21 Ha'Arba'a St. | Platinum Tower
Tel Aviv, 6473921 Israel
Tel. +972-3-6844700 | Fax. +972-3-6855002
www.midroog.co.il

NewMed Energy Limited Partnership

Initial Rating | June 2025

This credit rating report is a translation of a report that was written in Hebrew.

The binding version is the one in the original language.

Contacts:

Sharon Chalouh
Senior Analyst, Lead Rating Analyst
sharon.c@midroog.co.il

Liat Kadisch, CPA, Vice President
Head of Corporate Finance
liatk@midroog.co.il

NewMed Energy Limited Partnership

Issuer Rating	A1.il	Outlook: Stable

Midroog assigns an A1.il rating to the partnership NewMed Energy LP ("NewMed" or the "Partnership"). The outlook is stable.

Partnership Profile

NewMed Energy is a limited partnership engaging in the exploration, development, production and marketing of natural gas, condensate and oil in Israel, Cyprus, Morocco and Bulgaria, and it also explores and promotes possibilities for investing in renewable energy projects and for producing hydrogen from natural gas. The Partnership was established in 1993 under the name "Delek Drilling," as part of the Delek Group, in which the controlling shareholder is Yitzhak Teshuva. On May 17, 2017, Avner Oil Exploration Limited Partnership merged with and into the Partnership, and in 2022 the Partnership changed its name to "NewMed Energy." The Partnership owns a 45.34% stake in the Leviathan reservoir (the "**Project**" or the "**Reservoir**"), which is the largest active reservoir in Israel, as well as 30% of the Aphrodite gas field and other exploration licenses. It focuses on the production and sale of natural gas and condensate from the Leviathan reservoir, while also engaging in activities to promote and plan the expansion of the Leviathan reservoir, in the planning and development of the Aphrodite gas field, as well as in oil and gas exploration in other regions. The Partnership's participation units are listed on the Tel Aviv Stock Exchange.

The Leviathan reservoir was discovered in December 2010, 130 kilometers west of the Haifa coast. The Leviathan project comprises infrastructure for the production, processing and transmission of natural gas and its sale to various customers, as well as the sale of condensate from the Reservoir. First gas began to flow from the Leviathan reservoir on December 31, 2019. The Reservoir is a joint venture owned by three partners: NewMed (45.34%), Chevron (39.66%), which inter alia serves as the Project's operator, and Ratio Energies Limited Partnership (15%). According to a NSAI[1] assessment as of the end of 2024, the Reservoir contains natural gas reserves totaling 420.1 BCM in the 2P category, of which 371.4 BCM are proven gas reserves in the 1P category.

Summary of Rating Rationale

- The Partnership engages in the exploration and production of oil and natural gas. It operates primarily in the eastern Mediterranean Sea and owns a 45.34% stake in the Leviathan reservoir,

[1] Netherland, Sewell & Associates, Inc.

the largest active reservoir in Israel as well as the additional activities as specified above. Israel's natural gas sector includes three producing reservoirs – Tamar, Leviathan and Karish, with first gas from Karish North achieved in February 2024. As a result of the high production potential of the three reservoirs together, the reservoirs differ in their geographical sales focus. Specifically, Leviathan is focused on natural gas exports to Jordan and Egypt, along with a relatively small percentage of sales to the domestic market, while the Tamar reservoir currently sells most of the quantities produced to the domestic market, with exports set to grow in the coming years. By contrast, as of the report date, the Karish reservoir sells exclusively to local customers.

- Midroog assesses the risk profile of the sector in which the Partnership operates as moderate. Natural gas exploration, development and production activity is complex and dynamic, involving significant costs and great uncertainty as to costs, timetables, the presence of natural gas and the ability to produce it while maintaining financial viability. At the same time, the sector is highly concentrated and characterized by high entry barriers stemming, inter alia, from the need to obtain oil and natural gas exploration and production licenses and permits, as well as the need for high capital investments and proven technological capabilities. Additionally, the sector is subject to strong regulatory oversight, with regulation in Israel's energy sector having increased significantly in recent years.

- Moderating factors in the industry are the stability of demand and long-term agreements which include a TOP[2] component and a floor price, in line with with the increasing demand for natural gas in the domestic and regional markets. The Ministry of Energy's policy for reducing coal-based electricity production, as well as the continued growth in population and the rise in electricity consumption, support increased consumption of natural gas in the Israeli market. In 2024, natural gas consumption in the domestic market (excluding exports) continued to trend upward, amounting to 14.27 BCM, compared to 13.7 BCM in 2023 and 12.7 BCM in 2022. According to market estimates, natural gas consumption in 2025 and 2026 is projected to amount to 14.7 BCM and 16.3 BCM,[3] respectively.

- The Partnership's business positioning is favorably impacted by the increase in demand for natural gas, by the existence of long-term contracts, and by a positive track record over the years demonstrated by the technology and the operation of the Reservoir through the operator. As against this, we consider the Partnership's geographical diversification to be narrow, mainly

[2] Take-or-Pay.
[3] BOD forecast.

in light of the concentration of assets in the eastern Mediterranean Sea. Moreover, a high customer concentration weighs on the financial profile. Approximately 88% of the Partnership's revenues in 2024 (78% three-year average for 2022-2024) derived from exports to the Jordanian National Electric Power Company (NEPCO) (26%) and to the Egyptian company Blue Ocean Energy (BOE), while the volatility of oil prices to which the contracts in Jordan and Egypt are linked negatively affected revenue stability and profitability in these segments. In these segments, the customer concentration of the Partnership is high.

- As of the beginning of 2025, there has been a significant drop in oil prices, with prices reaching a low of 60 dollars per barrel. We estimate that energy prices in the forecast years will remain low.

- **Midroog's base case scenario** takes the following into account: **(1)** Production of 11.6 BCM in the current year, increasing to 14.2 BCM in 2026-2027, following the completion of the third pipeline between the Reservoir and the production platform and increase in production capacity. **(2)** An export-oriented sales mix similar to the three-year average of 78% sales to the Egyptian and Jordanian markets. **(3)** Pressure on prices in Israel due to competition and the coming online of the Karish reservoir. **(4)** A decline in selling prices in the export markets in the short to medium term, due to linkage of the contracts to the oil barrel price index, which has been trending downward in recent months. **(5)** The Partnership's share of investments in the development of the Leviathan reservoir and upgrading of the transmission system, of a total of $485 million in the forecast years (2025-2027), added to the costs of development of other assets. **(6)** Dividend payouts amounting, based on past experience, to $250 million in each of the years 2025-2027 (the partnership agreement provides that all the distributable profits of the Partnership, less amounts required by the Partnership at the general partner's discretion, shall be distributed to the partners according to their interests). **(7)** The Sheshinski tax (levy on profits from natural resources), calculated by a formula attributing an increase to certain production levels and revenues within a defined range, was taken into account based on Midroog's forecast of revenues. **(8)** Increase of financial debt in a nominal amount of up to $700 million against a bond issue and/or use of the balance of credit facilities by NewMed, while repayments of Leviathan Bond according to the amortization schedule in the forecast years (repayment of $600 million in May and June 2025).

- In our estimation, based on the above assumptions, the base case scenario for 2025-2027 projects an operating profit of $515-670 million (reflecting operating profitability of 65%-70%), compared to $700 million in 2024. The lower limit takes into account a decline in the average selling prices in the domestic and foreign markets, while the upper limit takes into account an increase in production levels in the medium term.

- We assume that EBITDA and FFO in 2025 will be around $600 million and $405 million, respectively (approximately $782 million and $602 million, respectively, in 2024),[4] improving in 2026-2027 to a range of $700-780 million and $500-560 million respectively, following an increase in the production of the Reservoir.
- The base case scenario for 2025-2027 assumes a gross financial debt to EBITDA ratio and an operating profit to net financing expenses ratio of 1.8-2.6 (1.5 as of March 31, 2025) and 5.0-7.0 (8.4 as of March 31, 2025), respectively.[5]
- The Partnership's equity balance stands out for the better for the rating, amounting to an estimated $1.84 billion as of March 31, 2025. In the past two years, an increase in the EBITDA base and the completion of various investments have enabled the use of free cash flow for reducing debt. The level of leverage is favorable for the rating level, with the equity to total assets ratio standing at 45.4% as of March 31, 2025. Assets on the balance sheet are affected by a high component of fixed assets and cash. We estimate that the level of leverage over the forecast years will be in the range of 44%-50%.
- Liquidity is reasonable for the rating category, supported by strong cash generating ability based on high profitability. As of March 31, 2025, the balance of cash and deposits totaled approximately $437 million (including $338 million in deposits, of which $250 million restricted cash for servicing the Leviathan Bond debt). Midroog's base case scenario assumes that the Partnership will maintain minimum liquidity reserves in the range of $100-150 million (including available credit flines). The rating is supported by the Partnership's financial flexibility, which is based on reasonable leverage ratios for the rating category and sufficient headroom to the financial covenants applying to the Leviathan reservoir. Undrawn executed credit lines of the Partnership are estimated at $175 million as of the date of this report. The Partnership's repayments burden is relatively high, but moderated by liquid reserves and a strong cash flow used to cover those payments.

[4] On June 14, 2025, the Partnership announced the suspension of the Leviathan reservoir's activity pursuant to a regulatory directive due to the Rising Lion operation against Iran, which lasted 12 days.
[5] See footnote 4 above.

- Midroog assesses the Partnership's financial policy as stable while maintaining financial metrics, financial flexibility and access to sources of finance in view of its business positioning and low leverage ratios. We note that the Partnership agreement provides that all the distributable profits of the Partnership, less amounts required by the Partnership at the discretion of the general partner, shall be distributed to the partners according to their interests.
- Midroog assigns additional weight to several parameters: the one is a negative parameter of exposure to geopolitical risks and reliance for cash flow on long-term contracts with Egypt and Jordan, aside of the weight assigned to them in the qualitative and quantitative parameters of the rating matrix. Midroog also views negatively the finance structure, which includes secured senior debts and financial mechanisms that restrict the transfer of funds from the underlying assets to the Partnership. Midroog views positively the high certainty and stability of the Partnership's cash flows, arising from long-term gas supply agreements that include a take-or-pay commitment and/or a floor price for the contractual amount of natural gas as well as various indexations taking into account the nature of its activity.
- The Partnership has moderate exposure to ESG risks, primarily environmental and social risks. Additionally, Midroog assesses the Partnership's exposure to governance risks as weak, with management having thus far shown a good track record in maintaining the Partnership's overall solid financial position. Accordingly, ESG risks as a whole are neutral for the rating.

Rating Outlook

The stable outlook reflects Midroog's assessment of stability in the key rating parameters of the base case scenario, combined with a stable business and financial profile.

Factors That Could Lead to a Rating Upgrade

- Significant improvement in the debt to EBITDA ratios over time.
- Significant improvement in the EBIT to net financial expenses ratio over time.

Factors That Could Lead to a Rating Downgrade

- Significant deterioration in the debt to EBITDA ratios.
- Dividend distributions and/or capital investments in substantial amounts beyond Midroog's base case scenario.

NewMed Energy Limited Partnership – Key Financial Indicators (USD in thousands)

	Q1-2025	Q1-2024	2024	2023	2022	2021	2020
Net revenues	245,600	226,100	973,100	934,600	971,900	753,779	500,759
Operating profit margin	72.8%	70.2%	72.1%	72.8%	70.2%	66.5%	62.6%
Equity /total assets	45.4%	40.3%	44.8%	39.3%	32.7%	24.4%	21.8%
Adjusted financial debt[1] / EBITDA (LTM)	1.5	2.1	1.7	2.0	2.7	3.5	8.1
Operating profit/net financing expenses[2]	8.4	6.6	8.2	6.1	4.6	2.3	1.3

[1] Adjusted debt includes gross financial debt less short-term and long-term deposits for debt service.

[2] Net financing expenses are net of revaluation of royalties based on future production from the Karish and Tanin leases and net of revaluation of a loan to Energean in the framework of the sale of the Karish and Tanin leases, which are recognized in financing income.

Detailed Rating Considerations

Medium sector risk characterized mainly by exposure to exploration risks and development costs, moderated by high entry barriers, positive trends in natural gas demand and consumption as well as long-term agreements

Israel's natural gas sector includes three producing reservoirs – Tamar, Leviathan and Karish, with first gas from Karish North achieved in February 2024. According to data of the Ministry of Energy, in 2024, 27.4 BCM were produced from the Tamar, Leviathan and Karish reservoirs, compared to 25.3 BCM produced in 2023, reflecting an 8% growth. Total gas produced for the domestic market from the Tamar, Leviathan and Karish reservoirs is expected to increase significantly, from 27 BCM in 2024 to 37 BCM in 2028, depending on the pace and timing of completion of the project for expansion and upgrading of the transmission systems, as discussed below.

Recent years have seen a continuous growth in natural gas consumption in the domestic market. Specifically, in 2024, natural gas consumption in the domestic market (excluding exports) continued to trend upward, amounting to 14.27 BCM, of which 1.61 BCM were provided from the Leviathan reservoir, 6.7 BCM from the Tamar reservoir and 5.96 BCM from the Karish reservoir.[6] This compares with domestic consumption of 13.72 BCM in 2023 (4% growth). The increase in natural gas consumption over the years stems, among other things, from the growth in population and in electricity consumption, along with reduction of use of coal. Concurrently, natural gas exports to Egypt and Jordan amounted in

[6] This figure is taken from Ministry of Energy sources. We note that according to the financial statements of Tamar Petroleum Ltd. and NewMed Energy Limited Partnership, the Karish and Leviathan reservoirs supplied 5.96 BCM and 1.48 BCM, respectively, in 2024.

2024 to 13.1 BCM, of which 9.7 BCM were supplied by the Leviathan reservoir, compared to exports of 11.6 BCM in 2023, of which 8.9 BCM were supplied by the Leviathan reservoir. The flow of first gas from the Leviathan reservoir significantly increased the capacity to supply natural gas for domestic consumption and for export, at the expense of the Tamar reservoir. Additionally, towards the end of 2022, gas began to flow from the Karish reservoir, which supplies gas to the domestic market only. The operation of three gas reservoirs in the domestic market creates competition, which is moderated by high demand in the domestic market and in the neighboring countries. Midroog foresees continued growth in the coming years in the demand for natural gas in Israel, in the wake of the government's policy to reduce emissions (including transitioning from coal to natural gas for power production), complete the conversion of coal-fired power plants to natural gas by 2026 and increase the use of electric cars, along with increased activity of existing consumers, natural population growth and higher demand for exports.

Despite the high production potential of the three reservoirs together, the reservoirs differ in their geographical sales focus. Specifically, Leviathan is heavily focused on natural gas exports to Jordan and Egypt, along with a relatively small percentage of sales to the domestic market, while the Tamar reservoir currently sells most of the quantities produced to the domestic market, with exports set to grow in the coming years. By contrast, as of the report date, the Karish reservoir sells exclusively to local customers. In our opinion, the continued stability of the sector depends materially on the implementation of the agreements for the export of substantial amounts of natural gas from the Leviathan and Tamar reservoirs. In other words, if the export contracts are not fully implemented, the supply of natural gas will continue to exceed demand in the economy, creating a saturated natural gas market and intensifying competition over the price of natural gas and the quality of customers.

Recent years have likewise seen a pronounced increase in regulation in Israel's energy sector, as an outcome of a series of significant regulatory steps taken by the government and regulators. In May 2016, the government ratified its decision on the Natural Gas Framework, establishing a stable regulatory environment for ten years from the date of the decision in the segment of natural gas exploration and production. In February 2024, the Inter-Ministerial Committee for the Review of Natural Gas Policy and Enhancement of Energy Security began its activity, dealing with natural gas export policy, energy security, competition, and environmental aspects, and reviewing natural gas policy for new gas fields. On April 9, 2025, the committee published a draft report for public comments. The committee's main recommendations are to allow additional gas exports, provided that domestic needs are fully met, while maintaining regulatory stability and an attractive environment for investments in the discovery and development of new reservoirs. Midroog believes that the Gas Framework provides a clear, transparent and more stable regulatory environment, along with the establishment of milestones for the development of the Leviathan reservoir and the regulation of exports from natural gas reservoirs.

The natural gas sector is highly concentrated and characterized by high entry barriers stemming, inter alia, from the need for companies operating in the sector to obtain natural gas exploration, development and production licenses and permits from the competent authorities in each country and to have the required financial capacity and being subject to the regulation governing each region for the relatively high-risk, large-scale financial investments required in this sector. The main exit barrier in the sector is the obligation to decommission production facilities before the abandonment of oil and gas assets, which can involve very substantial costs.

The sector is also exposed to a great degree to commodity prices, energy prices, exchange rates and volatile exogenous variables. Specifically, the volatility of oil and gas prices greatly affects the revenue and profitability stability of companies operating in the sector. These risks are mitigated by the existence of long-term agreements that include floor prices, a TOP component and various indexations, which contribute to the cash flow stability of the Partnership in the sector.

A leading position in the Israeli gas sector, alongside high exposure to anchor customers as well as geographical concentration

The NewMed partnership has a strong business profile due to its dominant position in Israel's natural gas reservoirs. The Partnership's principal holding today is a 45.3% stake in the Leviathan reservoir, which currently has a production capacity of 12 BCM, which is expected to increase up to 21 BCM, in two stages. The first stage, as part of Phase 1A of the Reservoir's development plan, includes mainly the construction of a third pipeline between the Reservoir and the production platform, enabling an increase in its production capacity to approximately 14 BCM as of the beginning of 2026. The second stage, as part of Phase 1B of the Reservoir's development plan, includes, among other things, the drilling of additional production wells, the addition of related subsea systems and the expansion of the processing facilities on the platform, which is expected to increase the total gas production capacity to approximately an annual 21 BCM. The additional stage mainly comprises the drilling of additional production wells and related subsea systems, including, if necessary, the construction of a fourth pipeline between the gas field and the platform, which is expected to raise the maximum daily production capacity by an additional 2 BCM per year, i.e. to approximately 23 BCM annually. The Leviathan reservoir is expected to continue focusing on increasing the volume of natural gas exports to Egypt and Jordan, alongside sales in the domestic market. In 2024, 11.2 BCM of natural gas were produced from the Leviathan reservoir (approximately 40% of total domestic production), compared to

11.1 BCM in 2023. According to the Partnership's latest resource report of December 31, 2024, NSAI (the reserves appraiser) estimates that production from the Reservoir will grow gradually during 2025-2027 up to 14.2 BCM per year, depending on the pace and timing of completion of the third pipeline and upgrading of the transmission systems, as discussed below. Concurrently, also the volume of exports from the Leviathan reservoir is expected to grow significantly. We note that the increase in production capacity considerably improves the Partnership's projected cash flows. Additionally, according to an NSAI assessment as of the end of 2024, the Reservoir contains natural gas reserves totaling 420 BCM in the 2P category, of which 371.4 BCM are proven gas reserves in the 1P category.

On June 25, 2024, the partners in the Leviathan project received the Petroleum Commissioner's reply to their request to approve an increase in the quantity of gas exports as part of Phase 1B, without affecting existing export quantities and future requests, stating that the position of the professionals in the Energy Ministry allows, at this point in time, additional exports of natural gas from the Leviathan reservoir in a total quantity of up to 118 BCM, which could increase to 145 BCM. On July 31, 2024, the Leviathan partners adopted a decision to carry out front-end engineering design (FEED) and preliminary procurement of long-lead-items, as part of the development of Phase 1B, at an additional budget of $429 million (100%; the Partnership's share – approximately $194.5 million). The Leviathan partners plan is to complete the execution of the FEED with a view to adopting a final investment decision for the development of Phase 1B in the coming months, and to this end they are in various stages of negotiations with potential customers for the conclusion of both domestic and export agreements for the sale of natural gas in the framework of Phase 1B, for an additional quantity totaling more than 100 BCM.

The stakeholders in the Leviathan reservoir have long-term agreements for the supply of natural gas for a total quantity of 10 BCM on an annual basis (representing 88% of the Reservoir's total output in 2024). At the same time, according to the Partnership, the quantities actually purchased are higher than the TOP quantities, and in its estimation, this trend will continue in the foreseeable future without any expectations for a material change in sales as a function of the TOP component. Additionally, the export agreements with Egypt and Jordan are for substantial quantities, with a commitment to 60 BCM and 45 BCM (100%), respectively. We believe that the existence of these long term contracts for significant amounts, as well as the price mechanisms stipulated in the agreements, contribute to the cash flow stability of the Partnership in the sector.

The Partnership has a high customer concentration, with exposure to two customers which accounted on average for 78% of its revenues in 2022-2024.

NewMed's principal customers are the Jordanian National Electric Power Company (NEPCO) and the Egyptian company Blue Ocean Energy (BOE), which accounted for 88% (26% from Jordan and 62% from Egypt) of its revenues in 2024, up from 2023, in which revenues from Egypt and Jordan stood at 85%. This high concentration creates material exposure for the Partnership to these customers, where the volatility in oil prices impacts negatively on revenue stability and profitability in these segments. This exposure is mitigated by the inclusion in the gas purchase agreements with the anchor customers of a take-or-pay commitment for the contractual amount of natural gas, along with floor prices and linkage to the price of Brent crude oil. These mechanisms establish a lower limit for NewMed's projected revenues and significantly improve cash flow certainty also in periods of low oil and gas prices.

The Partnership's business positioning is adversely affected by high concentration, namely, by the dependence on a single reservoir, given that the absolute majority of revenues of the Partnership derive from sales of natural gas and condensate from the Leviathan reservoir. Moreover, we consider the Partnership's geographical diversification to be narrow, mainly in light of the concentration of assets in the geographical area of its operations. This geographical concentration coupled with the aforesaid high customer concentration weighs on the Partnership's business profile. Additionally, the Partnership's strategy also depends on several reservoirs which are under development, as well as on an increase in the quantity of exports, which are exposed to regulation and geopolitical risks.

Substantial investments in a project to expand production capacity and the transmission systems

On June 29, 2023, the Leviathan partners adopted a final investment decision for the execution of a project as aforesaid, including the construction of a third subsea transmission pipeline from the Reservoir to the production platform ("**third pipeline project**") as well as the upgrading of systems on the platform. Construction of the third transmission pipeline will enable the expansion of the Leviathan project's production capacity to approximately 14 BCM per annum. The investment budget stands at approximately $568 million, with the Partnership's share expected to amount to approximately $258 million. As of March 31, 2025, investments in the project totaled approximately $320 million (100%). On October 6, 2024, the operator of the Leviathan project announced that due to the escalation in the security situation, the subsea pipeline construction works in the third pipeline project had been suspended, and that completion of this project (which had been planned for mid-2025) would be deferred by at least six months. In the operator's estimation, the third pipeline project will be completed at the beginning of 2026.

Said increase in the annual production capacity will also enable an increase in the export quantities; however, this entails upgrading of the following transmission systems: (a) A compressor station in

Jordan (FAJR project). Completion of the FAJR project is estimated to be in the second half of 2026. Chevron signed an agreement in which it undertook to participate in the funding of the FAJR project in an amount of approximately $341 million. Simultaneously, Chevron signed an agreement with the Leviathan and Tamar partners, back-to-back with the funding participation agreement, whereby the Leviathan partners are to bear the amount of the participation in the funding plus the costs of management of the project by Chevron, in an amount not exceeding $343 million (the Partnership's share is up to approximately $78 million). (b) A compressor station in the area of Ramat Hovav together with the construction of an overland pipeline from this station up to the Egyptian border, near the Nitzana border crossing (Nitzana project). Completion of the Nitzana project, regarding which a final investment decision has not yet been made, is expected to increase the total transmission capacity to Egypt by approximately 6 BCM per year (100%). For the purpose of advancing the Nitzana project, the Leviathan partners approved preliminary budgets, prior to a commitment to participate in the entire project's funding, for a total of $111.1 million (100%). The operator estimates the investment budget for the Nitzana project at approximately $585 million (Partnership's share – approximately $133 million, assuming that Leviathan participates in half of the cost and the right to use the infrastructure). The amount and timing of the flow through each of the aforesaid transmission systems will be affected by regulatory approvals and by decisions of the other gas exporters regarding their participation in the investments in the transmission systems. We note that the execution of the projects described above in connection with the Leviathan reservoir results in increased Capex costs, which are expected to amount to approximately $280 million (Partnership's share) and approximately $155 million in 2025 and 2026, respectively.

On March 12, 2025, the transaction for the transfer of interests in license Han Asparuh1 in in Bulgaria (Bulgaria license) to NewMed Balkan, a company owned (95%) by the Partnership, was completed. With the completion of the transaction, NewMed Balkan now owns 50% of the interests in the Bulgaria license. It is noted that in consideration for the transfer of the interests in the block, NewMed undertook to assume the seller's share of funding of the costs of the next exploratory drilling that would be carried out within the area of the block, up to a total sum not exceeding €50 million, and to assume as well the seller's share of funding of the costs of an additional exploratory drilling in the block, up to a total (additional) sum not exceeding €50 million. On March 27, 2025, the Partnership reported that the partners in the Bulgaria license had adopted a decision to carry out a test drilling in the Vinekh prospect, and on June 11, 2025, the Partnership reported the adoption of a decision to carry out an additional test drilling within the area of the Bulgaria license, in the Krum prospect. Execution of the drilling is contingent on receiving all the required approvals from the Bulgarian government and on the signing of service agreements with respect to the execution of the drilling. Drilling of the first exploratory well is expected to begin in the fourth quarter of 2025, and of the second exploratory well in the first quarter of 2026, with each exploratory drilling expected to take two months. The budget for the first drilling, including production tests (should they be necessary), amounts to €109 million ($118 million) (Partnership's share – $87 million). The budget for the second drilling, including production tests (should they be necessary), amounts to €86 million ($99 million) (Partnership's share – $78 million). Execution of the drilling operations described above is expected to result in increased Capex costs in the medium term.

High profitability ratios according to the Partnership's business model, stability of the EBITDA base in the medium term

The years 2023 and 2024 were marked, respectively, by sales of 11.0 and 11.2 BCM and by average selling prices of 6.11 and 6.12 $/MMBtu. The Partnership is characterized by long-term contracts in the domestic market and in the export market, although the latter include a component of linkage mainly to Brent crude oil barrel prices.

The oil and natural gas exploration, development and production sector is exposed to volatility and cyclicality, such that, over time, barrel prices (the linkage component referred to above) can be expected to fluctuate. Accordingly, over time, Midroog runs several scenarios that test the Partnership's results based on prices of fixed contracts in the domestic market (contracts for between two-and-a-half and 15 years, with a floor price and without linkage to the barrel price, taking into account floor prices and indices other than the Brent crude oil price to which some of the agreements are linked), and export contracts which are linked to barrel prices, given also an environment of oil and gas prices that align with the average over the economic cycle (taking into account current prices of $60-65 per barrel).

We assume that the average annual output in 2025 will stand at around 11.6 BCM,[7] increasing in 2026-2027 to 14.2 BCM in view of the third pipeline construction project. We likewise assume that the sales mix will remain heavily focused on exports and that the aforesaid increase in production quantities will serve to boost export quantities, mainly to Egypt. We expect net revenues of the Partnership to stand at $785 million in 2025 and at $900-950 million in 2026-2027, compared to net revenues of $970 million in 2024.

[7] On June 14, 2025, the Partnership announced the suspension of operations of the Leviathan reservoir pursuant to a regulatory directive due to the Rising Lion operation against Iran, which lasted 12 days.

The Partnership has narrow geographical diversification, reflected in a concentration of assets in the eastern Mediterranean Sea. However, the nature of the production area exposes the Partnership to relatively low operational costs averaging 0.63 $/MMBtu, which contributes to stand out good profitability.

The Partnership's business model includes a component of fixed expenses comprising the costs of wages and operation of the Partnership's facilities, in respect of which the Partnership enjoys a degree of flexibility. Accordingly, Midroog estimates that operating profit (before other expenses) will be around $515 million in 2025 and $600-670 million in 2026-2027 (reflecting average operating profitability of 69%), and that EBITDA will be in the range of $600-780 million in 2025-2027. The expected decrease in EBITDA in 2025 is due to a decline in average selling prices in the domestic market in that year, compared to 2024 which was favorably affected by a high spot component in domestic market contracts and a drop in energy prices. In 2026-2027 we assume a similar trend in prices and an increase in outputs as discussed above.

Expected deterioration in the coverage ratios in the short to medium term, in light of our estimate of a moderate increase in the amount of debt; expected increase in capital investments

The Partnership's consolidated debt is estimated as of December 31, 2024 at $1,586 million, consisting of the Leviathan bonds, against which Leviathan Bond Ltd. (wholly owned by NewMed) has undertaken to set aside debt service reserves estimated as of December 31, 2024 at $250 million. The net financial debt as of March 31, 2025 is $1,248 million.

In the last two years, an increase in the EBITDA base and completion of various investments have enabled the use of free cash flow for reducing debt.

In 2022-2024 the Partnership recorded capital investments (including payments in respect of a decommissioning and rehabilitation obligation) at an average of $116 million per year. For 2025-2026, we foresee capital investments of $400 million in 2025 (of which $100 million in respect of the Bulgaria project) and $235 million in 2026 (of which $70 million in respect of the Bulgaria project). The increase over 2024 is mainly due to higher investments in the Leviathan reservoir, as part of the third pipeline project and upgrading of the transmission system, as well as investments in the Bulgaria project, as detailed above. We assume that investments will level off in 2027, returning to the four-year average of $100 million. Assessing the Partnership's working capital needs presents a difficulty, since this also depends on oil prices which serve as a linkage component in the export contracts, thus we did not take working capital needs into account in the sensitivity tests. The Sheshinski tax (levy on profits from natural resources), calculated by a formula attributing an increase to certain output levels and revenues within a defined range, was taken into account based on Midroog's forecast of revenues. In 2024 the Partnership recorded FFO-Capex amounting to $456 million. We foresee a moderately positive FFO-Capex in 2025, in view of increasing capital investments and considering the royalties from Karish-Tanin. We assume dividend payouts amounting, based on past experience, to $250 million in each of the years 2025-2027 (according to an average payout of $255 million in each of the years 2023-2024), despite the fact that the Partnership does not have a declared dividend policy. In light of the above factors, we assume a FCF that is negative in 2025 and positive, within a range of $100-150 million, in 2026.

We assume furthermore that the gross financial debt to EBITDA ratio will be in the range of 1.8-2.6 in 2025-2027 (as of December 31, 2024, this ratio is estimated at 1.5), in light of a growth in debt of up to $700 million against a bond issue and/or the use of available credit facilities by NewMed, as against repayments by Leviathan Bond according to the amortization schedule in the forecast years (early repayment of $400 million by the end of May 2025). Accordingly, we believe that the expected rise in financing expenses in view of a negative free cash flow in the forecast years, as noted above, will result in an interest coverage ratio in the range of 5.0-7.0 in 2025-2027.

The Partnership's equity balance, estimated at $1,844 million as of March 31, 2025, is standing out positively for the rating. The level of leverage is favorable for the rating category, with the equity to total assets ratio standing at 45.4% as of March 31, 2025. We estimate that the level of leverage over the forecast years will be in the range of 44%-50%.

A significant bullet component in the amortization schedule of Leviathan, offset by significant cash flows and liquidity reserves maintained as a debt service reserve

The Partnership's liquidity is supported by strong cash generating ability based on large volumes along with high profitability. Aggressive dividend distributions could erode the liquidity reserves. During 2022-2024 the Partnership distributed dividends amounting to a cumulative $610 million. The Partnership's payment burden is relatively high, amounting to $600 million in 2025[8] and 2027 and to $550 million in 2030. A moderating factor is the existence of cash reserves against these payments, as well as the generation of a solid cash flow by the Partnership and our assumption that the debt that will be issued by NewMed will be used in part to refinance the Leviathan bonds.

Additionally, according to the Partnership's financial statements as of December 31, 2024, in October 2024 the board of directors of the Partnership's general partner decided to approve the adoption of an

[8] On May 11, 2025, the subsidiary Leviathan Bond Ltd. notified the bondholders of the early payment of the second bond series, which had an original maturity date of June 30, 2025, for a total of $400,000, in accordance with the provisions of the deed of trust of the bonds of Leviathan Bond.

additional bond buyback plan, whereby the Partnership and/or Leviathan Bond will be able to buy back bonds for a cumulative sum of up to $100 million (beyond the previous buyback plans). The plan came into effect on October 15, 2024 and will expire on October 15, 2026. As of the date of publication of the financial statements, up to March 31, 2025 the Partnership had carried out buybacks of bond series 2025 of Leviathan Bond with a par value of $153 million, in consideration of $153.6 million, in accordance with the aforesaid bond buyback plans.

Midroog's base case scenario assumes that the Partnership will maintain minimum liquidity reserves in the range of $100-150 million (including available credit lines). The Partnership's financial flexibility is supported by confirmed and binding credit lines and facilities for a total of $550 million as of the date of this report, out of which $375 million have been drawn.[9] As of March 31, 2025, the Partnership maintains high headroom to the financial covenants stipulated by the lenders. As security for the bonds and the loan of Leviathan Bond, pursuant to the deed of trust and other instruments according to which the bonds were issued, the Partnership placed a first fixed lien on its interests in the Leviathan project (45.34%) in favor of the bond trustee of Leviathan Bond. The Partnership also encumbered the shares held by it in the issuer. The issuer also pledged its rights in all its existing and future assets with a first ranking floating charge in favor of the trustee.

Additional Rating Considerations

Exposure to geopolitical risks and reliance for cash flow on long-term contracts with Egypt and Jordan

The Reservoir's export agreements with Jordan and Egypt carry a material geopolitical risk. These are long-term agreements, thus their cancellation, or failure to fully implement them, could materially impact the Partnership's results. Additionally, the significant growth in export rates foreseen in the coming years (attributable to absolute growth), as mentioned above, increases the Reservoir's profitability (since export prices are higher than domestic market prices), but at the same time somewhat undermines cash flow certainty, due to the prevailing geopolitical risks and uncertainty over the implementation of the contracts. Nevertheless, we note for example that during the Iron Swords War, gas exports to Egypt and Jordan continued without interruption, attesting to the strength of the

[9] On June 17, 2025, the Partnership reported that it had signed credit facilities with an Israeli bank for a total of $350 million, which replaced previous credit facilities with the same bank amounting to $200 million. For full details see the Partnership's report.

contracts even in a challenging environment. Additionally, the rating of Jordan[10] and Egypt[11] exposes the Partnership to the credit risks of those countries.

High cash flow certainty and stability based on long-term natural gas supply agreements

The stakeholders in the Leviathan reservoir have long-term agreements for the supply of natural gas. These agreements include a take-or-pay commitment (except for spot agreements for insignificant amounts), along with floor prices and various indexations. The percentage of the commitment component in the total annual sales forecasts of the Reservoir stands at an average of 59% (in the 1P category) until 2027. Midroog considers that the existence of long-term natural gas supply agreements which include a take-or-pay commitment for the contractual amount of natural gas, coupled with floor prices and various indexations, supports the Partnership's financial profile, strengthens the certainty and stability of the cash flow from the underlying assets, establishes a lower limit for projected revenues of the Partnership and contributes to its financial stability.

A finance structure that includes secured senior debts and financial mechanisms restricting the transfer of funds from the underlying assets to the Partnership

The rating relates to the issuer's unsecured senior debt. However, the Partnership has, in addition, senior debts that are subject to a first lien in favor of the lenders of those debts, including the cash flows arising from them. There are also various mechanisms that restrict the timing and amount of the cash flows transferred to the Partnership from the underlying assets.

Environmental, Social and Governance (ESG) Considerations

Midroog rates the Partnership's exposure to environmental risks as moderate. Natural gas exploration, development and production activities present a risk of damage to the environment. Additionally, in recent years, social and governmental efforts are being made to reduce the use of fossil fuel-based electricity, which, in our estimation, support demand for gas (as an alternative fuel to coal) in the medium term, but could pose a risk to the Partnership's operations in the long term. Moreover, the Partnership has a dependence on a natural resource – natural gas, which is mitigated by substantial reserves in the Leviathan gas field.

Midroog likewise rates the Partnership's exposure to social risks as moderate, with the main risk arising from sensitivity to gas prices, which are affected by macroeconomic trends and high public awareness.

[10] Jordan has a Moody's rating of Ba3 with a stable outlook.
[11] Egypt has a Moody's rating of Caa1 with a positive outlook.

In our assessment, this sensitivity is moderated to a great extent by the signing of long-term TOP agreements as well as by a contractual floor price mechanism. The Partnership is also exposed to safety and hygiene risks as well as responsible production risks, which are somewhat mitigated by the experience of the operator of the Reservoir, safety procedures and regulatory oversight. Additionally, the Partnership is dependent on professional human capital, apart from which the activity of the Reservoir is exposed to geopolitical risks that could affect implementation of export contracts to Egypt and Jordan. We note that in spite of the Iron Swords War, gas exports to Egypt and Jordan have continued without interruption.

The Leviathan reservoir ownership structure does not allow the Partnership to operate solely in accordance with its interests, as decision making requires the cooperation and consent of all the stakeholders in the Reservoir; however, this risk is mitigated by the shared interest of all the stakeholders. Additionally, the partners in the Leviathan reservoir, including the Partnership, have material exposure to cyber risk, given that the Reservoir is a strategic national asset. We note that the Project's operator has a defined cyber policy consistent with the guidance of the Israel National Cyber Directorate. Midroog assesses the Partnership's exposure to governance risks as weak. Management has thus far shown a good track record in maintaining the Partnership's overall solid financial position in an operating environment that is volatile and complex by nature.

Rating Scorecard

NIS in millions		**As of 31.03.2025**		**Midroog Forecast**	
Category	**Parameters**	**Measurement**	**Score**	**Measurement [1]**	**Score**
Operating sector	Sector risk	---	A.il	---	A.il
Profitability	Revenue LTM	NIS 3.6 billion [2]	Aa.il	NIS 3.0-3.2 billion [2]	Aa.il
	Business position	---	A.il	---	A.il
Profitability	Operating profit margin LTM	72%	Aaa.il	65%-70%	Aaa.il
Financial profile	Equity/total assets	45.4%	Aa.il	44%-50%	Aa.il
	Adjusted debt/EBITDA LTM	1.5	Aa.il	1.8-2.6	Aa.il
	Operating profit/net financing expenses LTM	8.4	Aa.il	5.0-7.0	A.il - Aa.il
	Financial policy		Baa.il		Baa.il
Implied score					**A1.il**
Final score					**A1.il**

[1] The metrics shown in the table are after adjustments by Midroog and are not necessarily identical to those presented by the Partnership. The Midroog forecast includes Midroog's assessments with respect to the issuer as presented in its base case scenario, and not the issuer's assessments.
[2] The Partnership reports in dollars; the amounts in the table were converted into shekels according to a dollar-shekel exchange rate of 3.647 as of December 31, 2024.

Related Reports

Non-Financial Corporates Rating – Methodology Report, December 2022

Financial Statements Adjustments and Presentation of Main Financial Measures in Corporate Rating – Methodology Report, May 2020

Guidelines for Reviewing Environmental, Social and Governance Risks in Credit Ratings – Methodology Report, February 2022

Table of Relationships and Holdings

Midroog Rating Scales and Definitions

The reports are published on the Midroog website at www.midroog.co.il

General Information

Date of rating report:	June 30, 2025
Rating commissioned by:	NewMed Energy Limited Partnership
Rating paid for by:	NewMed Energy Limited Partnership

INFORMATION FROM THE ISSUER

Midroog relies in its ratings inter alia on information received from competent personnel at the issuer.

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Aa.il	Issuers or issues rated Aa.il are those that, in Midroog judgment, have very strong creditworthiness relative to other local issuers.
A.il	Issuers or issues rated A.il are those that, in Midroog judgment, have relatively high creditworthiness relative to other local issuers.
Baa.il	Issuers or issues rated Baa.il are those that, in Midroog judgment, have relatively moderate credit risk relative to other local issuers, and could involve certain speculative characteristics.
Ba.il	Issuers or issues rated Ba.il are those that, in Midroog judgment, have relatively weak creditworthiness relative to other local issuers, and involve speculative characteristics.
B.il	Issuers or issues rated B.il are those that, in Midroog judgment, have relatively very weak creditworthiness relative to other local issuers, and involve significant speculative characteristics.
Caa.il	Issuers or issues rated Caa.il are those that, in Midroog judgment, have extremely weak creditworthiness relative to other local issuers, and involve very significant speculative characteristics.
Ca.il	Issuers or issues rated Ca.il are those that, in Midroog judgment, have extremely weak creditworthiness and very near default, with some prospect of recovery of principal and interest.
C.il	Issuers or issues rated C are those that, in Midroog judgment, have the weakest creditworthiness and are usually in a situation of default, with little prospect of recovery of principal and interest.

Note: Midroog appends numeric modifiers 1, 2, and 3 to each rating category from Aa.il to Caa.il. The modifier '1' indicates that the obligation ranks in the higher end of its rating category, which is denoted by letters. The modifier '2' indicates that it ranks in the middle of its rating category and the modifier '3' indicates that the obligation ranks in the lower end of that category, denoted by letters.

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