Research Update:

Leviathan Bond Ltd. Outlook Revised To Stable; 'BB-' Ratings Affirmed

October 22, 2026

Rating Action Overview

- We believe that Leviathan Bond Ltd. (Leviathan or the project) has accumulated significant financial buffers and liquidity, despite continuing geopolitical uncertainty in the region related to the U.S.-Iran conflict.
- This performance is bolstered by a resilient operational record, significant increase in proved (1P) reserves, and continuous repayment of rated secured debt over the past few years, and we see possible ratings upside if the project decides to fully repay $600 million bonds (series C) in the first half of 2027.
- We revised our outlook on the senior secured notes issued by Leviathan to stable from negative and affirmed our 'BB-' issue rating. The recovery rating is unchanged at '1', indicating our expectation of 95% recovery in a payment default.
- The stable outlook indicates that, despite continuing geopolitical uncertainties and security risks in the region and growing capital expenditure (capex) needs to fund the planned expansion, we expect the project to remain operationally resilient and profitable with minimum debt service coverage ratio (DSCR) above 3x.

Project Description And Key Credit Factors

Leviathan issued $2.25 billion in bonds to refinance its portion of the construction and development costs of the Leviathan gas field. Following repayments of the 2023 and 2025 bonds, the principal outstanding on Leviathan's bonds is $1.15 billion, including $600 million due in June 2027 and $550 million due in June 2030. Discovered in 2010, Leviathan is an offshore gas field in the eastern Mediterranean and is the largest natural gas reserve in Israel. Situated approximately 130 kilometers (km) west of Haifa, with a production platform located 10 km off the coast of Dor, Israel, Leviathan currently supplies gas to Israel, Egypt, and Jordan, having delivered first gas in December 2019.

Rights to explore and produce petroleum and gas in the Leviathan field were granted proportionately to NewMed Energy Limited Partnership (NewMed; 45.34%; Leviathan's parent company), Chevron Mediterranean Ltd. (39.66%), and Ratio Energies Limited Partnership

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(15.00%) under a production lease through February 2044 with an option to extend by up to 20 years if the partners continue to produce from the field. A joint operating agreement (JOA) defines the operations and associated infrastructure among the three parties in their respective proportions of the lease. Chevron Mediterranean operates the field under the terms defined in the lease and JOA.

Leviathan has long-term gas sale purchase agreements (GSPAs) under export contracts that account for 70%-80% of gas production capacity under the 2P scenario (proved and probable reserves). The remainder is supplied to energy producers in Israel. The contracts have a weighted-average length of 12 years. In addition, in March 2024 Leviathan started sales of condensate to Ashdod Refinery Ltd., creating an additional revenue stream from the Israeli market.

Key strengths

- Minimal resource risk, with increased 1P reserves and production following completion of the third gathering line sufficient to cover production capacity for more than 30 years.
- Chevron Mediterranean is Leviathan's experienced operator, which underlines our view that the project will maintain stable production and low operating costs (below 10% of revenue), supporting robust profitability.
- Leviathan's solid operational performance to date has boosted the project's cash flow generation, which enabled it to repay its $500 million bonds due in June 2023 and $600 million bonds due in June 2025 without the need for refinancing.
- Solid credit metrics with a minimum DSCR of 3.25x, and sufficient liquidity to meet upcoming debt service payments ($600 million due in June 2027 and $550 million due in June 2030), even after factoring in the additional expansion capex, and even in the event of a temporary disruption to production.

Key risks

- High security risks due to the unstable geopolitical situation in the region. Despite the recent ceasefire with Lebanon and reduced conflict with Iran, we still view the situation as volatile. As a strategic single asset energy project, Leviathan could be more exposed to security risks than the average Israeli corporate.
- Exposure to Egypt (B/Stable/B) and Jordan (BB-/Stable/B) as the key off-takers represents the key constraint for Leviathan, because the project--absent a significant increase in Israel's local demand--has limited flexibility and no infrastructure in place to switch to other markets. Under our assumptions, through the project's life, Leviathan will sell 60%-65% of its gas to Egypt and 20%-25% to Jordan, on average, which also includes potential expansion of exports to Egypt after 2030.
- Leviathan's transaction structure allows it to issue additional debt, subject to certain conditions. These include maintaining the net present value (NPV) at a 10% forward discount to net debt above 1.5x, among others.

Rating Action Rationale

Our stable outlook is driven by significant financial buffers in Leviathan's metrics that ensure sufficient liquidity to repay the upcoming bullet maturity in 2027 and help withstand

temporary production disruptions if required. Under our current base case, the minimum DSCR improves significantly to 3.25x from 2.46x in the previous review. This is primarily driven by a 22% increase in 1P reserves to 438 billion cubic meters (cm) from 360 billion cm previously as per the latest report from Netherland, Sewell & Associates (Dec. 31, 2025). We understand that this increase has been attributed to availability of precise data on the reserves as the asset base matures and it continues to extract more. Furthermore, it is also due to the inclusion of additional gas to be extracted from the reservoir starting 2029, which became part of 1P calculations after the final investment decision (FID) on the phase 1B expansion plan. Under our current base case, which assumes one month of operational shutdown (as in recent years, in case of specific security concerns, the government required the project to suspend production for several weeks), the project will still have adequate liquidity sources--which include reserve funds and cash flow available for debt service (2026-2027) to fully repay the upcoming bullet payment ($600 million), along with two upcoming semiannual interest payments of around $76 million (cumulatively). Aside from Leviathan's existing liquidity, the 100% owner of Leviathan Bond Ltd., NewMed, has secured committed credit facilities and credit lines with available amounts totaling approximately $550 million from Israeli financial institutions (as per the financial statements as of June 30, 2026). In addition, NewMed raised in September 2026 an unsecured bond on the Tel Aviv Stock Exchange in the amount of approximately Israeli new shekel 1.75 billion (about US$566 million). We understand that these liquidity sources are available for its ongoing operational needs, including the option to use them to repay Leviathan's bonds. Although we do not directly factor this into our rating, we recognize this could provide additional flexibility in an extreme stress scenario. We understand the project has sufficient flexibility to delay any nonmaterial maintenance and capex, if required.

Our outlook revision to stable is driven by Leviathan's resilient operational track record, with no marked effect on its assets and cash flows over the past few years. Leviathan successfully resumed production and its sales after 33 days of shutdown in the first half of 2026 without any noticeable impact on its operations. We understand that payments from export and domestic off takers have not been interrupted or delayed since the start of the conflict and that this has been the case since 2023 when geopolitical risks escalated for the first time. Short-term suspensions due to security risks are likely to be viewed as a force majeure event under the GSPAs, mitigating the risks of potential penalties from off takers. Additionally, Leviathan benefits from insurance coverage for direct damage to assets and indirect damage (loss of revenue or prevention of profits) because of war or terrorism in the scope as per the senior bond documents. This is in excess of compensation provided under Israel's Property Tax and Compensation Fund Law for physical loss due to war and terrorism, based on market value. In the medium term, we believe the security situation remains volatile, and the cessation of hostilities with Lebanon in the north (since April 2026) and the shift of focus in the conflict with Iran do not lower the security risks to pre-March 2026 or pre-2023 levels. Still, our base case does not assume prolonged outages for Leviathan or direct targeting of its assets, and we view this as an event risk.

Absent any major escalation in security risks, full repayment of $600 million bonds in 2027 could result in upward pressure on the 'BB-' rating on the project's debt. Full repayment of the bonds next year would result in significant improvement in its credit metrics under our scenarios. However, we will continue to monitor the project's capital structure, given that the project has high capex needs it must fund until at least 2030. Under the current bond indenture, the project has flexibility to raise additional debt (subject to fulfilment of other conditions) up to an aggregate amount of $2.50 billion while the current debt outstanding is $1.15 billion ($550 million from June 2027 and thereafter if the project decides to fully repay). We currently do not assume that the project will raise additional debt over the assumed refinanced amount in any of our

scenarios. Under our base case, we assume full refinancing of 2027 and 2030 bonds with refinanced debt amortizing by December 2044--five years before the assumed asset life end in 2049.

Without any additional debt in the long term, we expect the project's debt-servicing capacity to remain unaffected, despite higher revenue contribution from Egypt after 2030. The company reached the FID for phase 1B expansion earlier in 2026 with approved capex budgeted of approximately $2.36 billion (100% for all partners) over 2026-2030. The FID will enable the project to increase the total volume supplied to Egypt to 11.9 billion cm-12.9 billion cm per year, subject to certain conditions. Given Egypt's high domestic gas needs and liquefied natural gas exports, we believe Leviathan's exports to the country will continue despite the ongoing conflict. We currently understand that the expansion works will not significantly affect the operations of the existing platform, and any additional capex would mainly be used for drilling three additional wells, subsea infrastructure, and small platform modifications, with sales under phase 1B likely beginning in 2029. Under our current base case, we assume phase 1B capex will not exceed $2.36 billion (100% for all partners, including the approved budget), and is expected for now to be funded entirely through the revenue generated by the project. We currently anticipate that this expansion will increase reliance on revenue from Egypt from 50%-55% currently to 60%-65% after 2030. We also expect part of Leviathan's volume increase will be absorbed by the growing Israeli market (15%-20% of Leviathan’s revenues), with its need to replace coal-fired power generation with gas. Also, we expect Jordan's offtake amount to remain stable, corresponding to 35%-40% initially and 20%-25% of Leviathan's revenues after phase 1B expansion, due to continuing gas demand and uncertainties related to developing Jordan's own gas production. With this debt structure, we estimate that the project will not be over-reliant on sales to Egypt, as revenue from Israel and Jordan should be sufficient to service the remainder of the project's debt. Therefore, we currently do not view exposure to Egypt as a constraining factor to our 'BB-' rating; nor to potential rating upside.

Outlook

The stable outlook reflects our expectation that Leviathan will continue to be operationally resilient and will continue to export gas to Egypt and Jordan with limited impact from the current geopolitical and security risks in the region. However, we continue to monitor the risk of any damage to the project's assets or any other limitations to its operations, as well as repercussions for exports and domestic sales.

We also expect Leviathan's additional expansion capex will not exceed $2.36 billion (100% for all partners) and will be funded through the project's cash flow available for debt service and moderate debt, consistent with our base case. We also anticipate that, while sales to Egypt will increase in the long term, cash flow from sales to Israel and Jordan will continue to remain large, ensuring debt-servicing does not rely overly on sales to Egypt. Given the bullet nature of the remaining notes, we expect the project to generate DSCRs above 3x, which creates extra financial headroom for the upcoming capex and for some degree of uncertainties from the ongoing U.S.-Iran conflict, absent direct significant impact on the assets.

Downside scenario

We could lower the rating if ongoing geopolitical uncertainty in the region intensifies, gas exports to Egypt or Jordan are affected, or security risks threaten the physical integrity of the project's assets. For example, if the war escalates and widens, with Israel opening additional military

fronts, it could weaken Israel's defense system and increase the risk of potential damage to its strategic energy infrastructure, including Leviathan. However, this is not our base case.

Downside pressure on the rating could also stem from:

- The phase 1B expansion works resulting in significantly larger capex commitments, which could expose the project to material additional debt that deteriorates our base case metrics or equity and lowers net cash flows available for repayment of the 2027 and 2030 notes; or
- A significant deterioration in off-takers' ability or willingness to meet their payment obligations.

Upside scenario

We could take a positive rating action in the next six to twelve months if there is significant likelihood that the project will either fully repay or only marginally refinance its upcoming bullet maturity in June 2027, which would further deleverage the capital structure and uplift the minimum DSCR under our base case. Any positive rating action in the short term also remains subject to there being no material escalation in the risks from the ongoing U.S.-Iran conflict in the region. An escalation could threaten the physical integrity of the project's assets or materially disrupt operations due to prolonged shutdowns.

Base Case

Assumptions

- Leviathan uncontracted gas price: $4.4 per million Btus for 2026 and thereafter.
- Leviathan contracted gas price: Prices with rated counterparties parties modelled as per the terms of the GSPAs.
- Revenue mix: 2026-2029: 50%-55% Egypt; 30%-35% Jordan; and 15%-20% Israel, 2030 and thereafter: 60%-65% Egypt; 20%-25% Jordan; and 15%-20% Israel.
- Production: minus 10% of 1P reserves to account for potential emergency shutdowns.
- Operations and maintenance (O&M) costs: In line with the operator's previous performance, adjusted to U.S. inflation.
- Capex: Approximately $2.36 billion (pro-rated to NewMed's working interest) for 2026-2030.
- Refinancing amount: We assume approximately 85% of the amounts due.
- Assumed cost of refinancing debt: Each bullet series at 200 basis points (bps) higher spread, with an amortizing loan until Dec. 31, 2044.

Key metrics

- Minimum DSCR of 3.25x in 2027 and 3.25x median DSCR until the final maturity of the refinancing period.

Downside Case

Assumptions

- Annual production: minus 25% of 1P reserves with extra 10% stress for 2027 only to account for any serious escalation in security risks.
- Gas price: minus 10% compared with our base case.
- O&M costs: plus 10% higher variable and fixed operating cost, including stress over insurance compared with our base case.
- Capex: plus 20% compared with our base case.
- Assumed cost of refinancing debt: Each bullet series at 300 bps higher spread compared with the base case.

Key metrics

- Minimum DSCR of 1.05x in 2027 and 1.92x median DSCR.

Liquidity

- We assess the project's liquidity as neutral, given the cash-funded $100 million debt repayment fund. Even though this is not a standard debt service reserve account, the resources are sufficient to cover more than one semiannual interest payment of all series of the notes.
- Additionally, Leviathan accumulates cash one year ahead of any scheduled principal repayment under a principal reserve fund, which it will use along with the debt payment fund and cash flows to repay the bullet notes as they become due. The principal reserve fund is limited to a $150 million maximum amount.
- The project is not subject to financial covenants, which could cause an event of default or an acceleration of the notes' payment. The transaction structure has a forward-looking distribution lockup test, based on 1.5x NPV10/net debt test (remaining NPV discounted at 10%, according to the reserve consultant report, but based on strip prices). We typically expect a lockup mechanism within the next 12 months of operations to allow for seasonality and volatile cash flows, preserving additional cash to meet project liquidity needs. Therefore, we view the proposed lockup mechanism as neutral.

Rating Component Scores

Leviathan Bond Ltd.--Rating score snapshot

Senior debt issue rating	BB-/Stable
Operations phase (senior debt)	
Asset class operating stability:	4
Operations phase business assessment:	10
Preliminary operations phase SACP	bbb-
Downside resiliency assessment and impact:	Moderate (no impact)
Median DSCR impact:	No impact
Debt structure impact:	-2 notches
Liquidity impact:	Neutral
Refinancing impact:	No Impact
Future value modifier impact:	N/A

Leviathan Bond Ltd.--Rating score snapshot

Holistic analysis impact:	-1 notch
Structural protection impact:	Neutral
Counterparty assessment impact:	Capped at 'bb'
Operations phase SACP	bb-
Parent linkage and external influences (senior debt)	
Parent linkage:	Delinked
Project SACP:	bb-
Extraordinary government support:	N/A
Sovereign rating limits:	No impact
Full credit guarantees:	No

DSCR--Debt service coverage ratio. SACP--Standalone credit profile.
N/A--Not applicable.

Operations phase SACP

Our operations phase SACP reflects our view of the operating risk typical of a gas exploration field, which we view as relatively moderate ('4' on a scale of '1' being the lowest risk to '10' being the highest). We think the project's exposure to market risk and the GSPA off takers' credit quality are key factors for the debt rating.

We assess the operations phase SACP as 'bb-' based on:

- The project's operations phase business assessment of '10'.
- Minimal exposure to resource risk since 1P reserves are sufficient to cover more than 30 years of production.
- Market risk exposure, with the potential volatility of cash flows of 15%-30%. Even though the project has 85% of production contracted under long-term GSPAs with minimum take-or-pay and with a floor price, underpinning relatively stable and predictable cash flows, we only assume contracted capacity for 40% because we cannot determine the credit quality of the cash flows from 60% of these contracts.
- Our moderate downside analysis indicates that the project can survive comfortably under our hypothetical stress scenarios, which include production loss, price decrease and increase, capex on expansion, or refinancing rates.
- We also factor in the cash sweeps that affect the debt structure, making it highly leveraged and dependent on refinancing conditions.
- Lastly, we consider the holistic positioning of the project compared with its peers' considering the uncertainty regarding funding of the planned expansion capex and security risks that cannot be quantified in our financials.

Operations counterparties

- We view GSPAs off takers as material counterparties. Therefore, we set the blended average credit quality of the rated off takers considered in our base case at 'bb', which does not currently constrain the rating.

- Our counterparty analysis of the National Electric Power Co. (NEPCO) mirrors the ratings on its parent, Jordan (BB-/Stable/B). This is because the government provides a timely guarantee for the due payment of NEPCO's obligations under the GSPA.
- We view Chevron Mediterranean (a wholly owned subsidiary of Chevron Corp.) as an irreplaceable O&M counterparty. Despite the existence of other operators that could perform the same services, we view the unique characteristics of the lease agreement and JOA as tied to Chevron Mediterranean's obligations as the operator under these contracts. In addition, absent the O&M reserve account, we do not see financial flexibility for replacement.
- We acknowledge the risk of having NewMed as part of the project under the sponsor loan. We assess NewMed as a nonmaterial structural counterparty and we do not limit the rating on the notes to the credit quality of NewMed. This is because we see cross-default mitigation in the project's structure and the risk of default under the JOA as remote at this stage.
- The bank account provider is the Tel Aviv branch of HSBC Bank PLC, and we consider it to be a material but replaceable counterparty. The project's management is able to react in case of stress, and we assess the liquidity as available in the structure allowing for the replacement. Therefore, we set the counterparty dependency assessment at six notches above the bank's creditworthiness, which does not currently constrain the rating.

Recovery Analysis

Key analytical factors

- We think that lenders would achieve the greatest recovery amounts through a reorganization of the project, rather than liquidation, given consistent demand for gas in the region.
- The '1' (95%) recovery rating indicates that we expect full or near full recovery in this default scenario.
- We value the asset using the net present value of future cash flows of the field's expected remaining life through 2044, when the refinancing matures under our expectations.

Simulated default assumptions

- Simulated default year: December 2027.
- We simulate a hypothetical default scenario with assumed loss of approx. 15-18 months of revenue and an inability to refinance the outstanding debt amount in 2027. We assume the value of GSPA contracts would remain intact.
- We discount the cash flow over the remaining life of the project at a 12% rate and deduct 5% for administrative expenses to arrive at the net value.

Simplified waterfall

- Debt outstanding at the hypothetical default (including pre-petition interest): $1.14 billion
- Estimated net value of the project: $1.13 billion
- Recovery expectations: 95%
- Recovery rating: 1

Related Criteria

- General Criteria: National And Regional Scale Credit Ratings Methodology, June 8, 2023
- Criteria | Infrastructure | General: General Project Finance Rating Methodology, Dec. 14, 2022
- Criteria | Infrastructure | General: Sector-Specific Project Finance Rating Methodology, Dec. 14, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings List

Ratings List

Ratings Affirmed; Outlook Revised; Recovery Ratings Unchanged

Leviathan Bond Ltd.

	To	From
Senior Secured	BB-/Stable	BB-/Negative
Recovery Rating	1(95%)	1(95%)

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