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Yaniv Friedman – Deputy CEO

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Delek Drilling & Avner – Business Card

Transforming the Levant Basin into a Natural Gas Export Hub



Top Tel-Aviv- 25 index listed LP's with a combined market cap of c. \$4.5 billion



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



Senior partner in all major gas discoveries in Israel and Cyprus



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

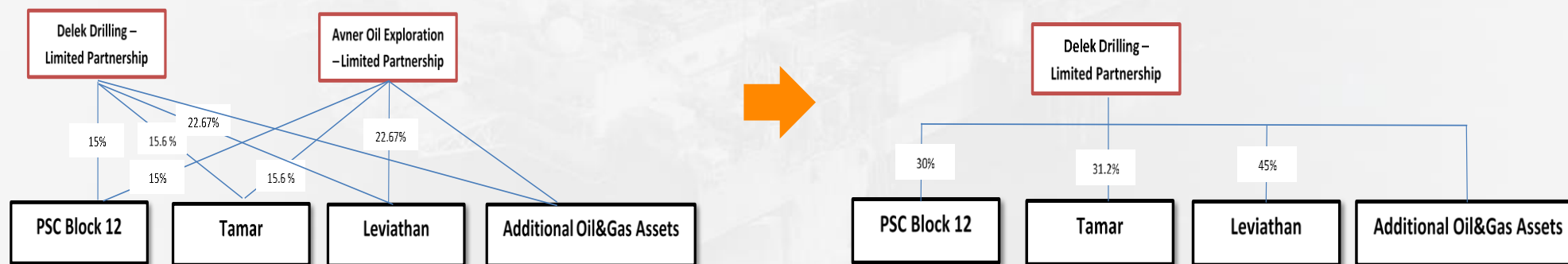


Financial strength based on robust cash-flow and economic value of assets

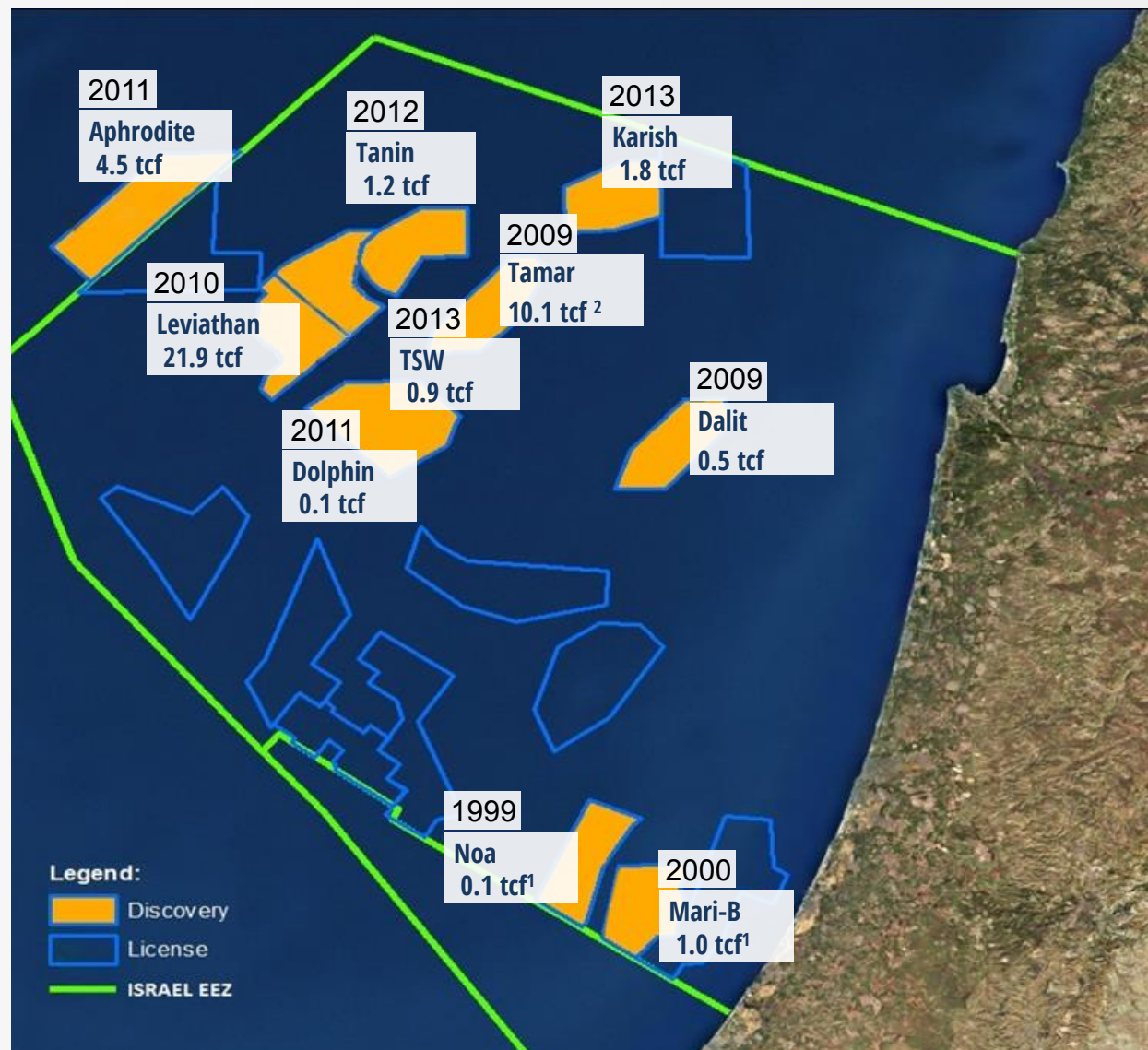
Near Term Structural Change

Merger of Avner with and into Delek Drilling to simplify structural holdings

- ✓ Doubling free float and Volume trade
- ✓ Economies of scale / Costs saving
- ✓ Simplify structure and processes, improving efficiency within organizational process
- ✓ Improved investor proposition / considering dual listing



Israeli and Cypriot EEZ – Over 42 TCF Discovered



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	52.94%
Karish (Recently Sold)	52.94%
Tanin (Recently Sold)	52.94%
Dolphin ⁴	45.34%

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

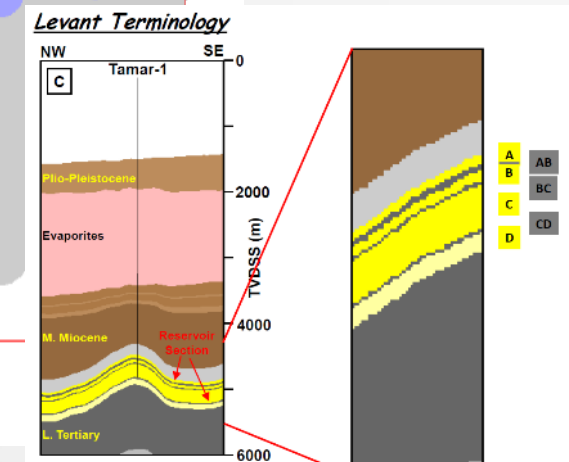
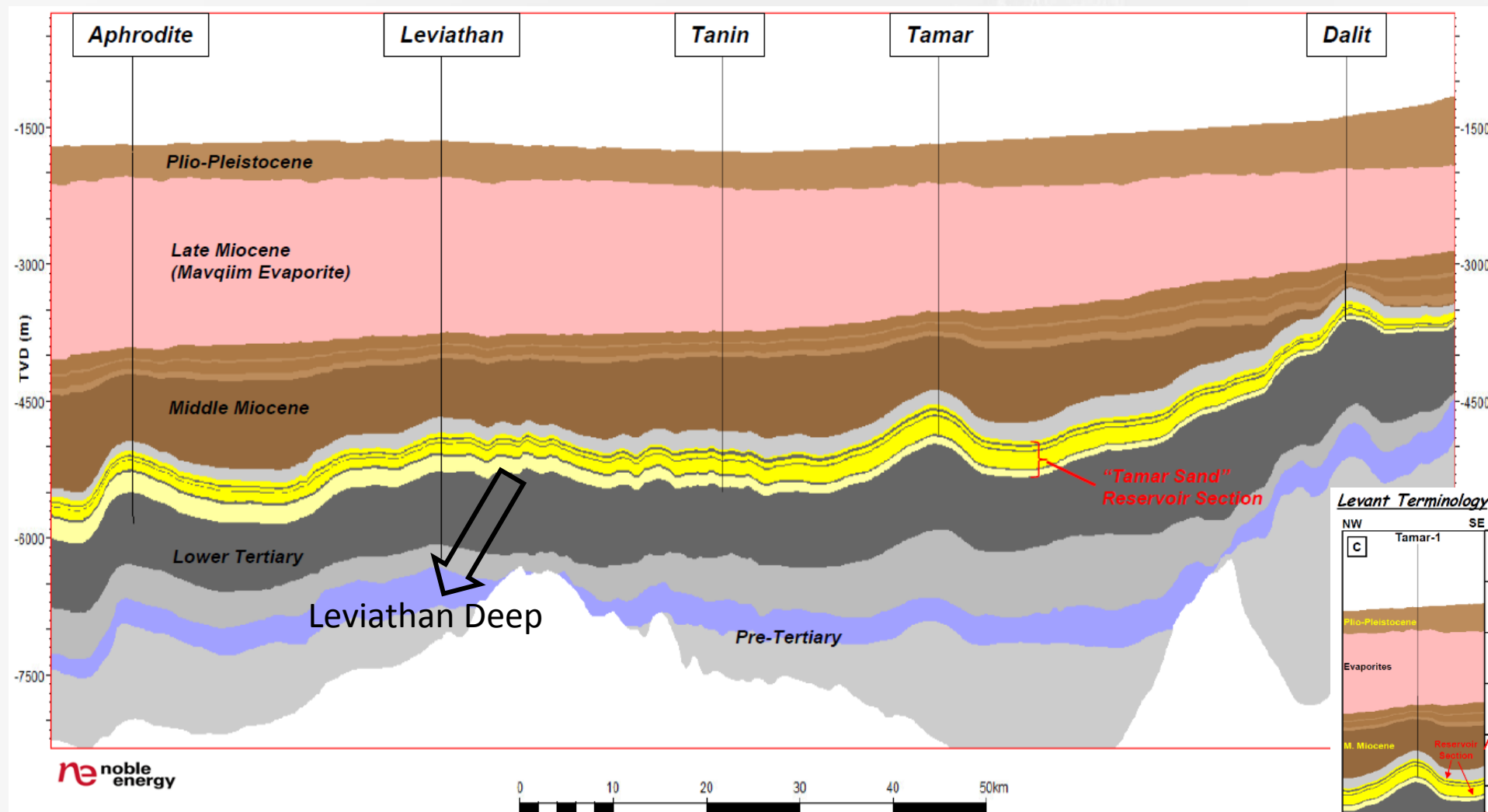
¹ Estimated ultimate recoverable; YT Produced (as of EOY 2014): 891 BCF; Remaining: 153 bcf, on YE 2015 financial report classified as negligible petroleum asset

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

⁴ License expired, partners are in legal procedures with Minister of National Infrastructures, Energy and Water Resources to be declared as discovery and obtain possession

Levant Basin – Geology





Tamar Project

Tamar – World Class Deepwater Project

Ownership

Delek Drilling 15.6% Avner 15.6%, Isramco 28.7%, Dor Gas 4%, Noble Energy (operator) 36%

2P Reserves*

10.3 tcf (310 bcm); / 13.3 mmbbl condensate

First gas

End of Q1 2013

Development budget:

\$3.1 Billion (100%)

Overall Tamar costs to date:

\$4 Billion (100%)

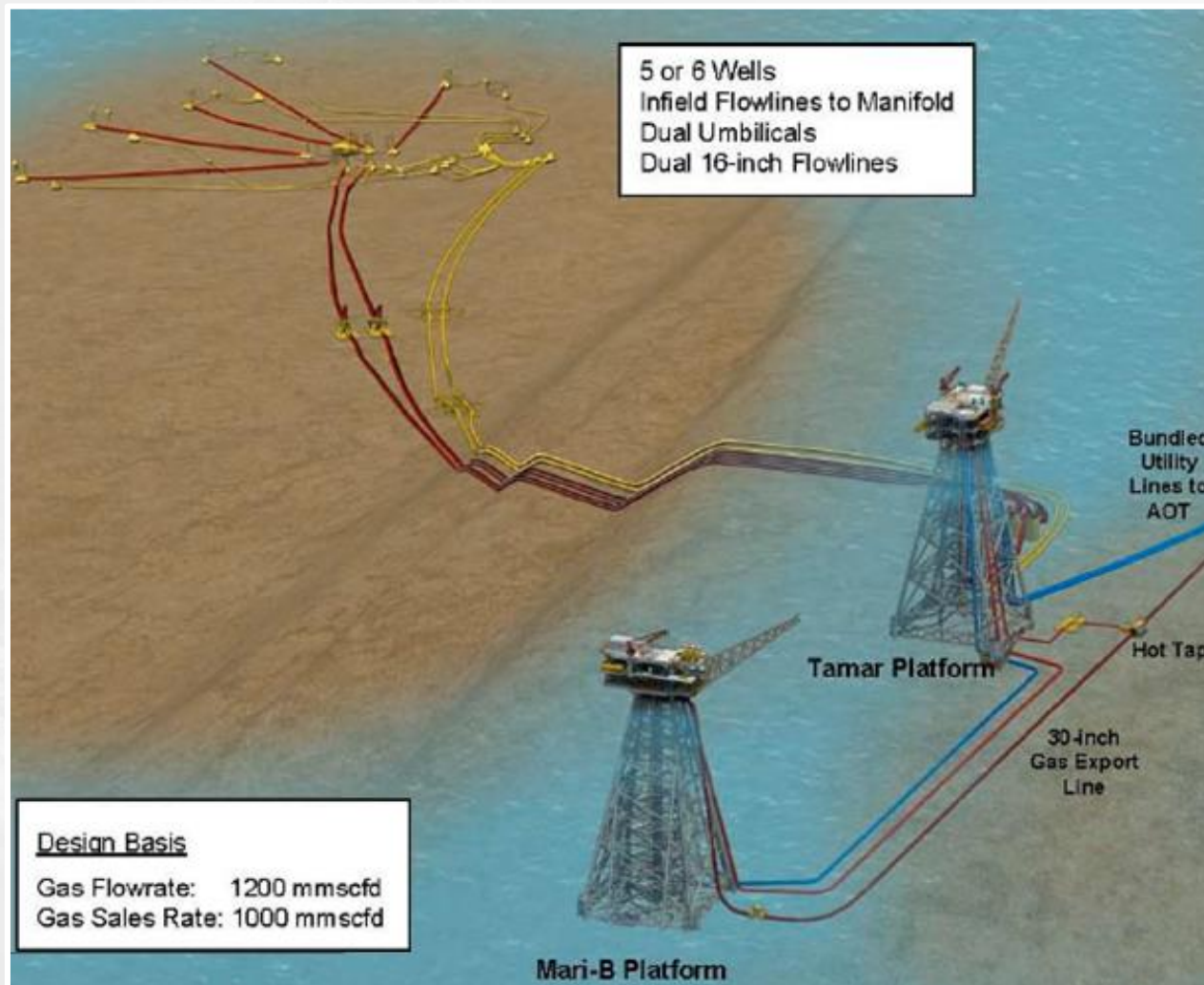
Production capacity

1.15 bcf/d (~11.5 bcm/y)

Rapid development on a global scale:

less than 4.5 years from discovery to first gas

*Reserves estimate as published in 2015 Annual Report



Tamar – Operational Reliability

Since startup of Tamar thru 2016, 99.98% Uptime from unplanned zero flow



Tamar in Numbers

Robust steady Cash-flow generative project

mm\$	2015	2016E	2017E	2018E
Sales (bcm/y)	8.3	9.7	10.9	10.9
Revenue	1,478.70	1,798.41	2,154.28	2,224.80
OPEX	168.4	148.70	152.39	156.09
EBITDA	1,109.50	1,386.22	1,628.57	1,538.07
FCF	842.9	1,122.37	1,050.50	1,224.39

- Table represent Performa numbers based on Delek Drilling LP publications and adaptation to Tamar 100% WI
- 2015 represent Performa numbers for Tamar 100% based on LP's reported YE 2015 financial
- Estimated numbers for years 2016-2018 are based on LP's reported NSAI DCF published on 2015 Annual financial report
- EBITDA = Operating profit + Depreciation and Amortization

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. 50% 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

Represent Approx. 35% 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

Represent Approx. 15% of sales in 2016

Tamar Expansion – Unlocking Value

UFG-Damietta agreement will serve as an anchor for capacity expansion of up to 20.4 bcm/y

Expansion program

- A third pipeline (20") from the reservoir to Tamar and Mari-B platforms
- Development of Tamar SW and additional Tamar wells
- Expansion of Mari-B treatment capacity
- New export pipeline to Damietta facility

Delivery point

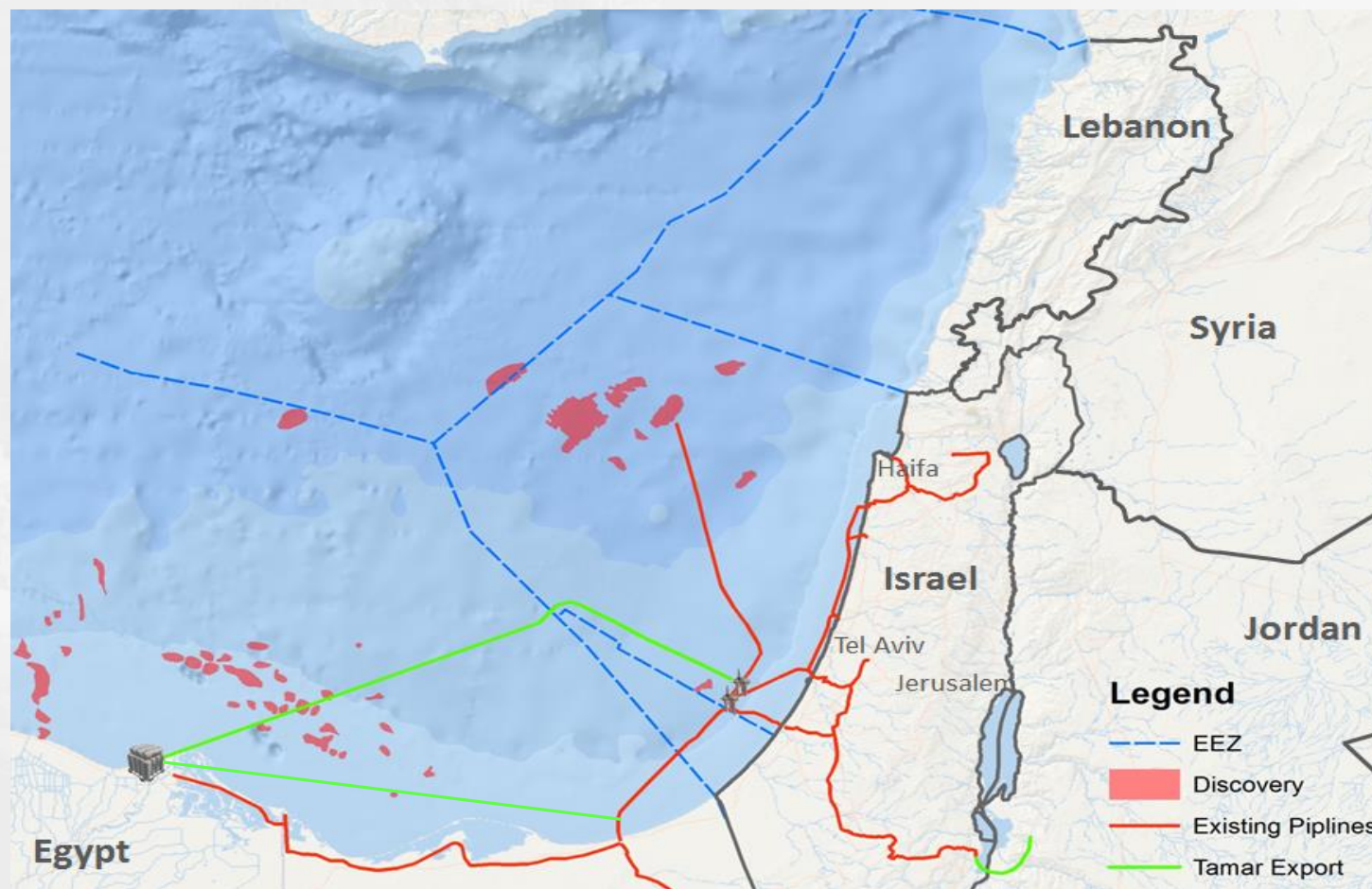
EEZ border between Israel and Egypt

Price

Linked to the Brent price with a fixed floor price

Cost

Estimated at approx. \$1.5-2 billion (Tamar partners, 100%)





Leviathan Project

Leviathan – A Regional Energy Game Changer

Ownership

Delek Drilling 22.7%, Avner 22.7%, Ratio 15%

Noble Energy (operator) 39.7%

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

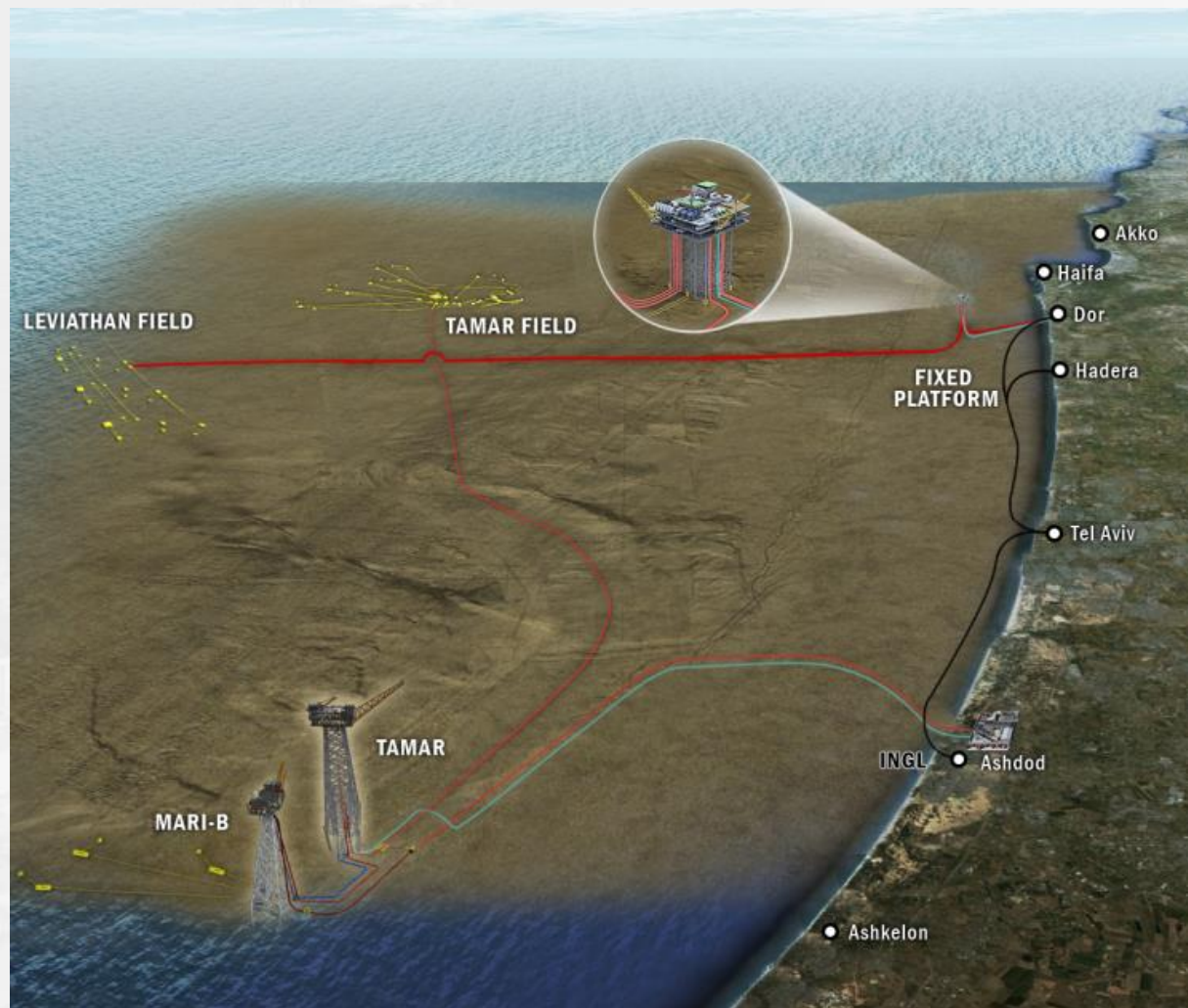
Estimated Capex Development (100%)

\$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 2015 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
- ❑ 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)

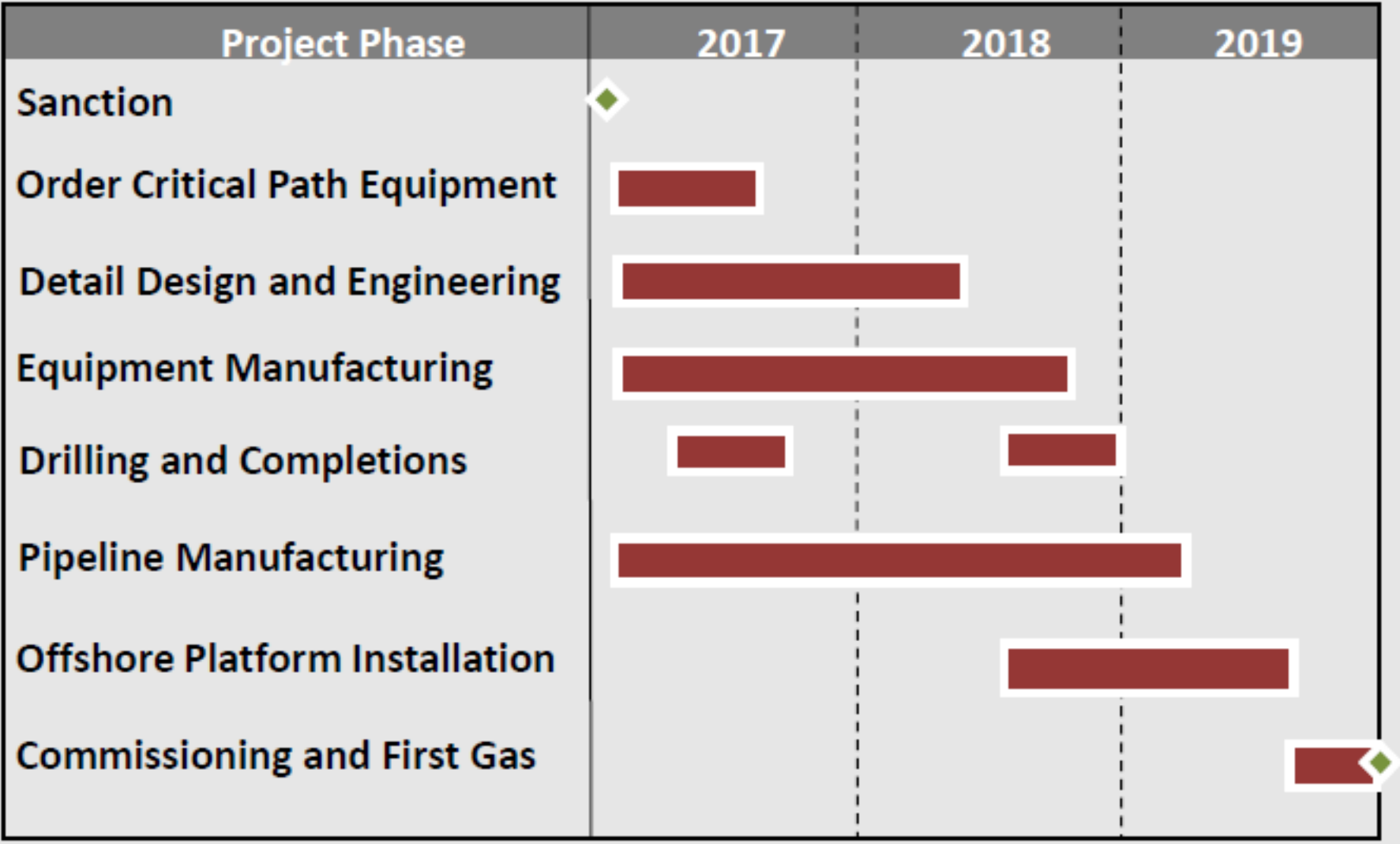


Capacity of 2.1 bcf/d (approx. 766 bcf/y)



Source: Leviathan operator (NBL)

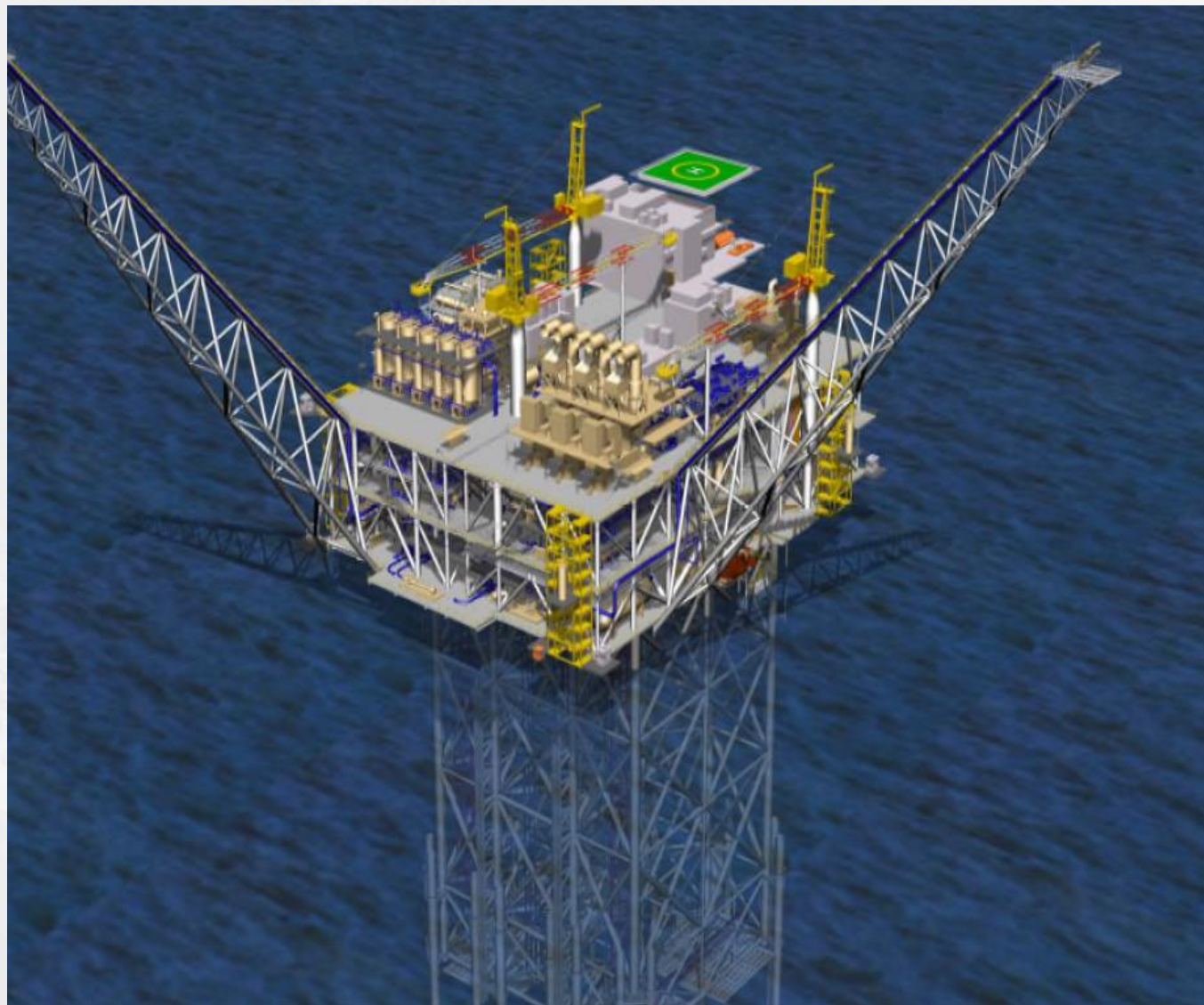
Development Work Plan Schedule



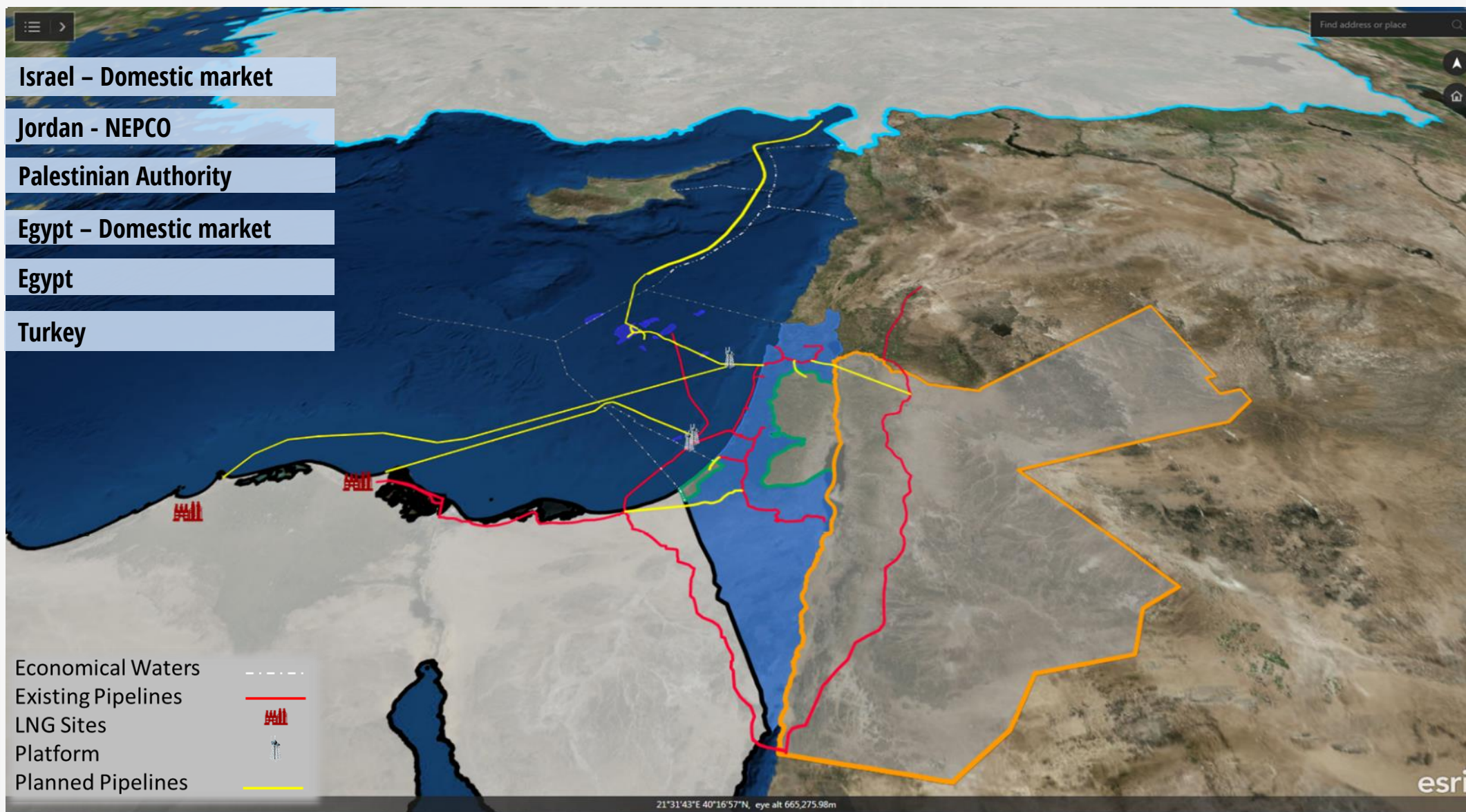
Source: Leviathan operator (NBL)

Leviathan – Technical Status Update

- Front End Engineering Designed Finalized
- Subsea gathering pipeline route finalized
- ~75% of budget based on firm bids and signed LOI's
- Drill 1 to 2 new production wells in 2017
- Critical regulatory approvals for on-shore landing received
- Risk modeling of budget and schedule completed
- All Technical and Procurement milestones required for Sanction achieved



Leviathan– Various Potential Markets



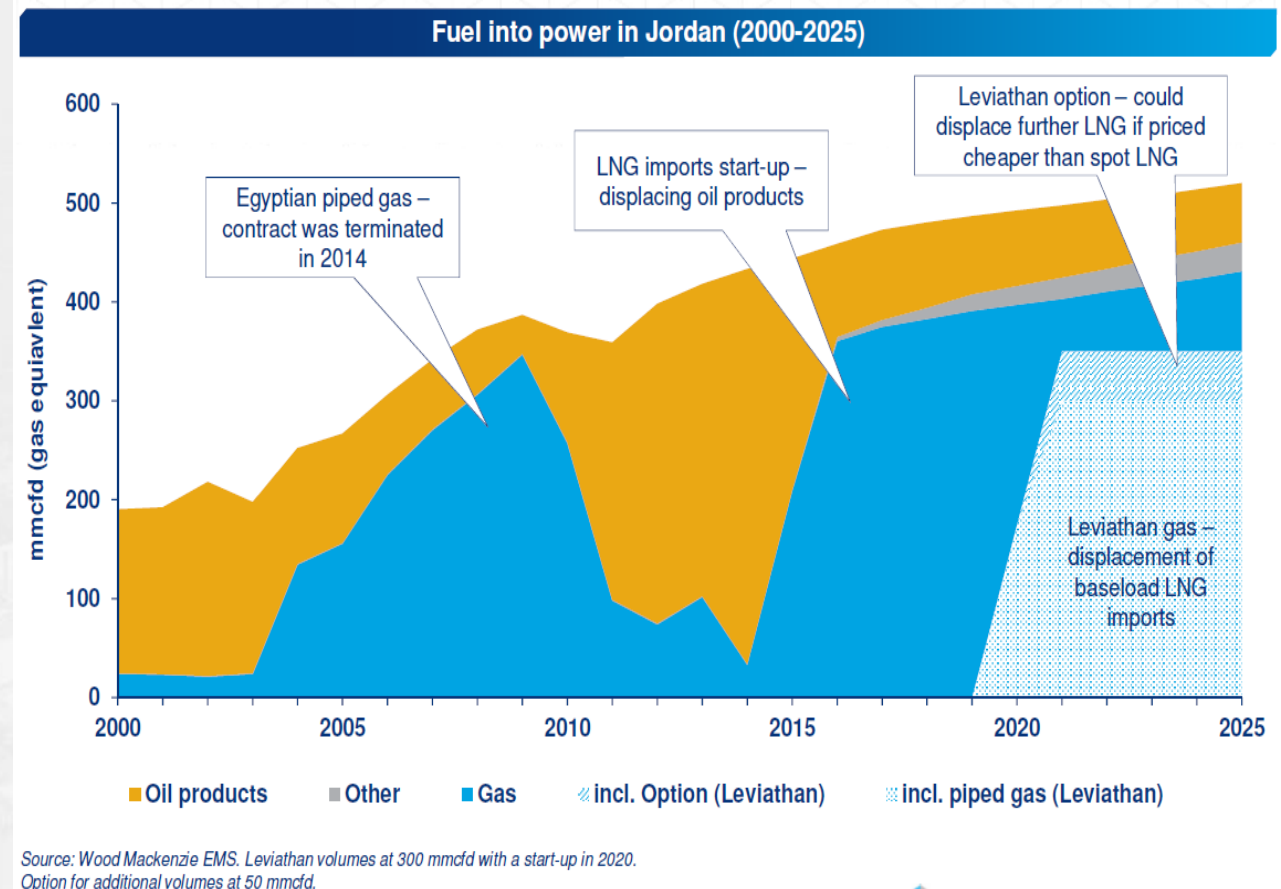


Jordan NEPCO – Ideal Export Offtaker

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*

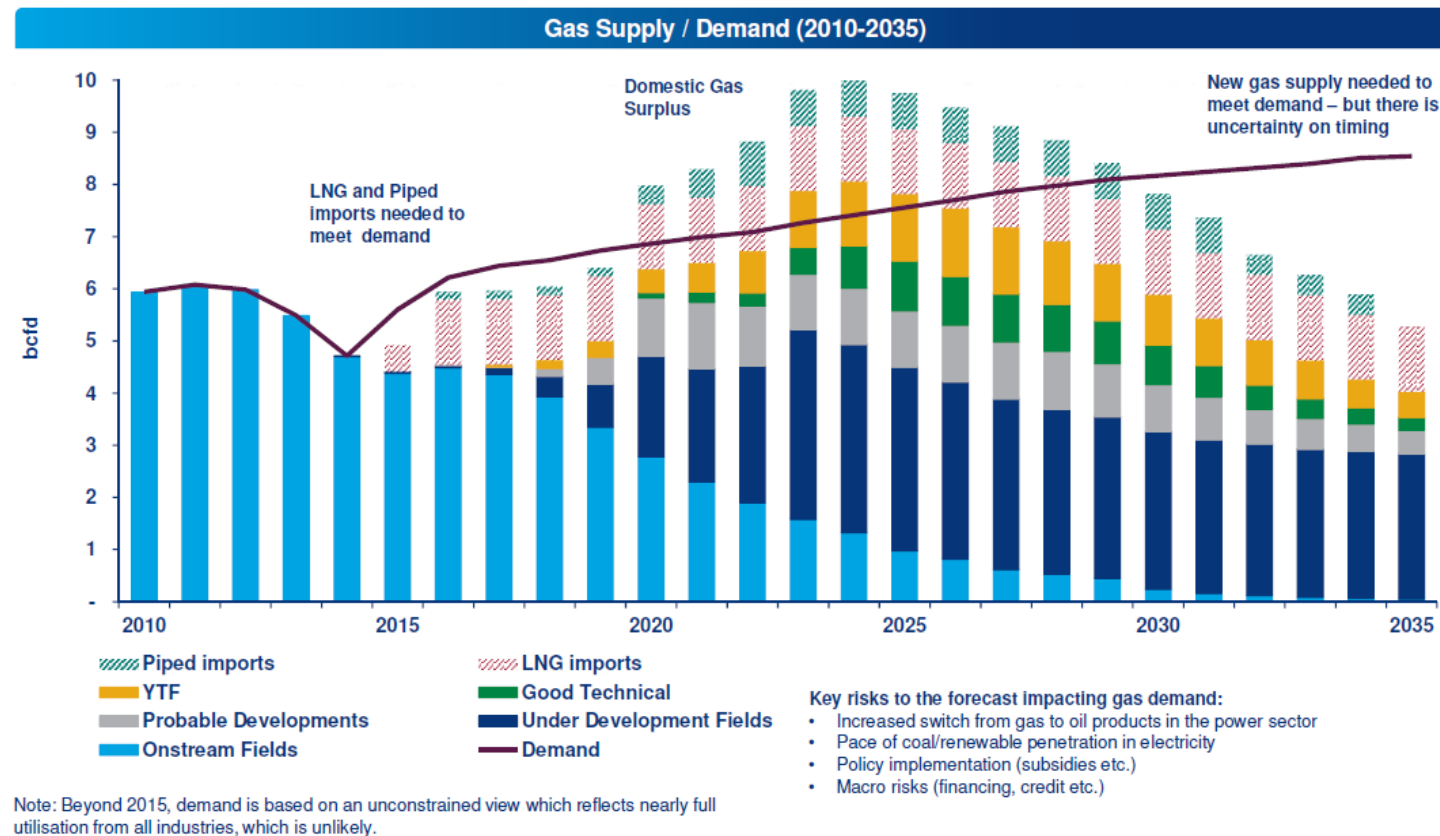


* Assuming NEPCO will consume the Total Contract Quantity, and based on the Partnership's estimation regarding the price of natural gas during the agreement period

Egypt – Supply Demand Imbalance

- Significant consumption of over 50 bcm/y, and increasing by Approx. 8% year on year (2001 to 2012)
- Additional gas is required for two existing LNG facilities, consuming approx. 17 to 20 bcm/y
- Natural gas is currently imported using two floating regasification terminals (FSRU's); an additional FSRU is being considered
- 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

Base Case – Zohr 22.5tcf rec. reserves – Unconstrained demand exceeds domestic supply up to 2023 when Zohr production will just meet demand for a limited time. The S/D gap reaches ~4.5bcfd by 2035



Source: Wood Mackenzie



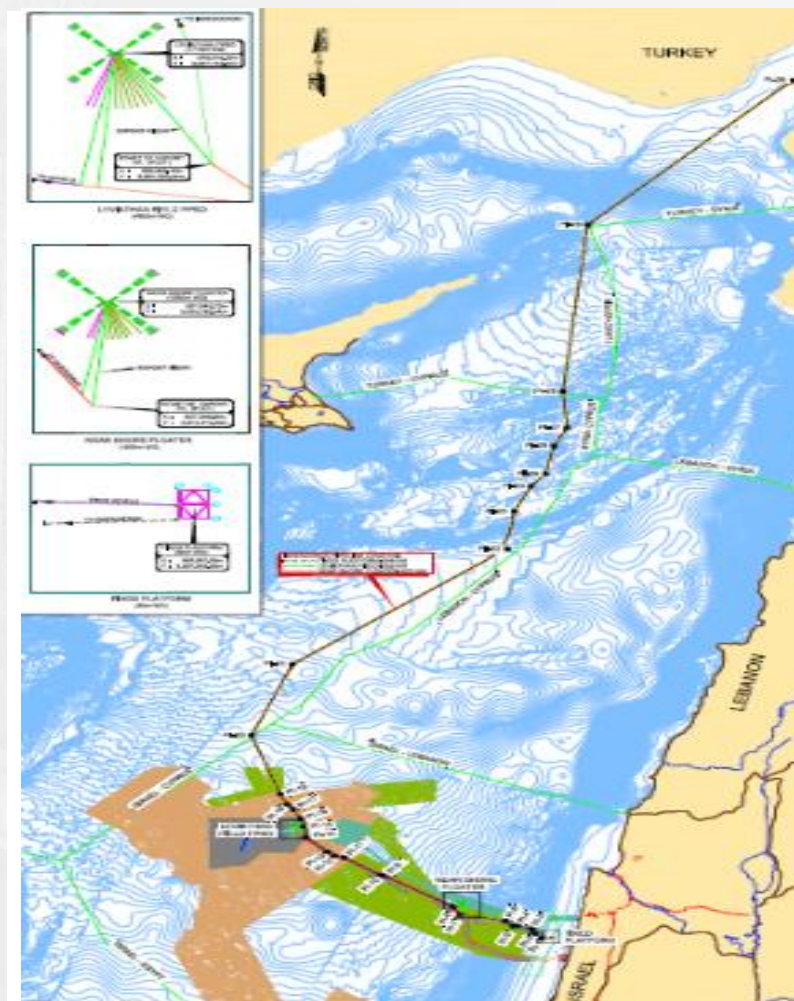
Regional Export – Turkey's Huge Potential

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:

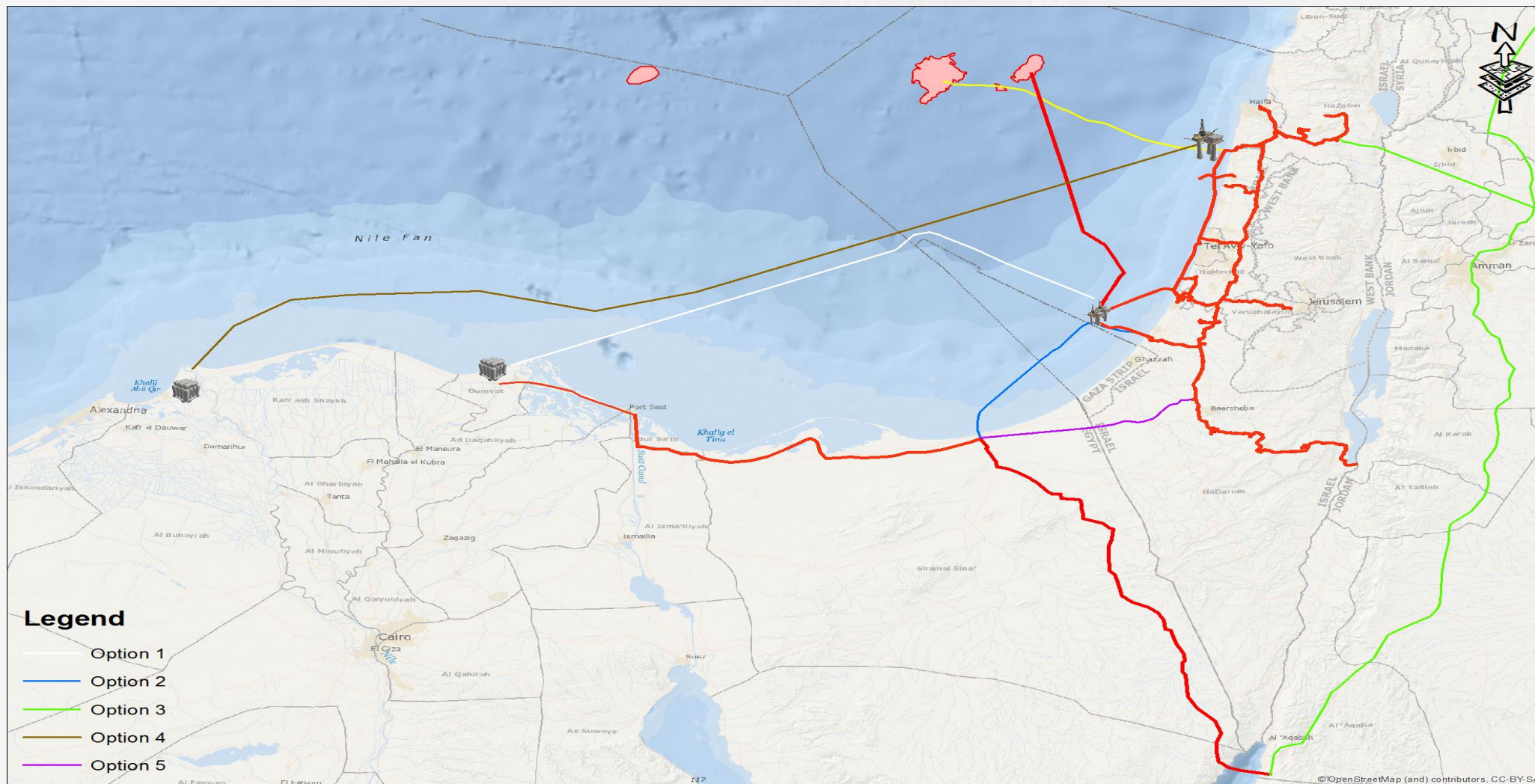
- ❑ Approx. 500-550 km via. Cypriot EEZ
- ❑ Water depth – up to 2,250 m
- ❑ First stage – 800 to 1,000 mmcf/d to Turkish market
- ❑ Second stage – additional 800 to 1,000 mmcf/d to European markets



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

Regional Sales- Infrastructure Entry Options

Domestic Egyptian market access via multiple option (substitute to the EMG pipeline option)





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

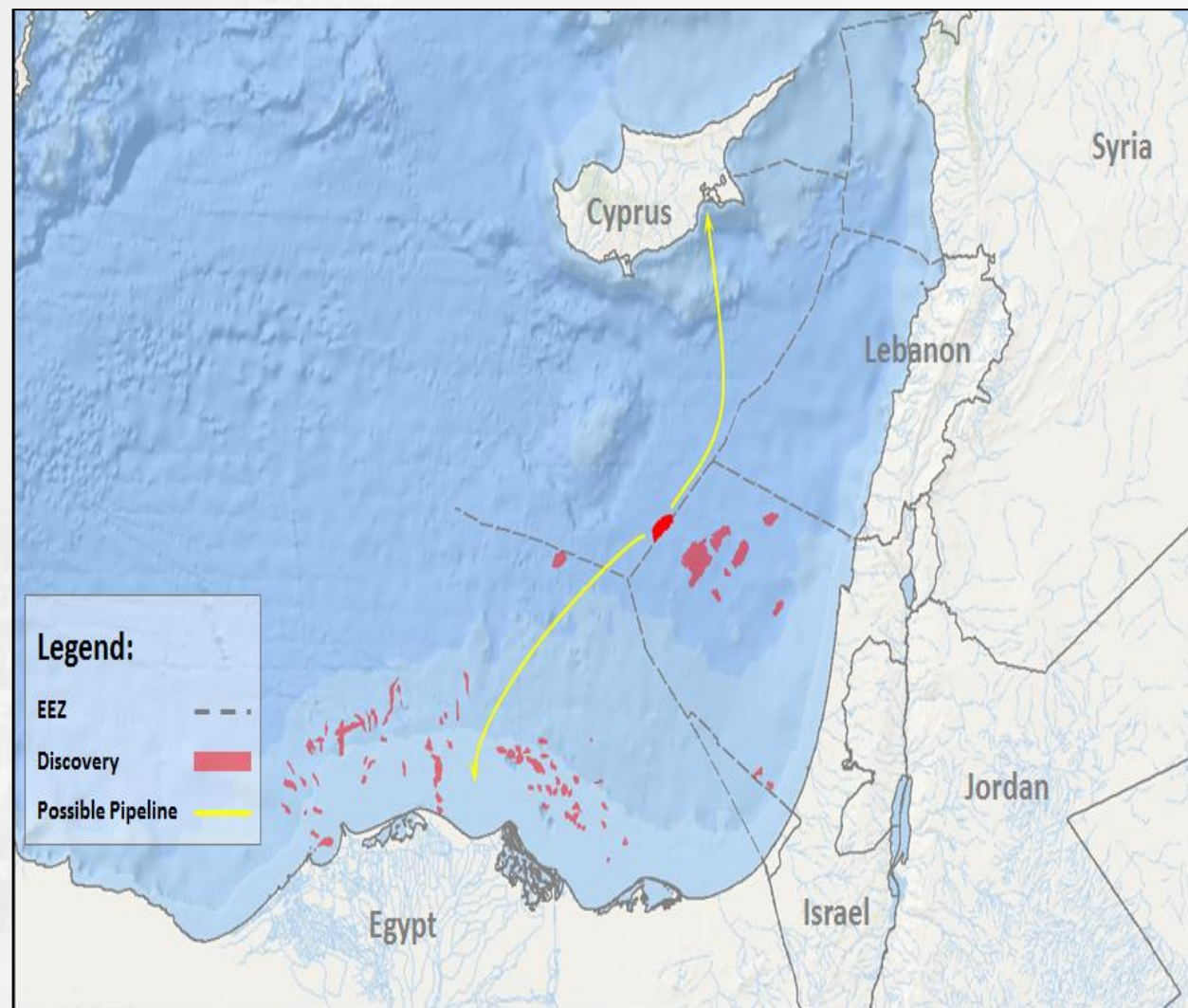
Cyprus - Domestic
Egypt - Domestic + LNG facilities

Estimated production capacity

800 mmcfd, of which 60-100 mmcfd for Cyprus domestic Market

Status

Development plan submitted to Cypriot Government in April 2016



* reserves estimate -2015 Annual report

2017 Drilling Program



- ❑ Tamar-8 well, Leviathan-5
- ❑ Considering drilling Leviathan-7, after Tamar-8 and Leviathan-5



Financial Strategy

| Strong Financial Position

- ☐ **Strong balance sheet**
- ☐ **Long-term, limited recourse-type debt based on significant revenues from the Tamar reservoir only**
- ☐ **Attractive dividend policy (9% dividend yield in LTM)**
- ☐ **High cash reserves**
- ☐ **Well-established and stable cash flow**
- ☐ **Substantial economic value of assets**



| Project and Corporate Financing

- ❑ **\$1.6 B Tamar bond- 4 series of \$400 mm bullet payment in years : 2018, 2020, 2023, 2025**
 - When selling down 3.25% WI in Tamar there are no limitation
 - Sell down of additional 6.25% requires bond redemption pro-rata to the sell
 - Sell down of remaining WI in Tamar, all proceeds will be used to redeem the bonds

- ❑ **Up to \$1.75 B Leviathan project finance in credit agreement with 2 international banks - Cover most of LP's capex requirement for phase 1a**

- ❑ **\$400 mm corporate Bond series A- New non-recourse unsecured corporate level financing recently raised in the Israeli market**
 - Bullet payment on December 2021
 - If WI in Tamar decline to less than 10% (combined of the 100%) the LP's have to carry out an early redemption of half of the outstanding balance of bonds
 - A1 Local (Ba1 International) rating by Midroog-Moody's

An aerial photograph of an offshore oil rig in the middle of the ocean. The rig's main deck is painted with the flag of Israel, featuring two horizontal blue stripes and a blue Star of David in the center. Several large cranes are visible on the rig, including a prominent red one and a yellow one. To the left, a portion of another rig is visible with the word 'EEREMA' on its side. The ocean is a deep blue, and the sky is overcast with soft, grey clouds.

Thank You