



Delek Drilling

Energizing The Eastern Med

February 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

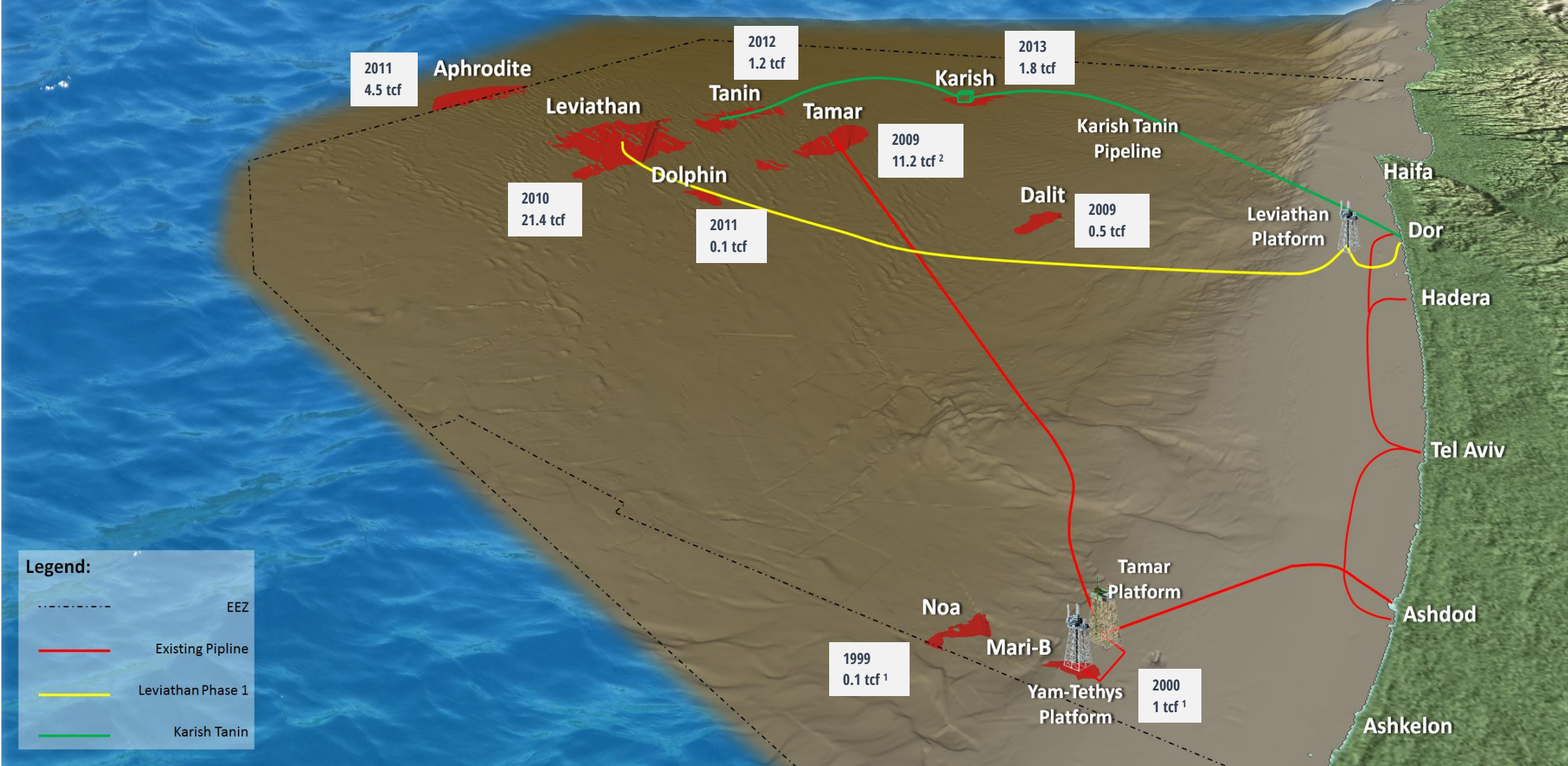


The East Mediterranean E&P arm of Delek Group, a leading International Energy conglomerate



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

Israeli and Cypriot EEZ – Over 42 TCF Discovered



Legend:

- EEZ
- Existing Pipeline
- Leviathan Phase 1
- Karish Tanin

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)

Government 'Gas Framework' – Regulatory Certainty

Resolutions regards three main topics:

Structural Changes

- Tanin and Karish: Delek and Noble will sell their entire interest- Done
- Tamar: Noble will reduce its interest to 25% (from 36%); Delek will sell its entire interest (31.25%) within six years- in Process
- 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 – 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:

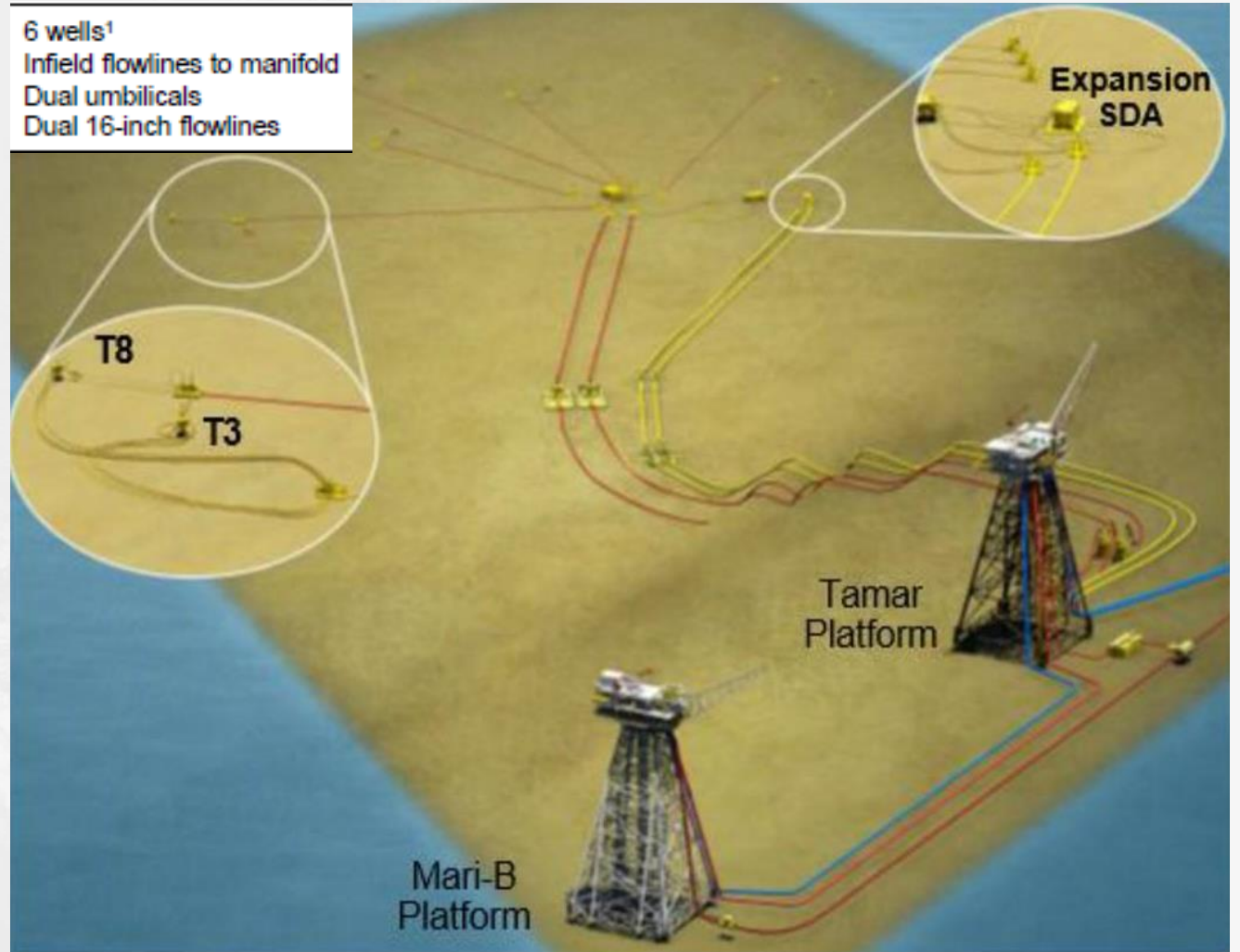
\$4.5 Billion (100%)

Production capacity

1.1 bcf/d (250 mmcf/d 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 reserve report 02/07/2017

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. 55% 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. 33% of sales in 2016



Industry & Other

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

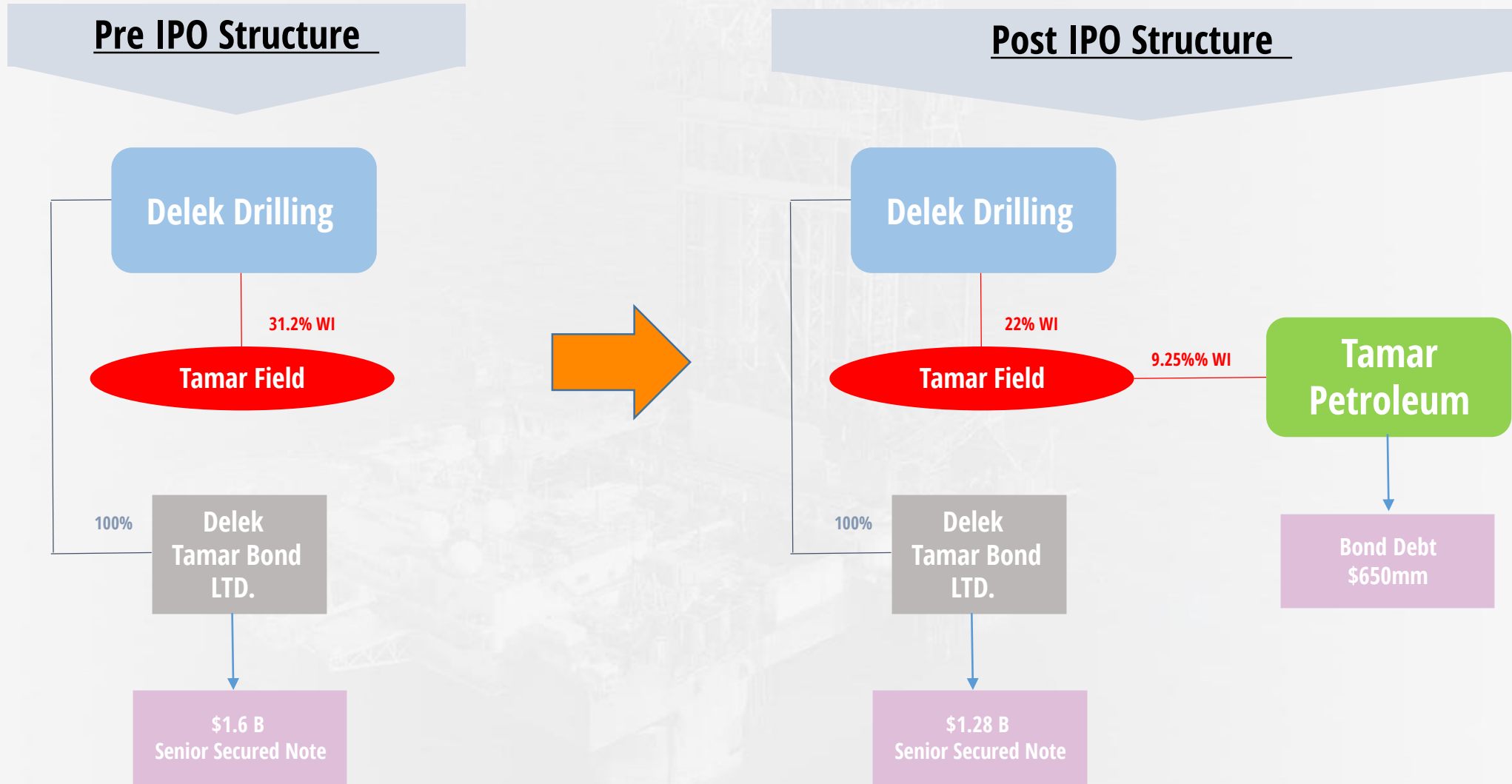
Price of majority of contracts linked to Brent price with a floor price

Represent Approx. 12% of sales in 2016

Tamar Divestment Process

- ❑ After examining various alternatives, Delek Drilling decided to sell a 9.25% stake of its Working Interest in the project through the Capital Market**
- ❑ A special purpose vehicle – “Tamar Petroleum” was established in order to acquire the WI**
- ❑ 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*

21.9 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

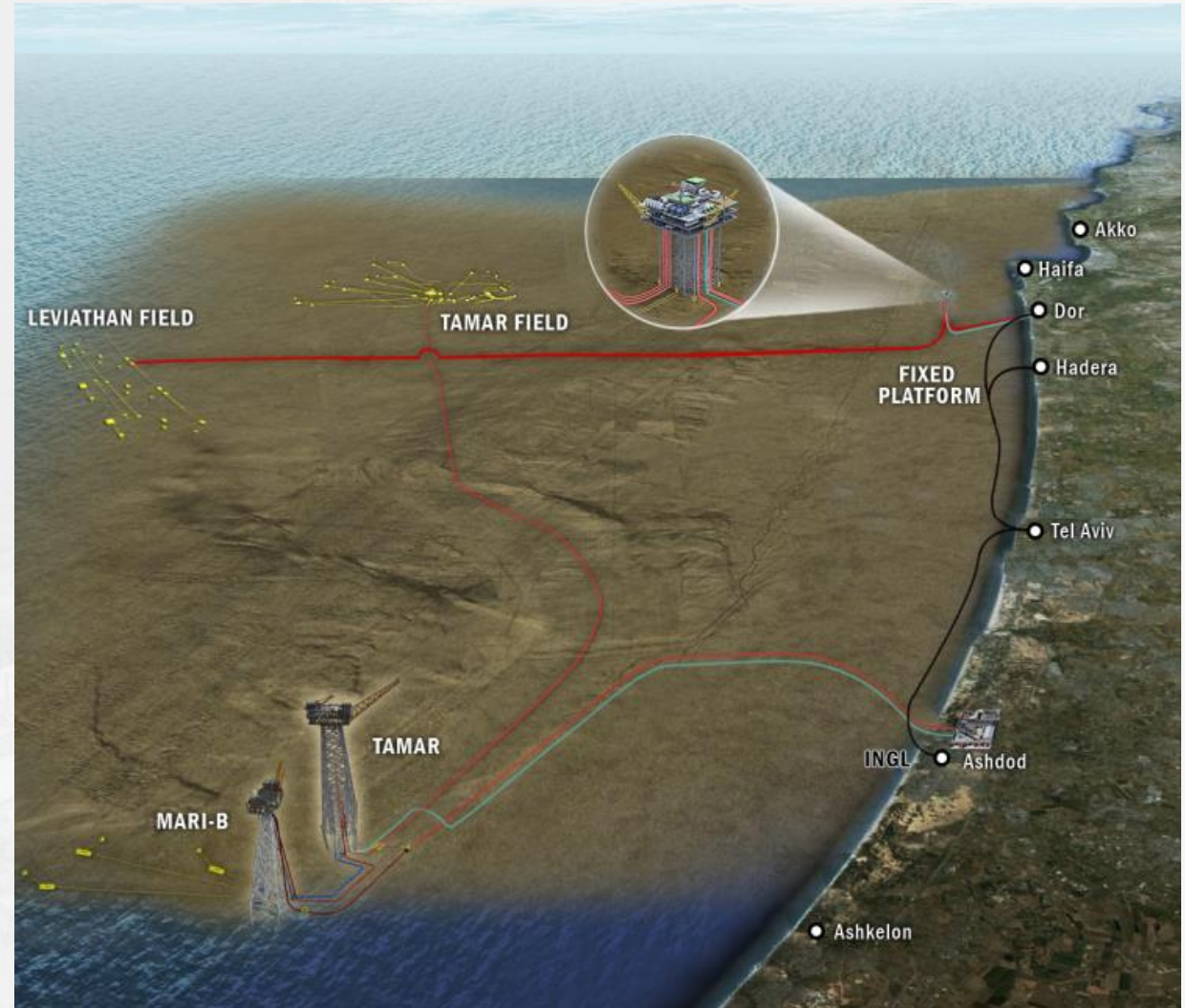
Estimated Capex Development (100%)

\$3.75 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 2016 Annual Report

Leviathan – Modular Development

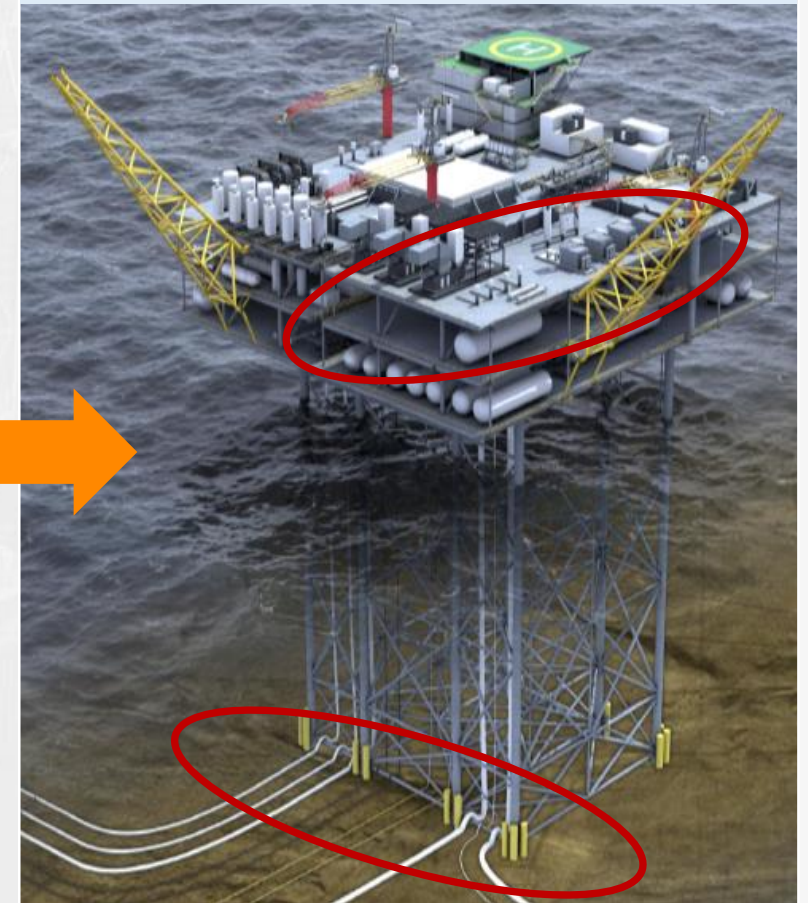
Phase 1A of Leviathan development sanctioned, future cost efficient expansion

- ❑ 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
- ❑ 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)



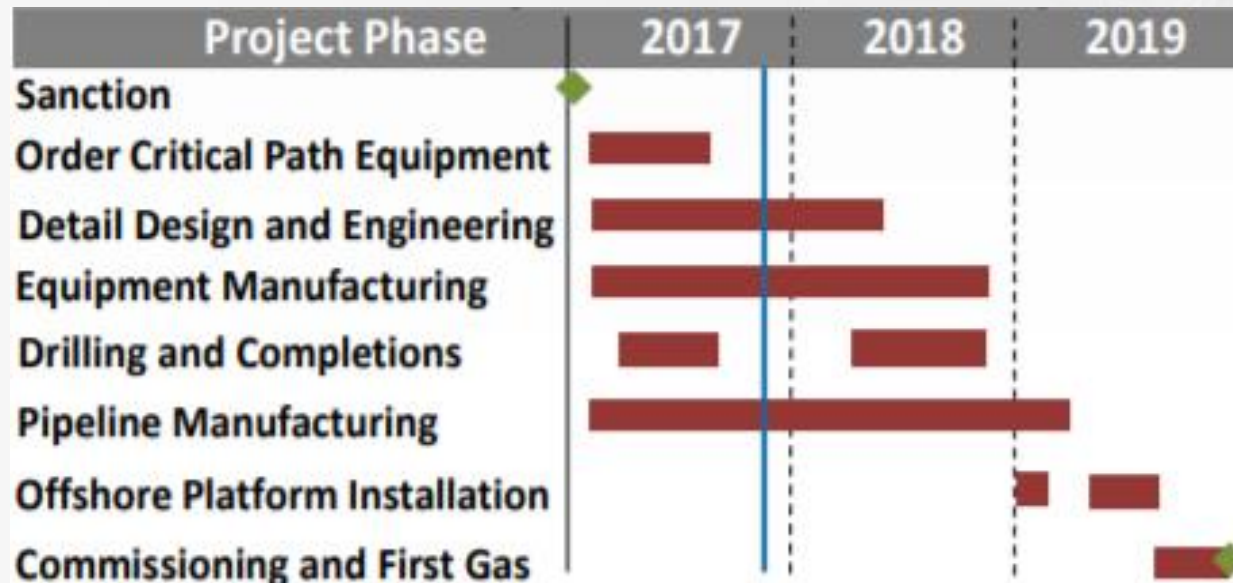
Capacity of 2.1 bcf/d (approx. 766 bcf/y)



Source: Leviathan operator (NBL)

Project Development on Time on Budget

- ❑ Phase I development progressing- ~35% 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



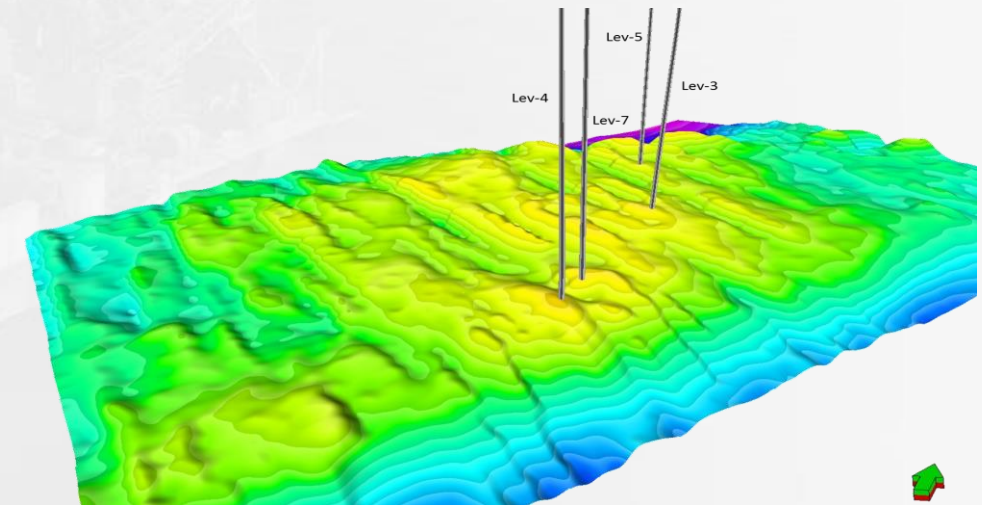
Source: Leviathan operator (NBL)

Leviathan Drilling Campaign

- ❑ Leviathan Phase 1-A consist of 4 producing wells
- ❑ The drilling & Completion works was split into two
- ❑ Drilling
 - All 4 wells had been drilled to depth by the Atwood Advantage drilling rig
- ❑ Completion
 - Leviathan partners ended their contract with the Atwood Advantage, and signed with the Ensco DS-7
 - Completion work are expected from mid 2018 to year end



Leviathan production wells





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

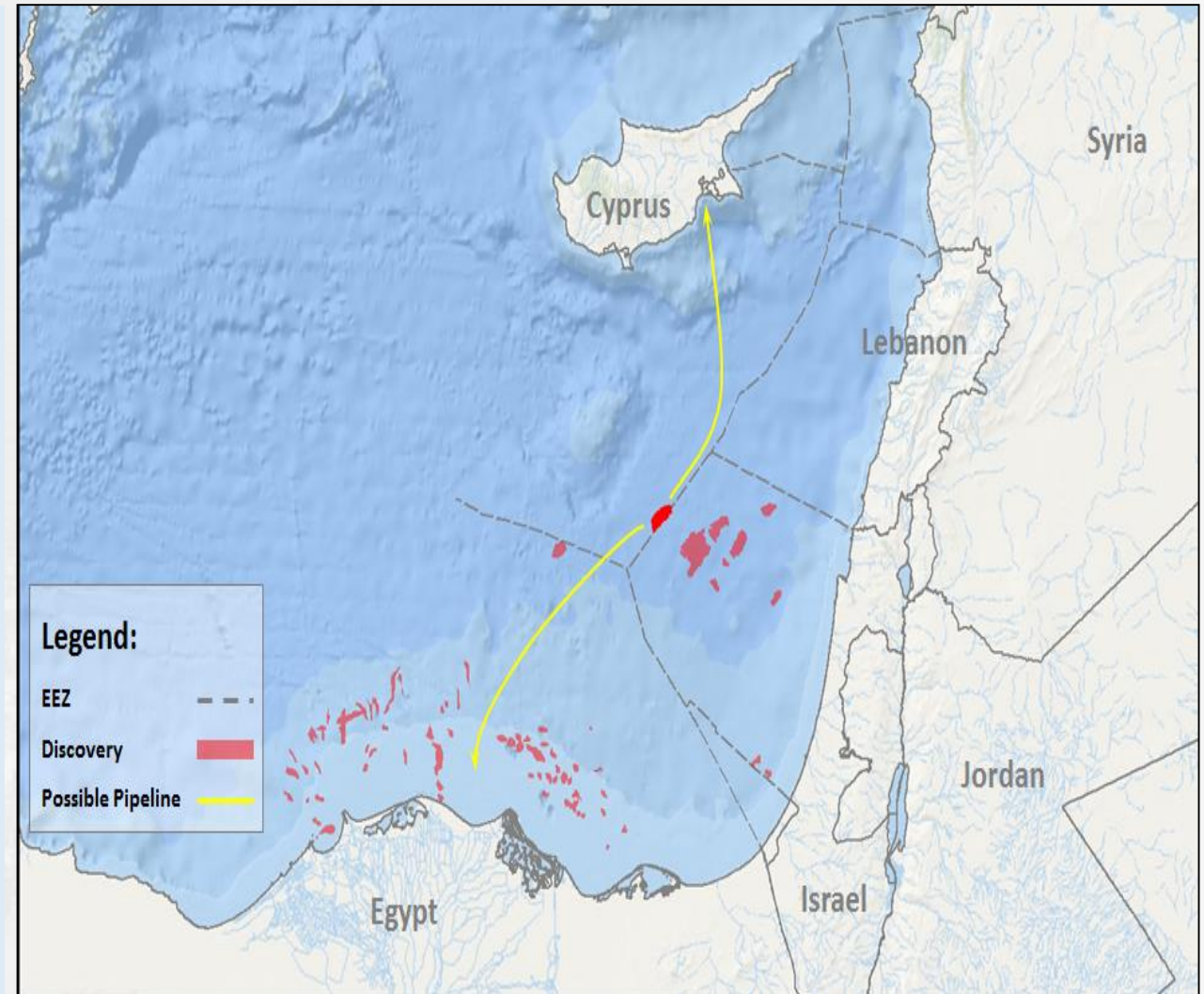
Cyprus - Domestic
Egypt - Domestic + LNG facilities

Estimated production capacity

600-800 mmcfd

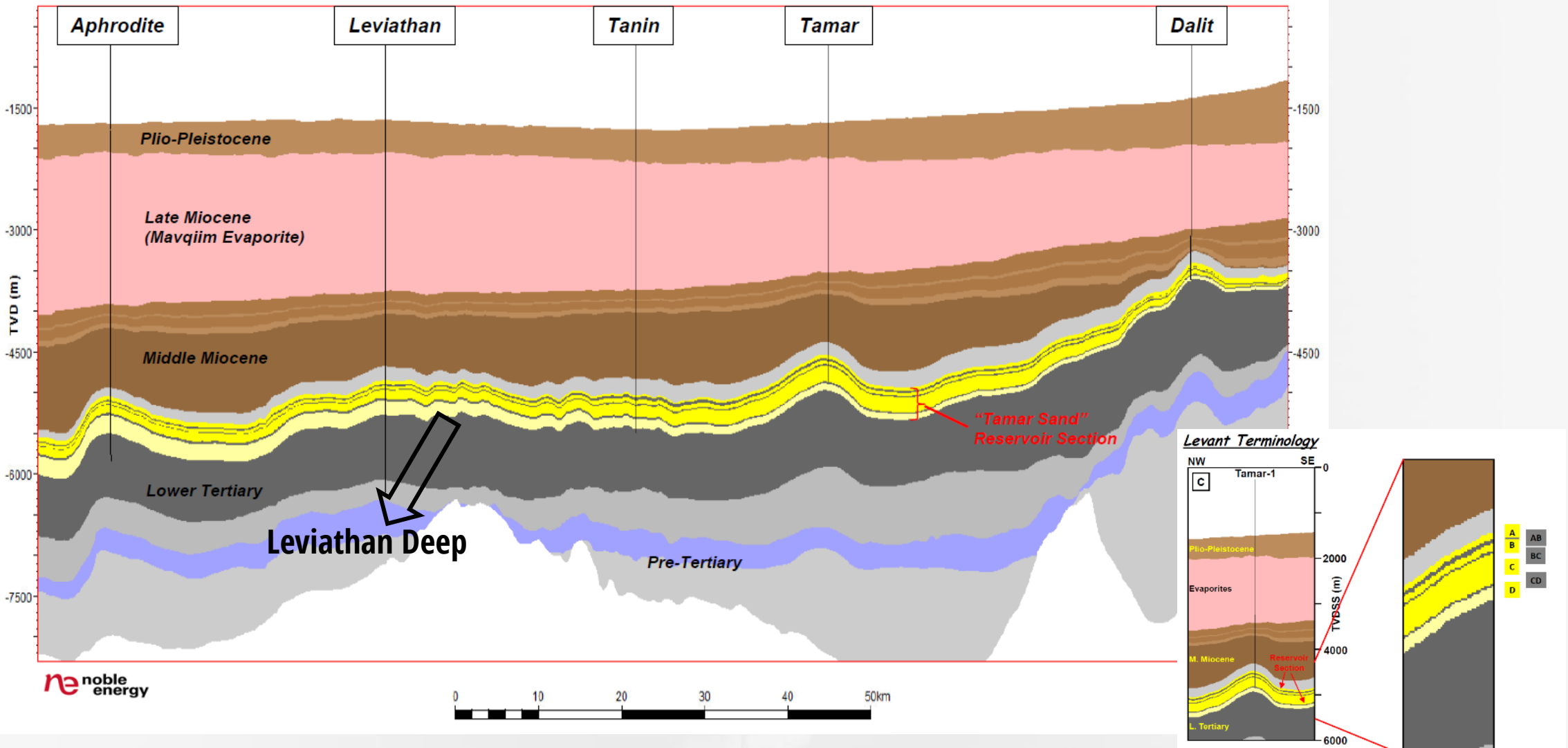
Status

Development plan submitted to Cypriot Government



* reserves estimate -2015 Annual report

The Levant Basin Geology



noble energy

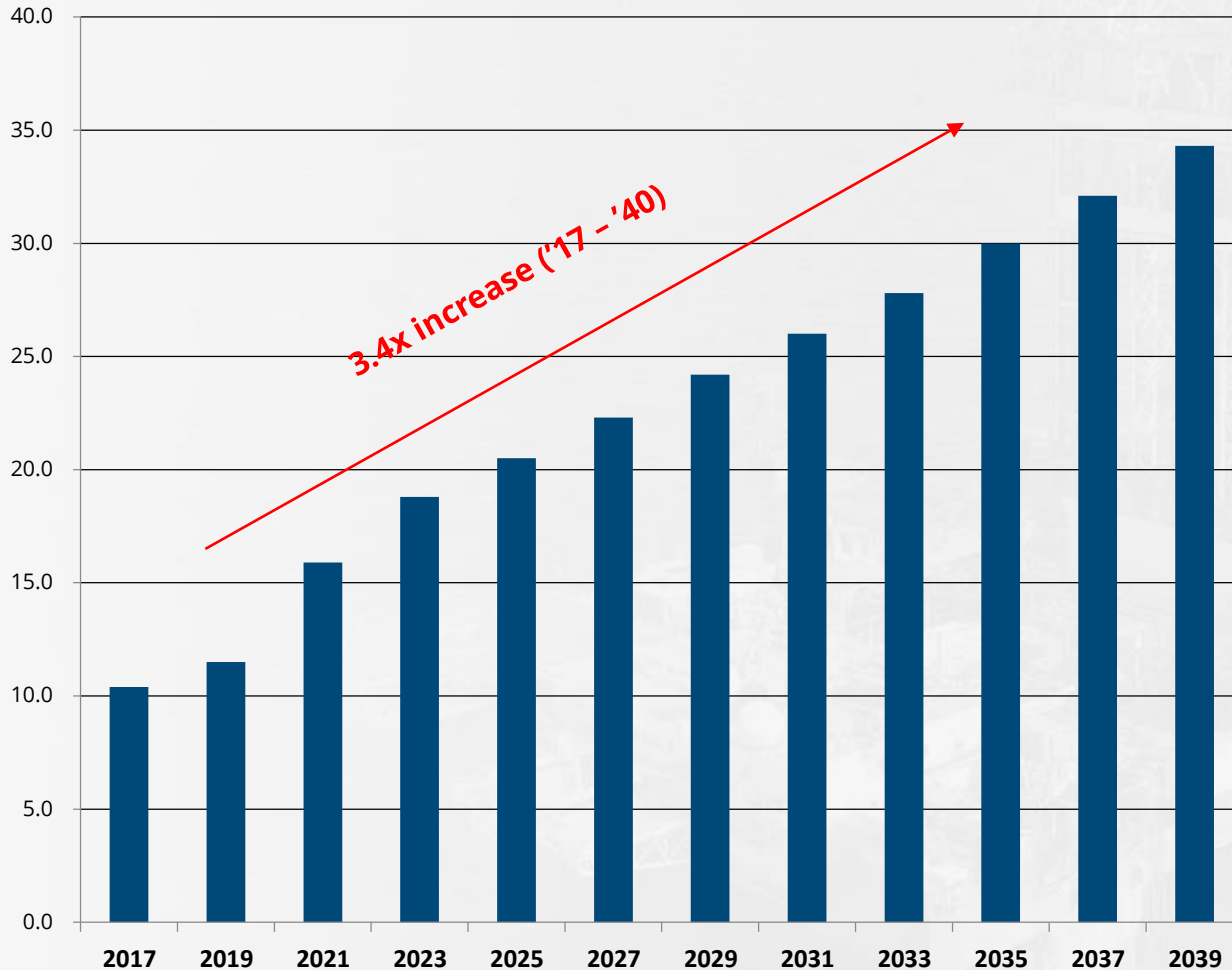
A large, white, cylindrical pipe dominates the upper half of the frame, extending from the top left towards the center right. The background is a clear, bright blue sky. Below the pipe, a white horizontal banner contains the text. The bottom of the image shows a desert landscape with rolling hills and sparse vegetation under a clear sky.

Growing Regional Markets Demand



Domestic Long Term Gas Demand Forecast Growth

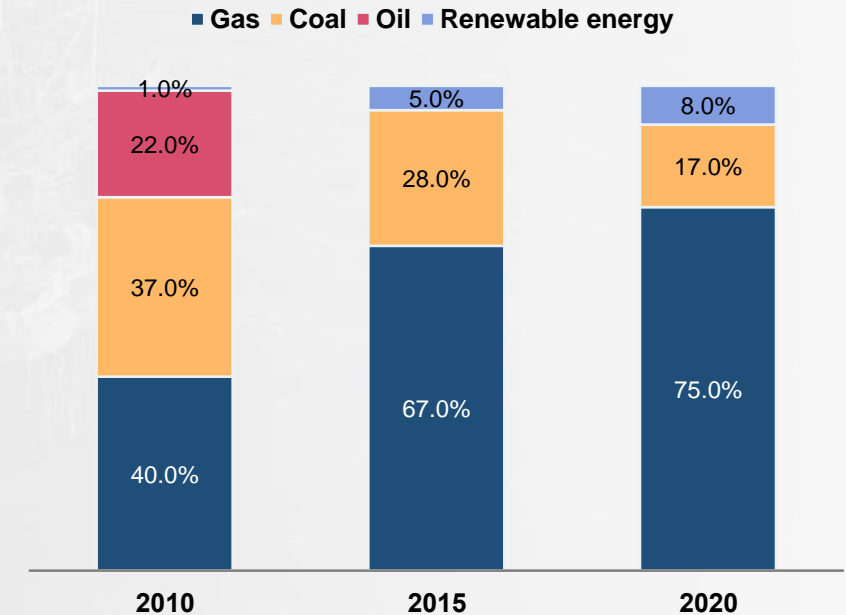
Gas Demand Forecast (BCM)



Source : BDO Consultant, IEC financial report

☐ 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

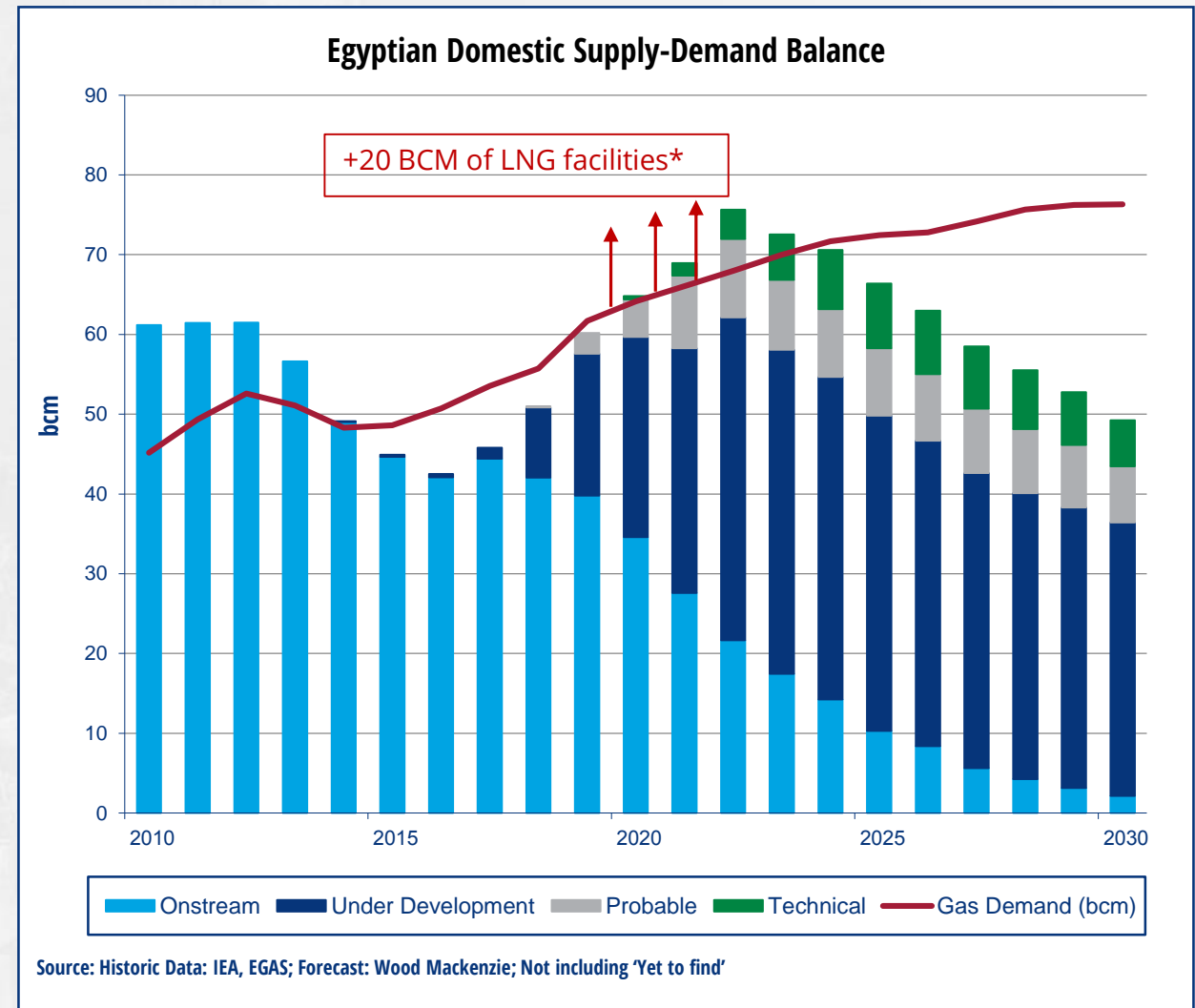
Electricity generation by fuel type (%)





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 with these new developed reservoirs
- Government of Egypt intention is to become a regional hub for gas export internationally



*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

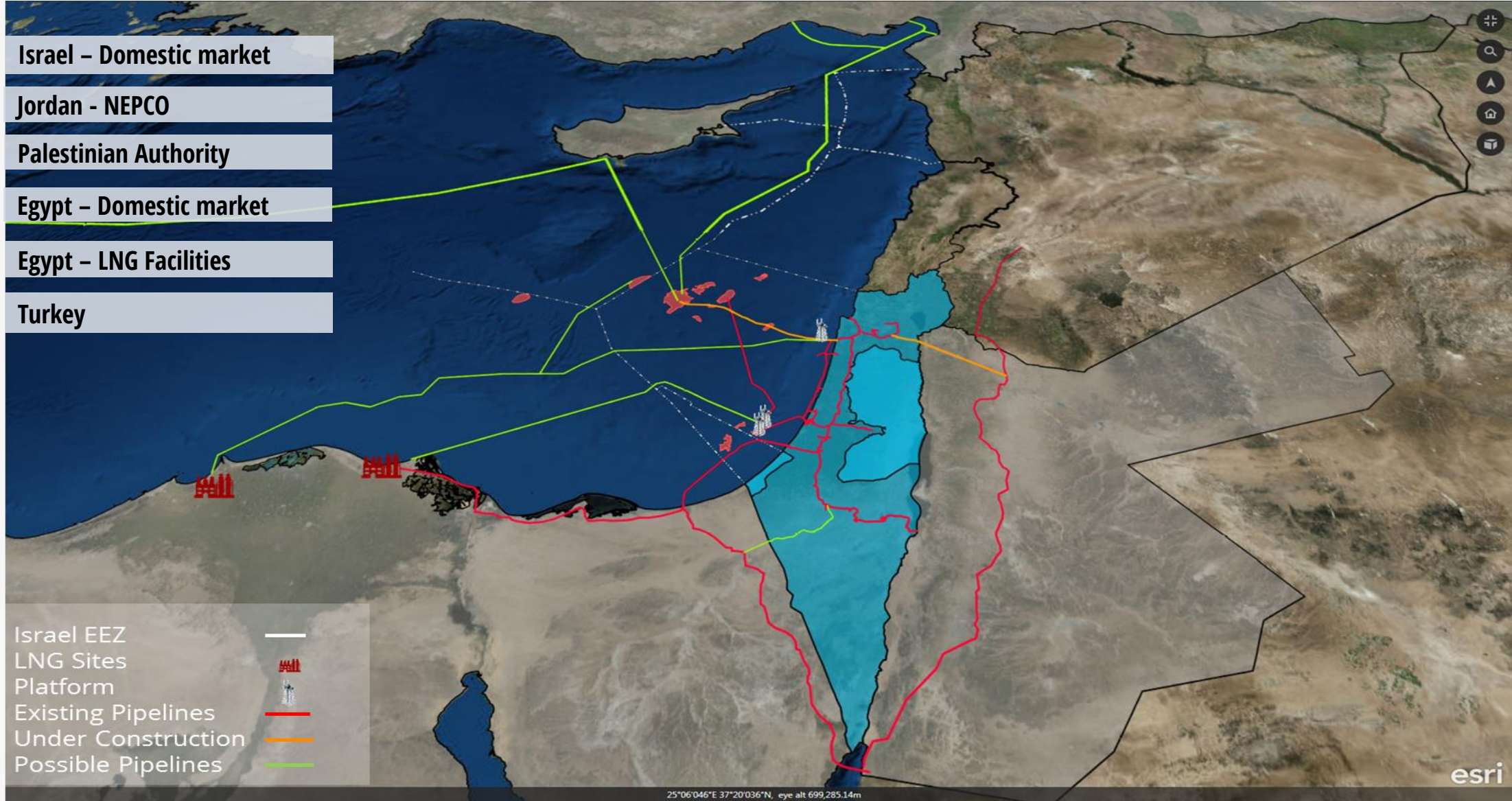
Tamar :

- ❑ 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 from Tamar and Leviathan phase 1a for years to come

Fast Developing Region



| Strong Financial Position

- Strong balance sheet**
- Long-term, limited recourse-type debt based on significant revenues from the Tamar reservoir only**
- Attractive dividend policy- 20% dividend yield in LTM**
- High cash reserves**
- Well-established and stable cash flow**
- Substantial economic value of assets**



Thank You
