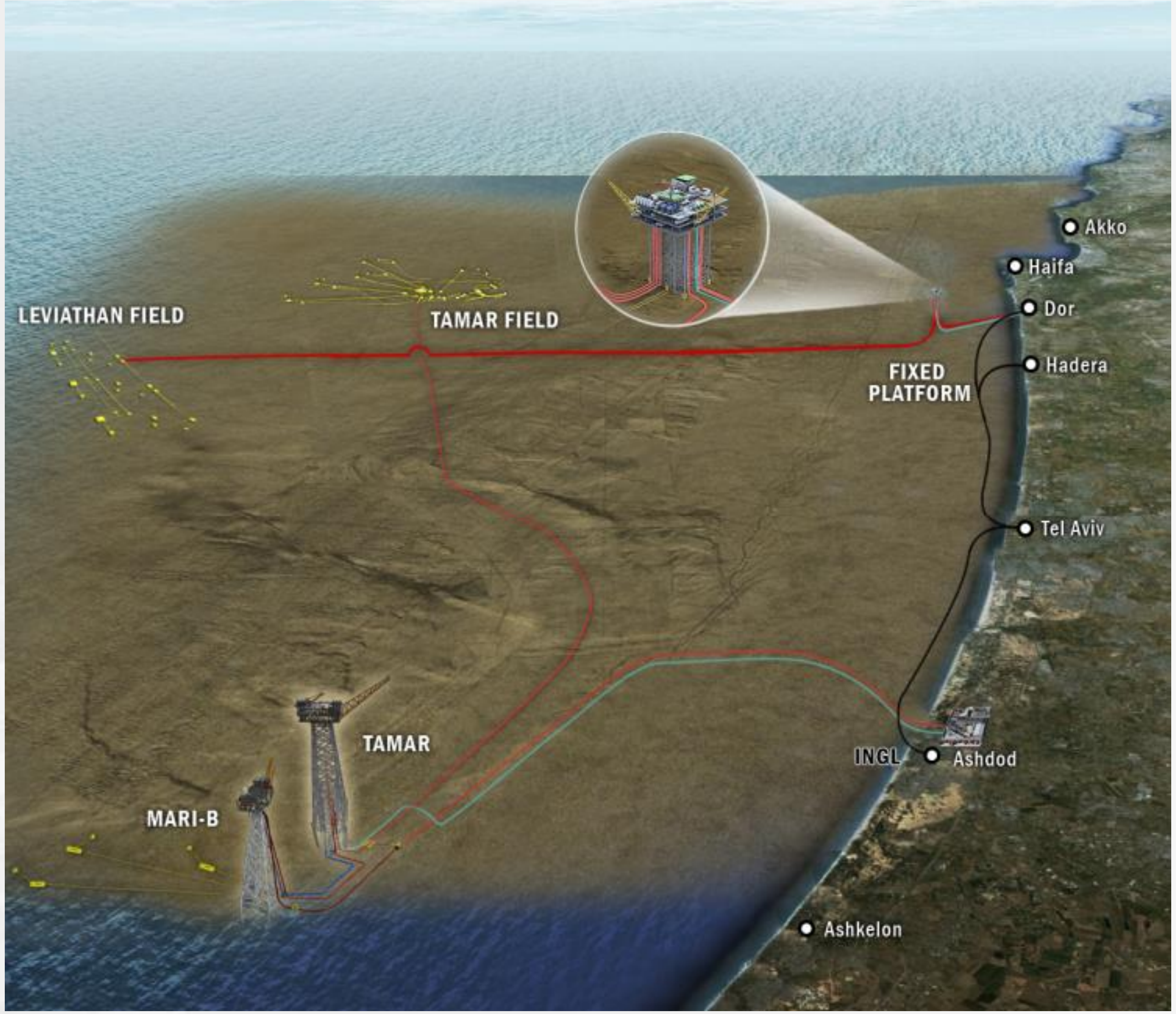
2P+2C Resources*
21.4 tcf (613 bcm), 38.3 mmbbl condensate

Estimated First Gas
4Q 2019

Production Capacity (to be built in 2 stages)
Phase 1a - 1.2 bcf/d (~12 bcm/y)
Phase 1b - 0.9 bcf/d (~9 bcm/y)

Estimated Capex Development (100%)
$3.75 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 2017 Annual Report

Leviathan – Modular Development

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

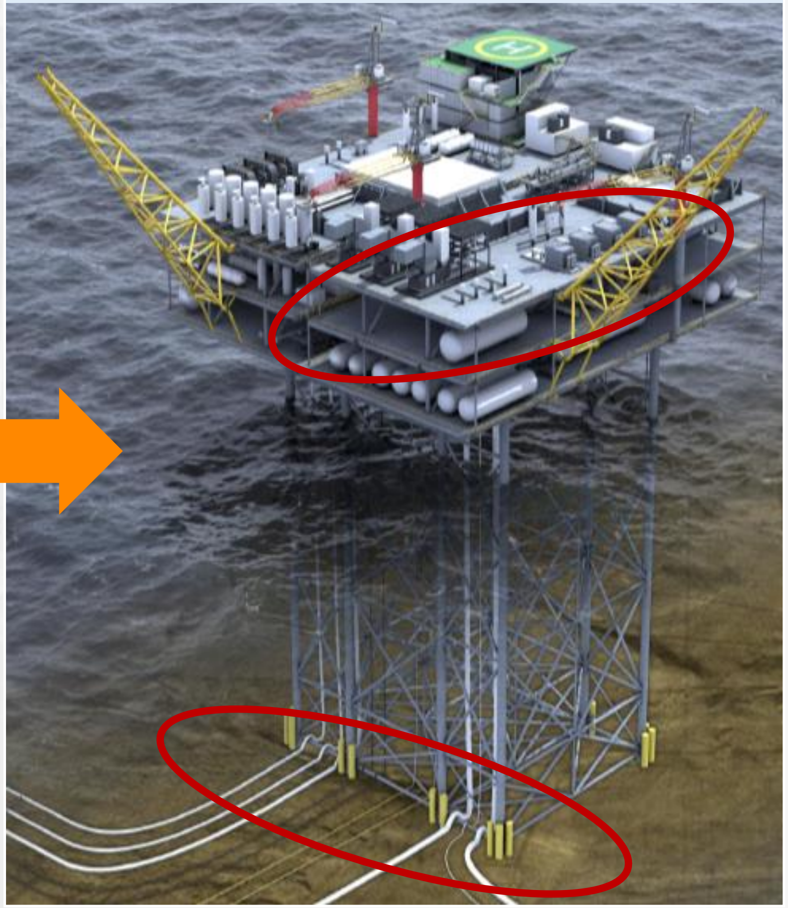
- Development plan for phase 1A includes construction of an offshore fixed platform with a 1.2 bcf/d (approx. 766 bcf/y) capacity, Capex of $3.75B

- Delek capex share in phase 1A- $1.75B, fully funded to first gas

- 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)

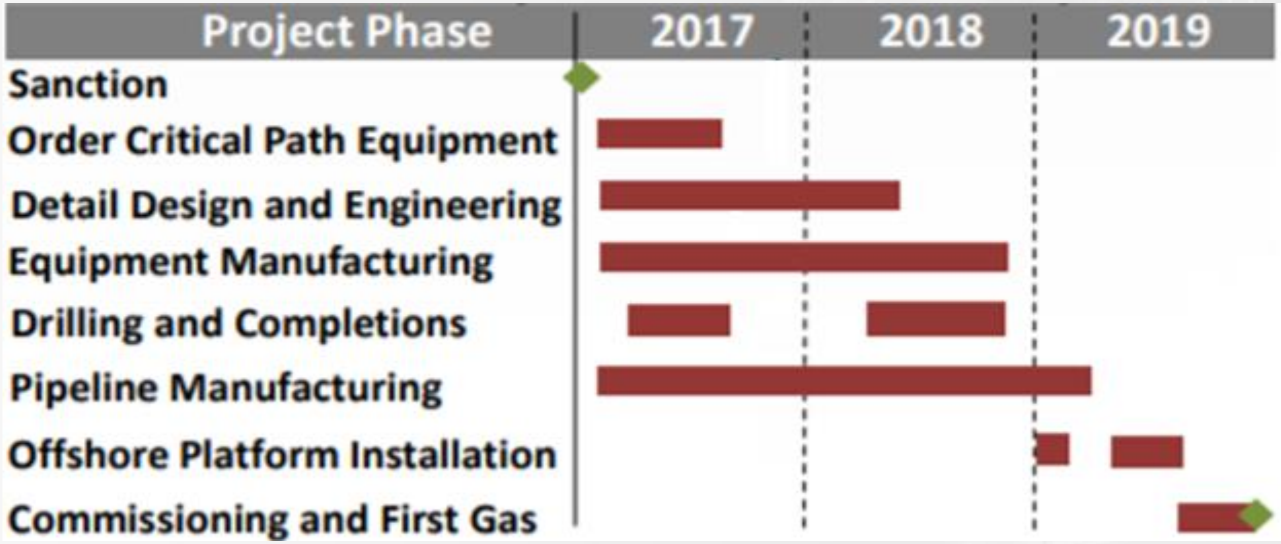
Capacity of 2.1 bcf/d (approx. 766 bcf/y)



Source: Leviathan operator (NBL)

Leviathan Development on Time on Budget

- Phase 1a development progressing ~60% completed
- Fabrication progress on the platform topsides, jacket, and the subsea equipment
- All building permits received or submitted
- More than 300km of subsea pipe placed (out of 513km)
- Export pipeline to Jordan progressing and will be ready ahead of first gas to local domestic market



Source: Leviathan operator (NBL)

Leviathan Drilling Campaign

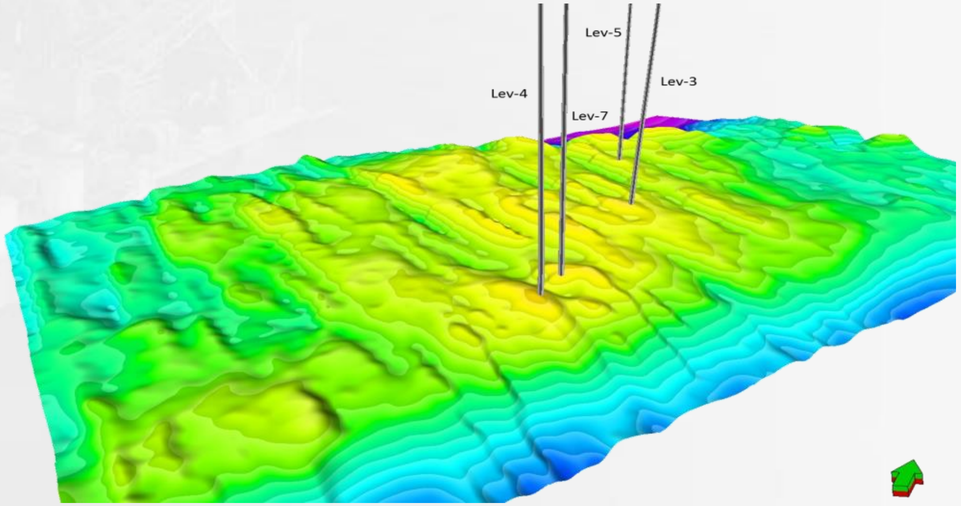
- Leviathan Phase 1-A consist of 4 producing wells

- The drilling & Completion works was split into two

- <u>Drilling</u>
  - All 4 wells had been drilled to depth by the Atwood Advantage drilling rig

- <u>Completion</u>
  - Leviathan partners ended their contract with the Atwood Advantage, and signed with the Ensco DS-7
  - Completion work are taking place from mid 2018 to year end

<u>Leviathan production wells</u>



Cyprus – Aphrodite Field

Ownership
Delek Drilling 15%, Avner 15%, Shell 35%, Noble Energy (operator) 15%

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

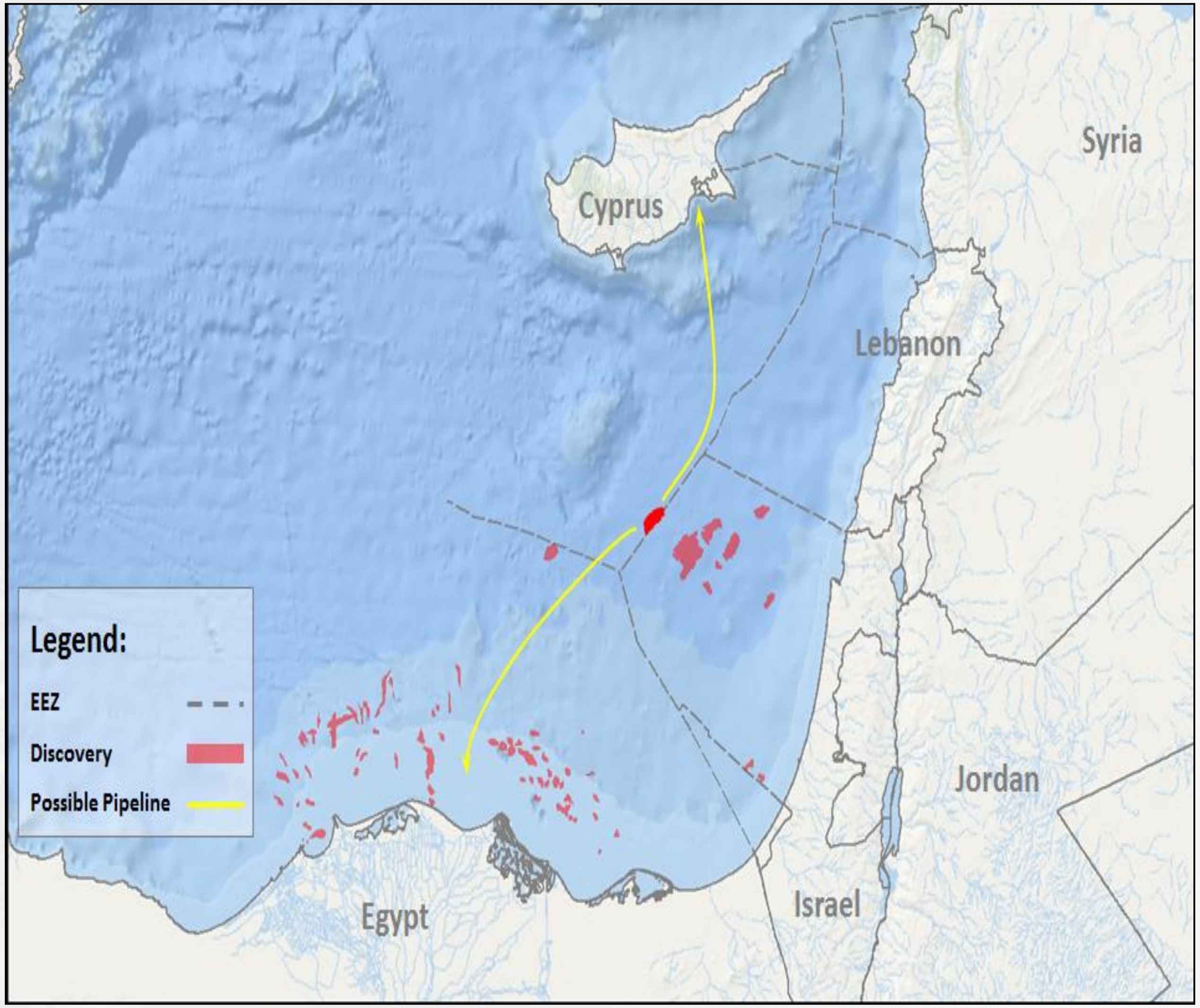
Additional Prospective Resources (P50)
1.0 tcf (29 bcm)

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

Target markets
Cyprus - Domestic
Egypt - Domestic + LNG facilities

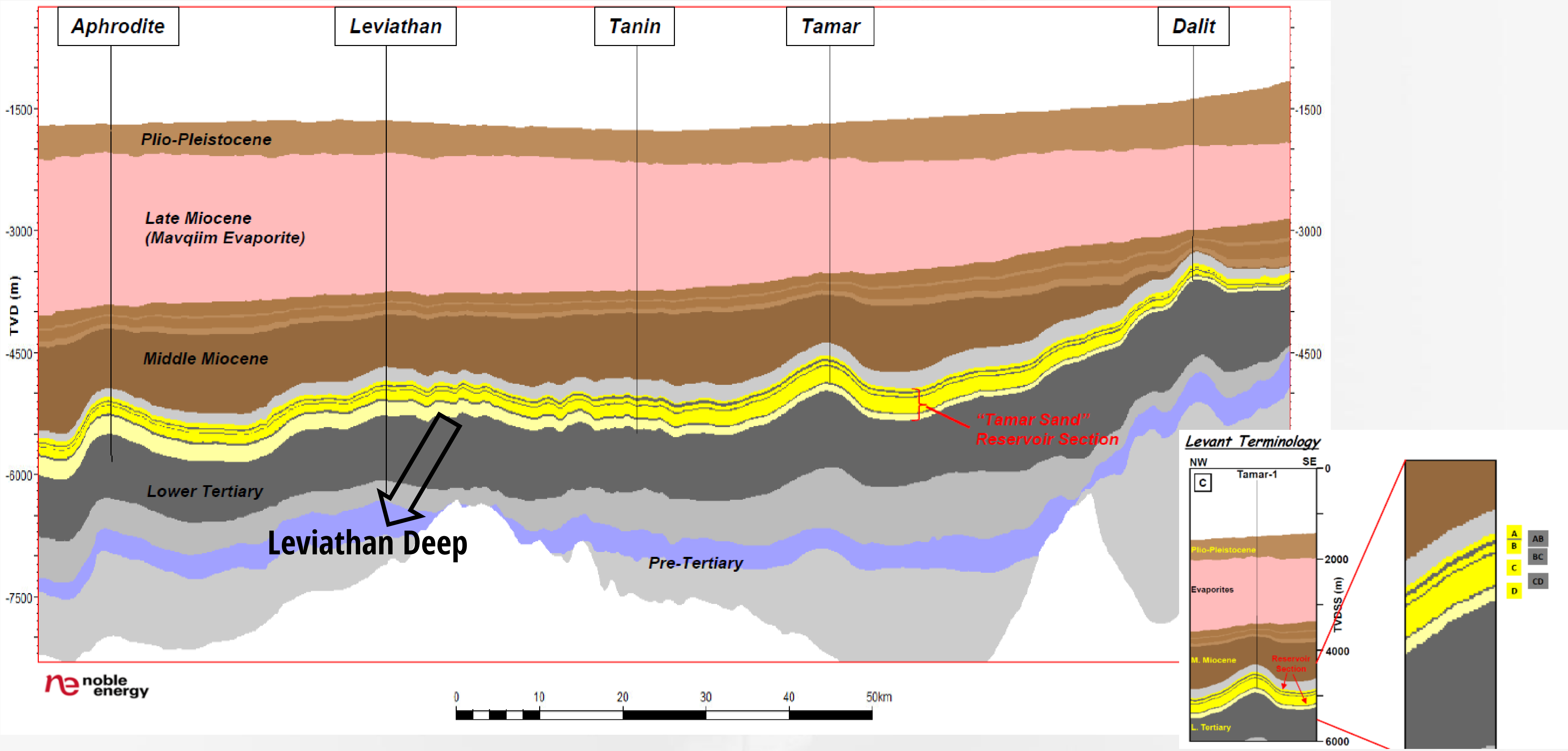
Estimated production capacity
600-800 mmcfd

Status
Development plan submitted to Cypriot Government



* reserves estimate -2015 Annual report

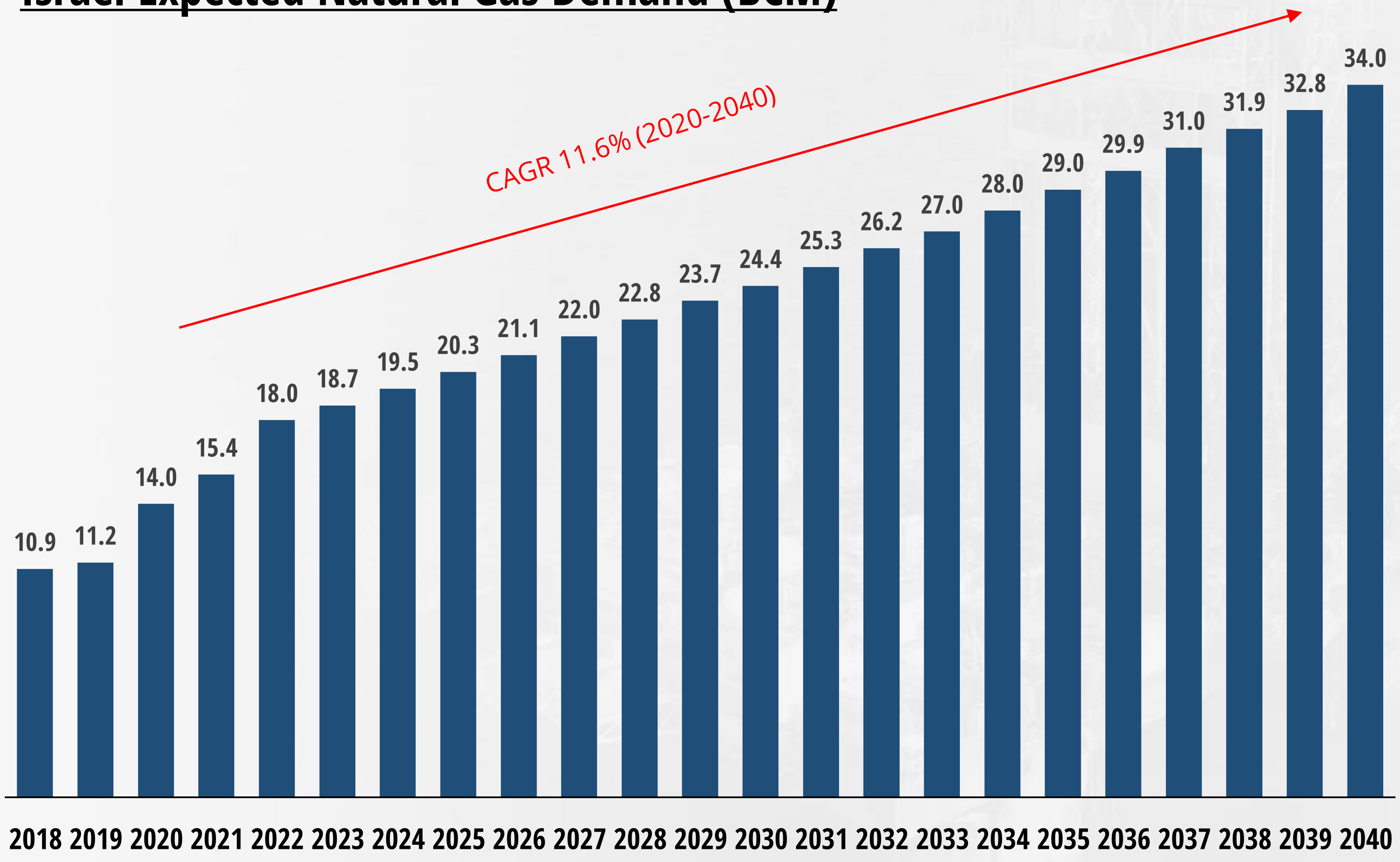
The Levant Basin Geology



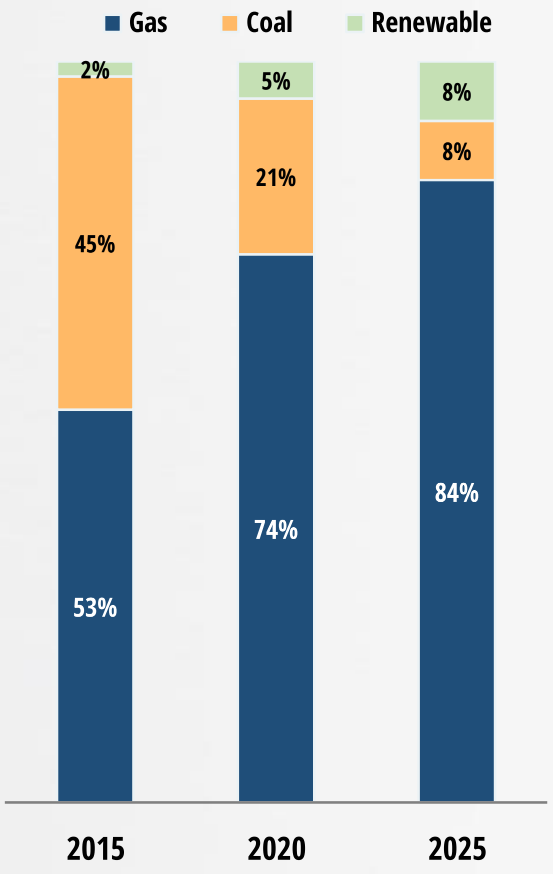
Growing Regional Markets Demand

Israel Long Term Demand Growth

Israel Expected Natural Gas Demand (BCM)



Electricity Generation Mix



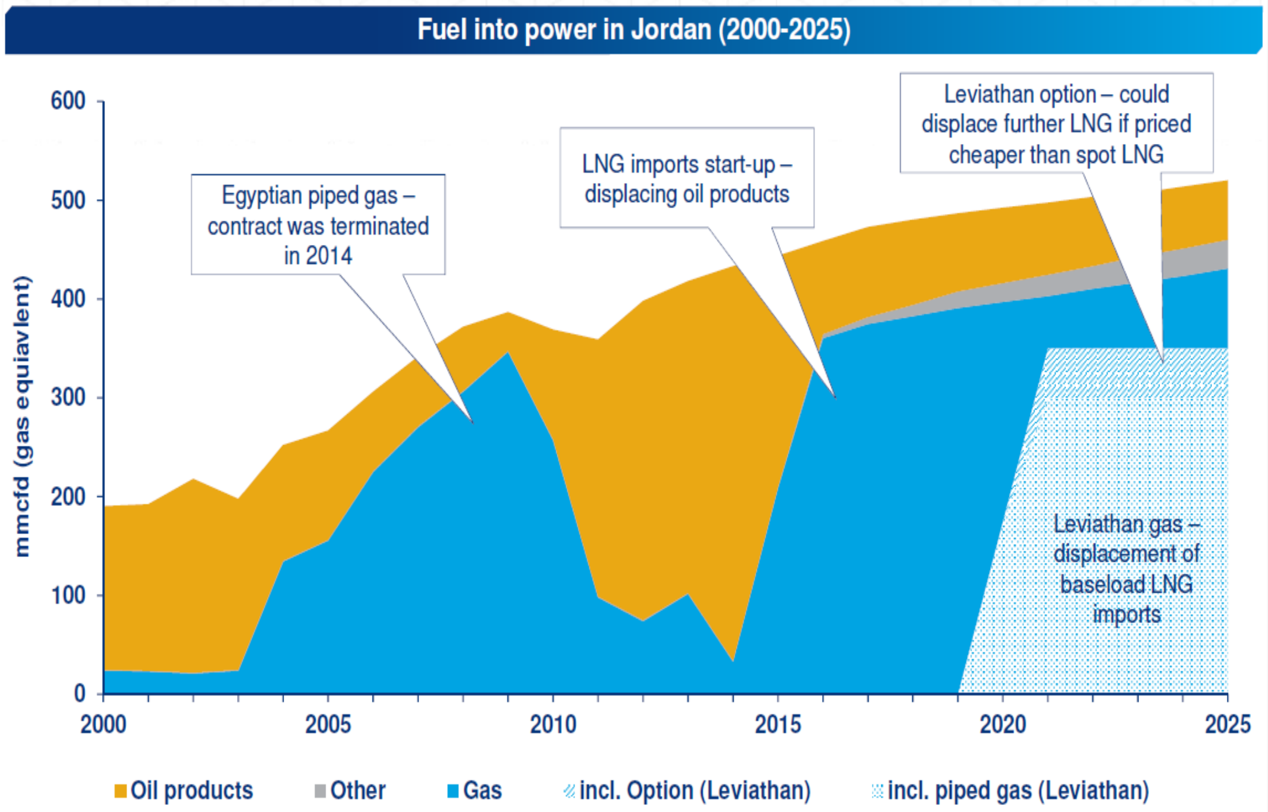
Source : BDO consulting Group estimate

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*

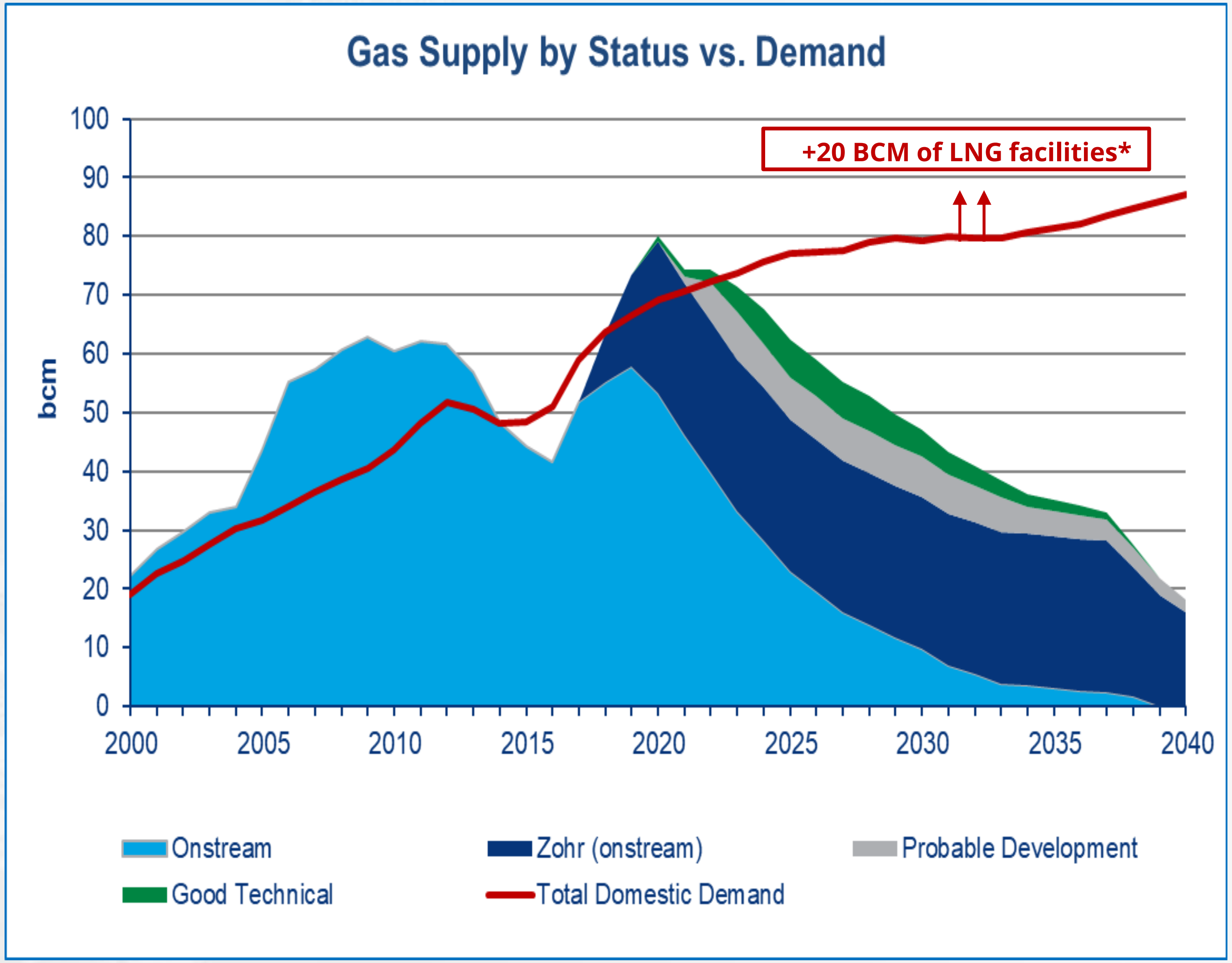


Source: Wood Mackenzie EMS. Leviathan volumes at 300 mmcfd with a start-up in 2020. Option for additional volumes at 50 mmcfd.

* 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 – 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>**



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

GSPA's For the Sale of Gas to Egypt

Leviathan :

- ❑ Annual supply of 3.5 BCM/y (with TOP level agreed)
- ❑ Total contract quantities : 32 BCM
- ❑ Estimated revenue income: $7.5 Billion

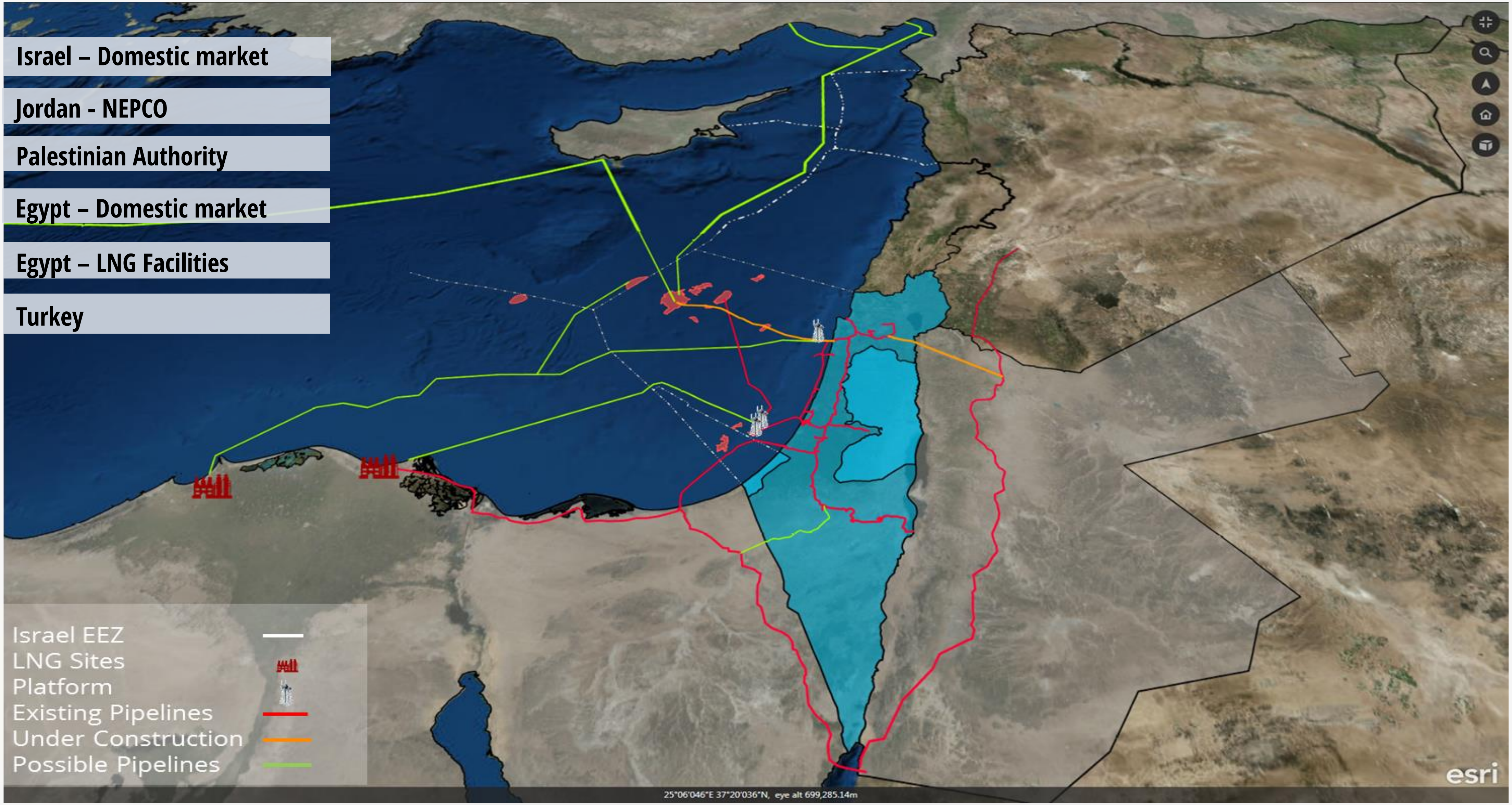
Tamar :

- ❑ Annual supply begin on an Interruptible base with Delek and Noble option to convert part or all of the quantity to a firm basis of up to 3.5 BCM/y (with TOP level agreed upon option realization)
- ❑ Total contract quantities : 32 BCM
- ❑ Estimated revenue income: $7.5 Billion

Contract price based on a Brent linked formula

The contracts guarantee full capacity production form Tamar and Leviathan phase 1a for years to come

Fast Developing Region



Project & Corporate Financing

- $960 mm Tamar bond- 3 series of $320 mm bullet payment in years : 2020, 2023, 2025
  - Sell down of remining WI in Tamar, all proceeds will be used to redeem the bonds

- Up to $1.75 B Leviathan project finance facility - Cover most of LP's capex requirement for phase 1a
  - Examining a bond take out of the loan after Leviathan first gas

- $400 mm corporate Bond series A- non-recourse unsecured corporate level financing raised in the Israeli market
  - Bullet payment on December 2021
  - A1 Local (Ba1 International) rating by Midroog-Moody's

Strong Financial Position*

- ✓ **High cash reserves** – over $550mm liquidity in hand
- ✓ **Long-term, limited recourse type debt** - ~$1.5B net Debt
- ✓ **Attractive dividend policy** - 20% dividend yield in 2017
- ✓ **Strong balance sheet** – 1.25X current ratio
- ✓ **Well-established and stable cash flow** - $330mm cash flow from operations (FY 2017)
- ✓ **Substantial economic value of assets** – see next slide

* As of 30.06.2018

Delek's Value Proposition

Tamar & Leviathan Discounted Cash Flow Value :

Tamar

Category	Future Net Revenue After Levy and Corporate Income Taxes (MM$) Discounted at 0%	Discounted at 5%	Discounted at 10%	Discounted at 15%	Discounted at 20%
Proved (1P)	4,377.0	2,821.4	2,017.8	1,561.1	1,278.3
Probable	2,103.2	615.6	198.3	71.3	29.5
Proved + Probable (2P)	6,480.2	3,437.1	2,216.1	1,632.3	1,307.8
Possible	1,583.1	337.1	79.1	20.4	5.9
Proved + Probable + Possible (3P)	8,063.3	3,774.2	2,295.2	1,652.8	1,313.8

Leviathan Phase 1a (12.6 Tcf 2p out of 21.4 Tcf 2p+2c)

Category	Future Net Revenue After Levy and Corporate Income Taxes (MM$) Discounted at 0%	Discounted at 5%	Discounted at 10%	Discounted at 15%	Discounted at 20%
Proved Undeveloped	11,800.8	4,158.9	1,848.8	875.6	363.6
Probable	3,556.5	1,814.7	1,188.3	880.8	694.8
Proved + Probable (2P)	15,357.3	5,973.7	3,037.1	1,756.4	1,058.4
Possible	1,212.1	562.5	316.8	204.0	144.8
Proved + Probable + Possible (3P)	16,569.3	6,536.1	3,353.9	1,960.4	1,203.3

PV10 = $5.2B

Source: Netherland Swell & Associates reserve report published in Delek Drilling financial reports for 2017

Summary

- High quality Oil & Gas assets
- Strong financial position derived from Tamar robust cash-flow
- Leviathan development on time and on budget, funded through to first gas
- First step towards Tamar divestment successfully accomplished by Tamar Petroleum IPO
- Upside potential from projects expansion to regional sales as well as exploration prospects

Thank You

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