Delek Group Israel's pioneering E&P company

Delek Group

November 2018

Disclaimer

Delek Group

This presentation was prepared by Delek Group Ltd ("Delek", or the "Company"), and is given to you only for the provision of concise information for the sake of convenience, and may not be copied or distributed to any other person. This presentation does not purport to be comprehensive or to contain any and all information which might be relevant in connection with the making of a decision on an investment in securities of the Company.

No explicit or implicit representation or undertaking is given by any person regarding the accuracy or integrity of any information included in this presentation. In particular, no representation or undertaking is given regarding the realization or reasonableness of any forecasts regarding the future prospects of the Company.

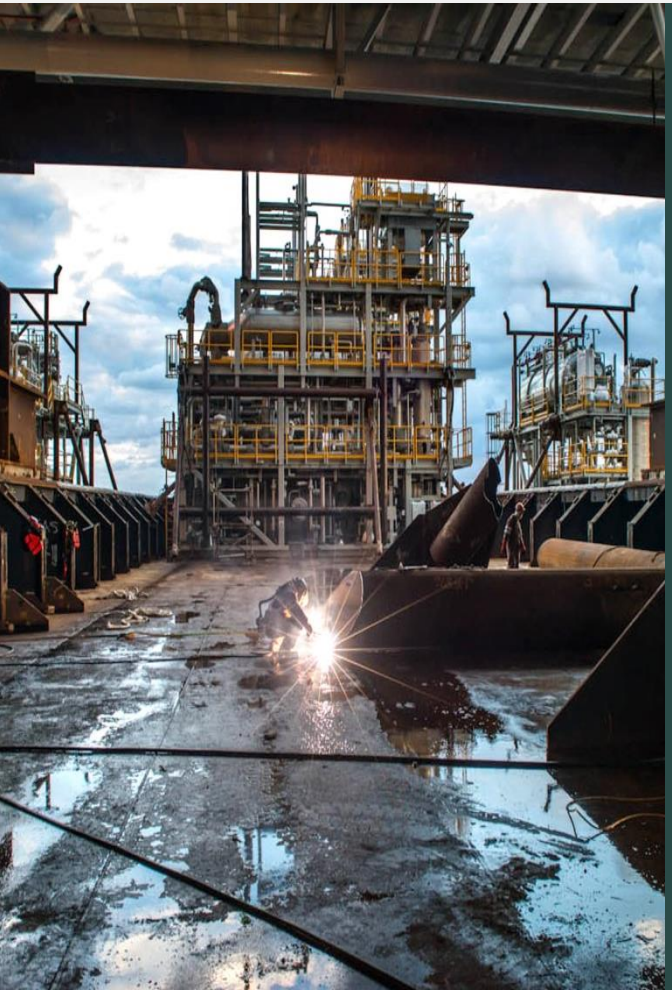
To obtain a full picture of the activities of the Company and the risks entailed thereby, please review all immediate and periodic reports filed by the Company with the Israel Securities Authority and the Tel Aviv Stock Exchange, including warnings regarding forward-looking information, as defined in the Securities Law, 5728-1968, included therein. The forward-looking information in the presentation may not materialize, in whole or in part, or may materialize differently than expected, or may be affected by factors that cannot be assessed in advance.

For the avoidance of doubt, it is clarified that the Company does not undertake to update and/or modify the information included in the presentation to reflect events and/or circumstances occurring after the date of preparation of the presentation.

This presentation is not an offer or invitation to buy or subscribe for any securities. This presentation and anything contained herein are not a basis for any contract or undertaking, and are not to be relied upon in such context. The information provided in the presentation is not a basis for the making of any investment decision, nor a recommendation or an opinion, nor a substitute for the discretion of a potential investor.

Delek Group's Three Objectives

Delek Group



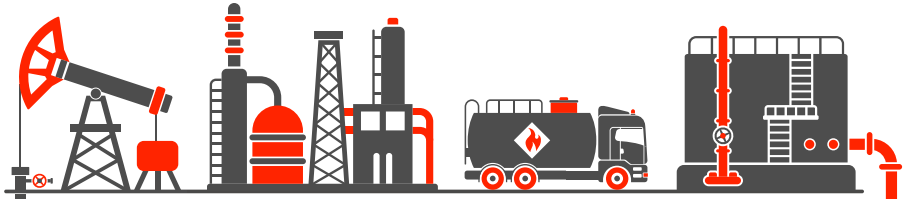
Delek Group has been the driving force behind the major Eastern Mediterranean gas discoveries of the past decade. The company has recently entered E&P activity in the UK's North Sea.

As at YE17, Delek Group had economic interest in c1.5bn boe of 2P+2C reserves in the East Med & North Sea. Current daily production stands at c41k boe, which is set to expand to c48k boed at the start 2019.

Delek Group now aims to evolve into an international E&P operator, focused on achieving three major objectives:

- **Delivering** East Med assets
- **Expanding E&P** operations globally
- **Optimizing** assets & raising fresh capital

Delek Group Asset Portfolio by Holdings

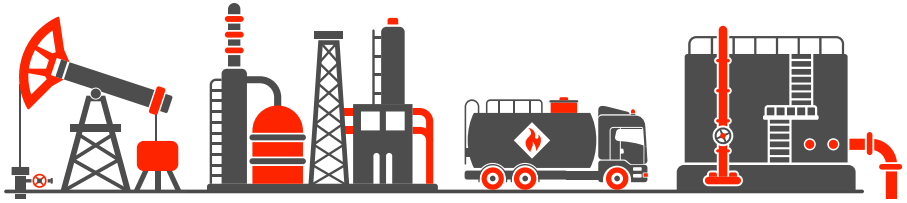


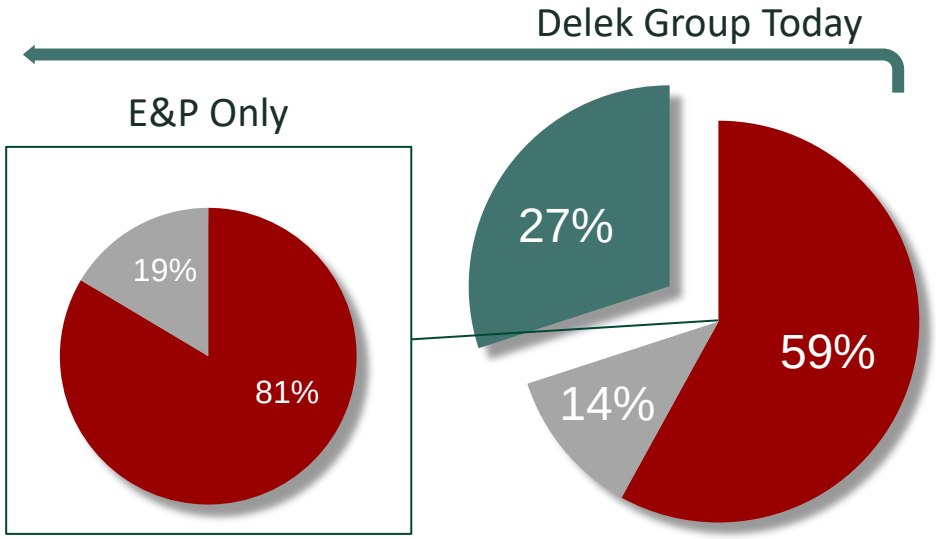
Delek Group (DLEKG.TA) is listed on the Tel Aviv Stock Exchange with a market cap of USD2.1bn

	Asset	Ownership	Ticker	Ownership	Business Sector
E & P	Delek Drilling	Public	DEDRp.TA	60%	Upstream - East Med
	Cohen Development	Public	CDEV.TA	52%	Royalties - East Med
	Delek Royalties	Public	DLRL.TA	40%	Royalties - East Med
	East Med royalties				Royalties - East Med
	Ithaca Energy	Private		100%	Upstream - N. Sea
	Gulf of Mexico License	Private		100%	Upstream - GoM

Other	Phoenix	Public	PHOE.TA	30%	Insurance
	Delek Automotive	Public	DLEA.TA	23%	Auto retail
	IDE	Private		50%	Water desalination
	Delek Israel	Private		100%	Fuel retail

Delek Group Asset Portfolio by Value





- E&P in East Med
- E&P International
- Other

*E&P in East Med includes appraised & market-traded value of royalties. Publicly traded assets based on market value as of 08.11.18. Private assets based on the book value as of YE17, excluding the IDE transaction

Tamar & Leviathan Fields in the East Med

Delek Group

Tamar – Producing as of 1Q13

Ownership: Delek Drilling 22%, Isramco 29%, Tamar Petroleum 17%, Noble Energy (operator) 25%, Others 7%

2P Reserves* & Production capacity

11.2 tcf (318 bcm) & 14.6 mmbbl condensate

Production of 1.1 bcf/day

Overall Tamar costs to date: $4.5 Billion (100%)

Leviathan – Est. first gas 4Q19

60% complete, on time & on budget

Ownership: Delek Drilling 45%, Ratio 15%, Noble Energy (operator) 40%

2P+2C Resources** 21.4 tcf (613 bcm), 39.4 mmbbl condensate

Production Capacity (2 stages)

1.2 bcf/d (~12 bcm/y) + 0.9 bcf/d (~9 bcm/y)

Estimated Capex $4.3-6.0bn for both stages (100%)

Additional Prospective Resources (P50)

560 mmbbl oil (liquids), 4.5 tcf Gas

*Resources estimate as published on YE 2017 financial report **Resources estimate as published NSAI Reserves and Contingent Resources report 26/09/2017

Delivering East Med Assets

Delek Group

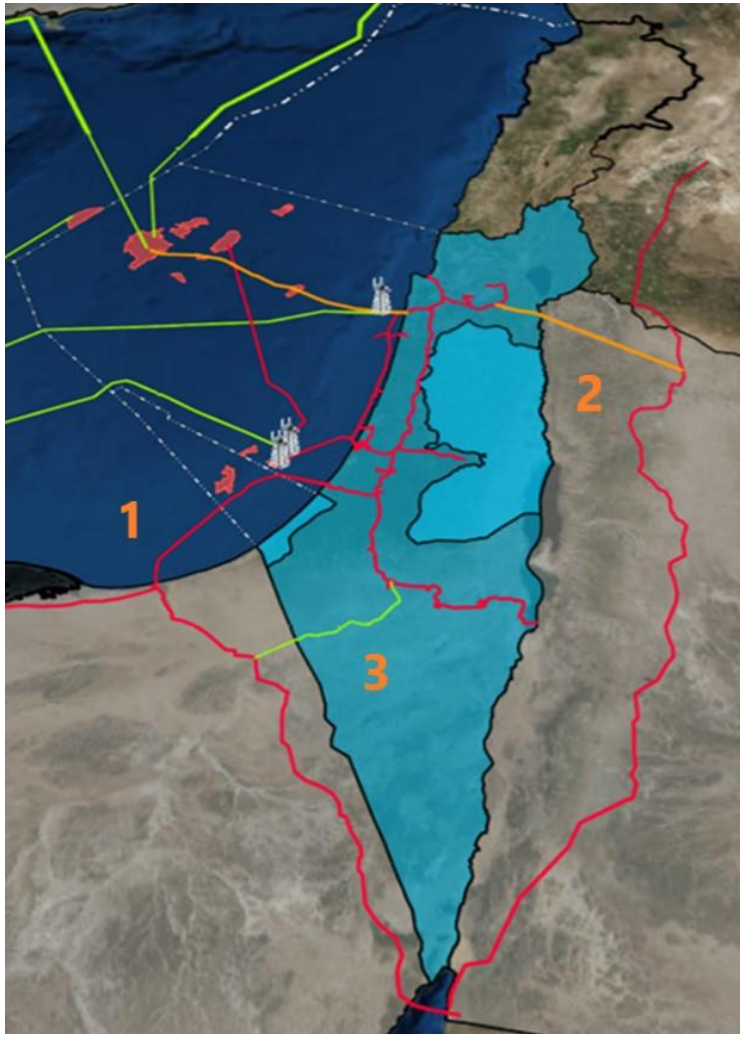
Sale of Tamar

Full disposal of 22% stake is required by the end of 2021, most likely alternative is a foreign listing.

EMG pipeline deal bolsters Leviathan

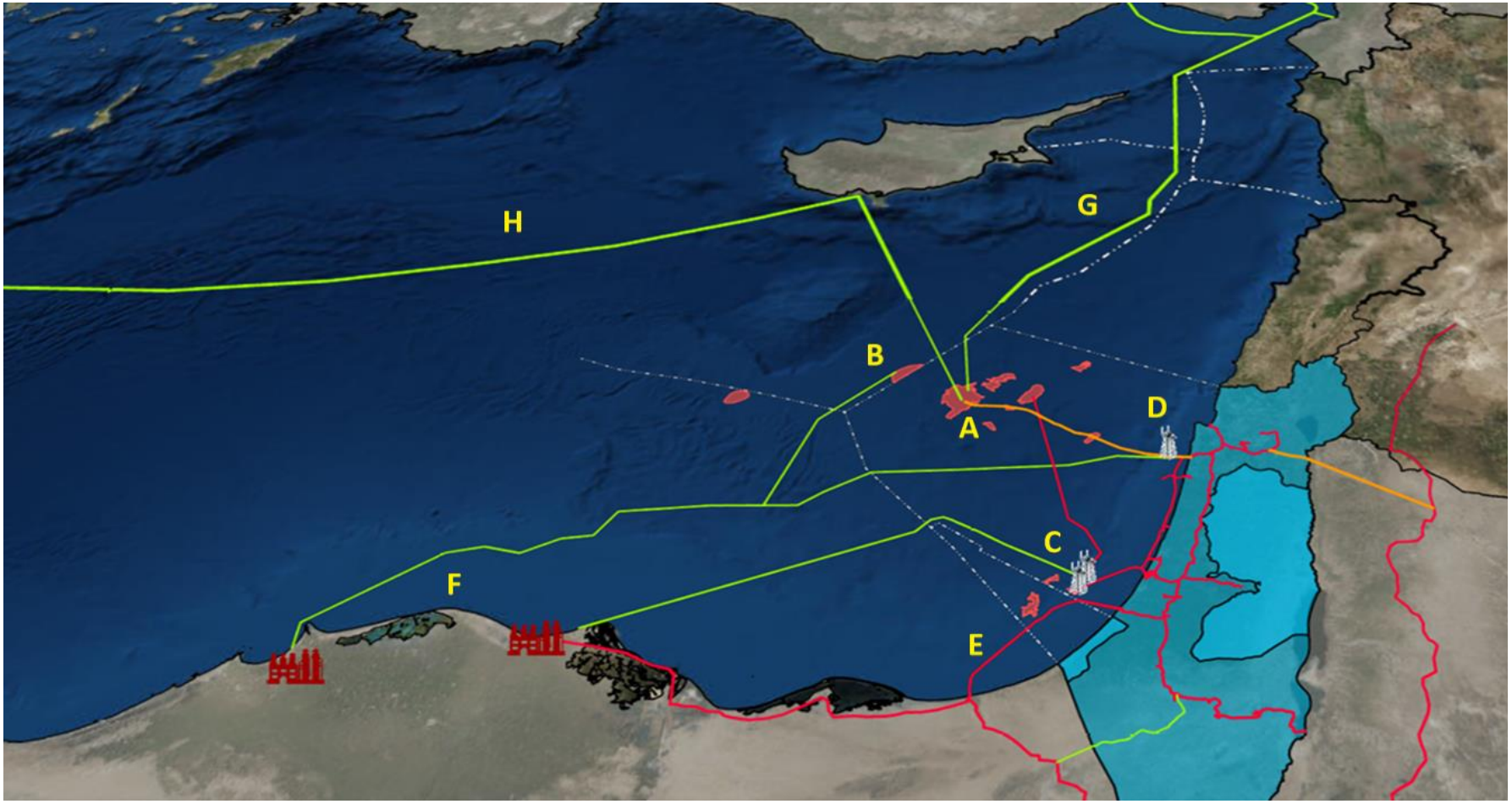
The EMG pipeline (1 on map), previously used to transfer Egyptian gas to Israel, is now idle. Delek & partners have acquired rights to EMG, will reverse flows, and aim for exports to Egypt of up to 7BCM p.a. to begin at the start of 2019.

Implementation of this high-volume offtake agreement firms up Leviathan project economics. The Dolphinus agreement covers domestic demand only; future potential for export via Egyptian LNG terminals also exists.



Developing an East Med Gas Hub

Delek Group



Red pipelines exist, orange are under construction, and green represent future possibilities

Developing an East Med Gas Hub

Delek Group

Cyprus' Aphrodite field proximate to Leviathan

In 2011, the 3.5 TCF (2C) Aphrodite field was discovered in Cypriot waters (point B on map) alongside the Leviathan field (A). Delek Group has a c18% working interest in this resource, and its development could possibly occur in parallel with the further stages at Leviathan. Cyprus is now evaluating economic options for the area.

Export opportunities beckon …

The most immediate way to export East Mediterranean energy would be to liquefy Israeli (and possibly Cypriot) gas through Egyptian LNG terminals at Damietta and Idku (F). These locations could be connected through the existing EMG pipeline (E), or directly from the open sea (B). Pipelines to Turkey (G) or Italy (H) have also been discussed.

… while regional energy demand continues to grow

The Dolphinus export agreement to Egypt supplies gas to the domestic market, where demand is estimated to be growing at 8% p.a. New gas fields have been discovered, but production from mature reserves is declining at c10% p.a., creating a need for further imports.

Ithaca Energy Expanding into the North Sea

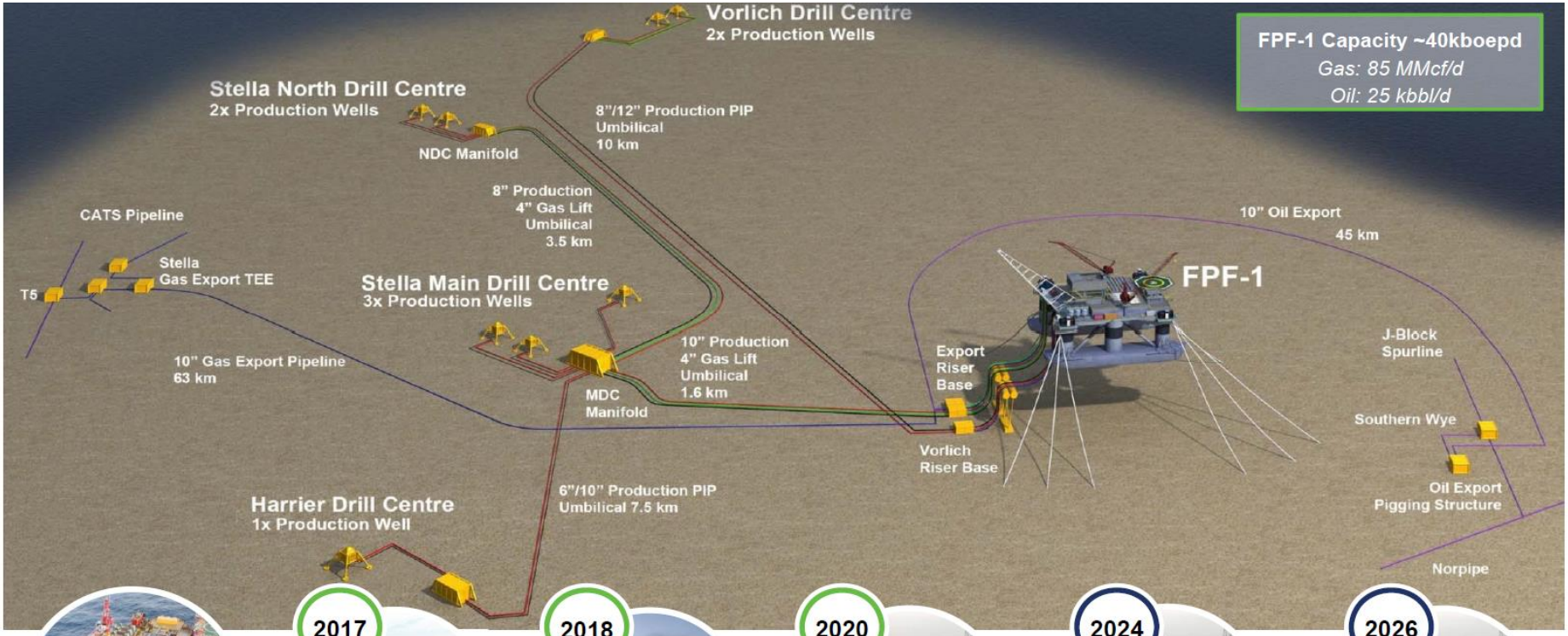
Delek Group

- Delek Group purchased 100% of Ithaca Energy, a UK oil & gas producer, in June 2017 at a valuation of cUSD650m.
- Ithaca is focused on the UK North Sea's Greater Stella Area, a sector with potential c200mboe in reserves, located in relatively small, discrete fields
- Ithaca bought out its partners in the FPF and associated reserves for USD130m in August 2018.*
- This deal should increase Ithaca's average production to 22k boed from 15k, reduce annual 2018 operating costs to USD18/b from USD19, and add 20m boe in reserves.
- Aim to further utilize the FPF's c40k boed capacity though connecting to new fields and producing for 3rd parties.

*Transaction to close in coming weeks. USD130m net price after adjustments for intra-year cash generation.

Greater Stella Area

Delek Group



FPF-1
***Production* Facility**

2017

Stella

2018

Harrier

Dual-lateral Well Tie-back
14MMboe 2P Reserves
~$65M 2017-18 capex

2020

Vorlich

2 Well Tie-back
8.5 MMboe 2P Reserves
~$100M 2018-20 capex

2024

Austen

2019 FDP
Planned

2026

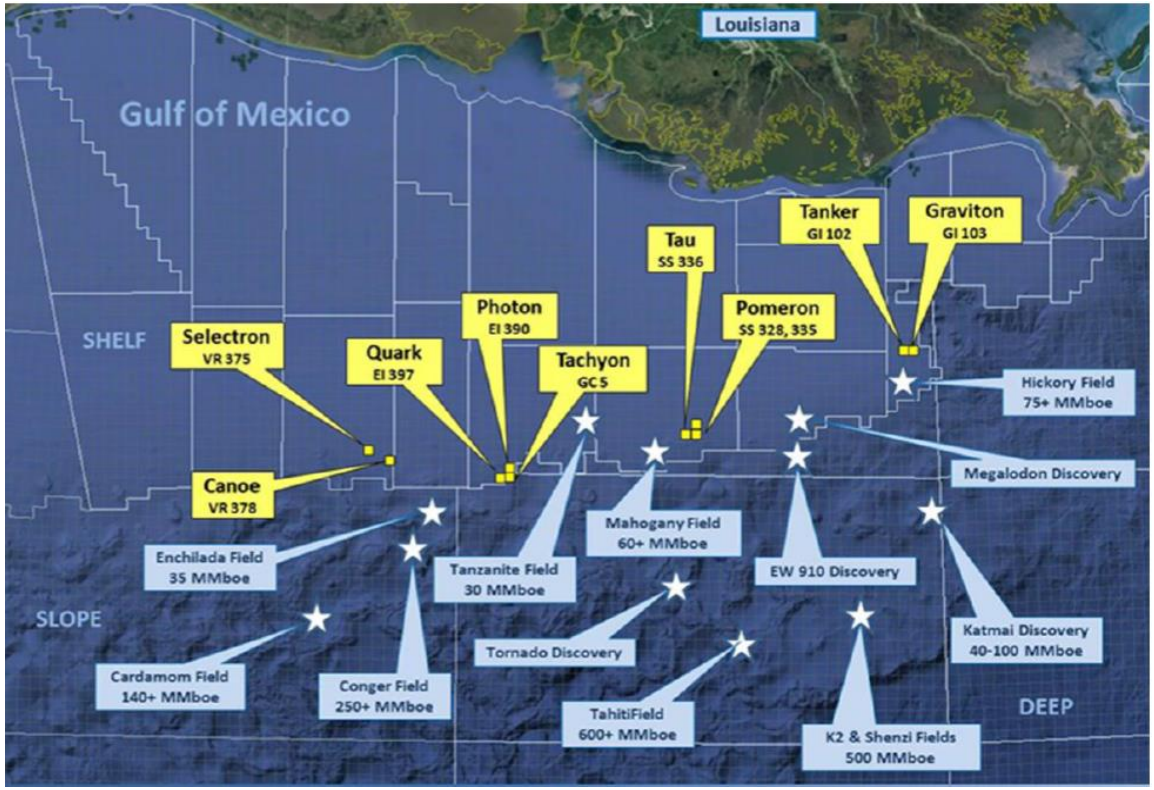
Hurricane

2019 FDP
Planned

Note: All reserves and capital expenditure figures are net to Ithaca. Reserves as independently estimated by Sproule International Ltd, as of 31 Dec. 2017.

Drilling in the Gulf of Mexico

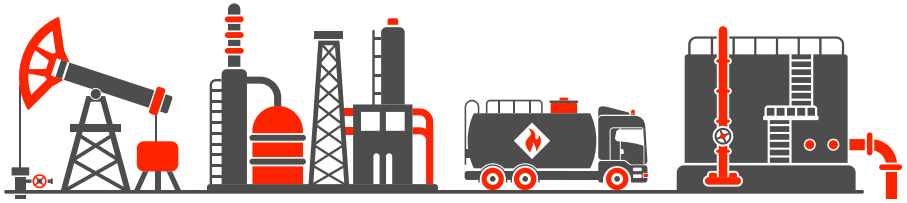
Delek Group



- **Canoe:** Completed in August 2018. Layers of sand were found with oil, but sealed pending further analysis.
- **Tau:** Now in progress, 100m water depth, 6-8km range.

- Delek Group is working with GulfSlope Ltd to explore the “slope” between the shelf and deep water areas of the Gulf of Mexico
- Currently hold rights for 9 prospects with geological chance of success at more than 40% on average for prospects of 400m boe.
- Water depth is 150 meters, drilling range between 3-8km sub salt. Approx 1.8bn boe have been discovered or are producing in proximity.
- Two drillings planned for 2018 at a cost of USD50m for 75% of rights.

Optimizing the Asset Portfolio

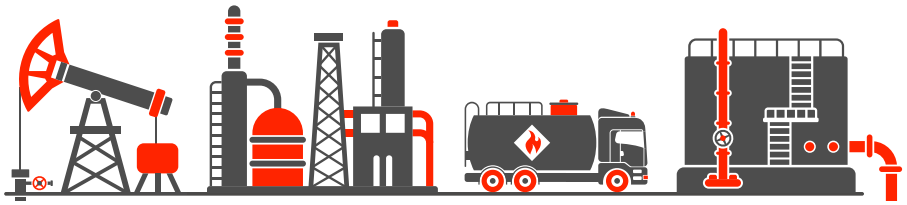


Delek Group has been very active in portfolio optimization and asset sales during 3Q18. This frees up cash for debt reduction, dividends, and most importantly, further E&P investments.

- Successful **delisting of Delek Energy** subsidiary in October 2018, simplifying holding structure and increasing financial flexibility.
- Sale of 16% of shares (via swaps) in the **Phoenix Insurance** company, while continuing to seek a strategic buyer for the remaining 30% control stake. cUSD180m in cash already generated, with potential for an additional USD455m.*
- Sale of the remaining 22% stake in the **Tamar field**.
- Advancing in negotiations to sell 60% of stake in **IDE**, potentially generating USD120m.
- Sale of **electricity generation** assets to Delek Israel for USD130m.

*As at current market price on 08.11.18

Fresh Capital for New Investments

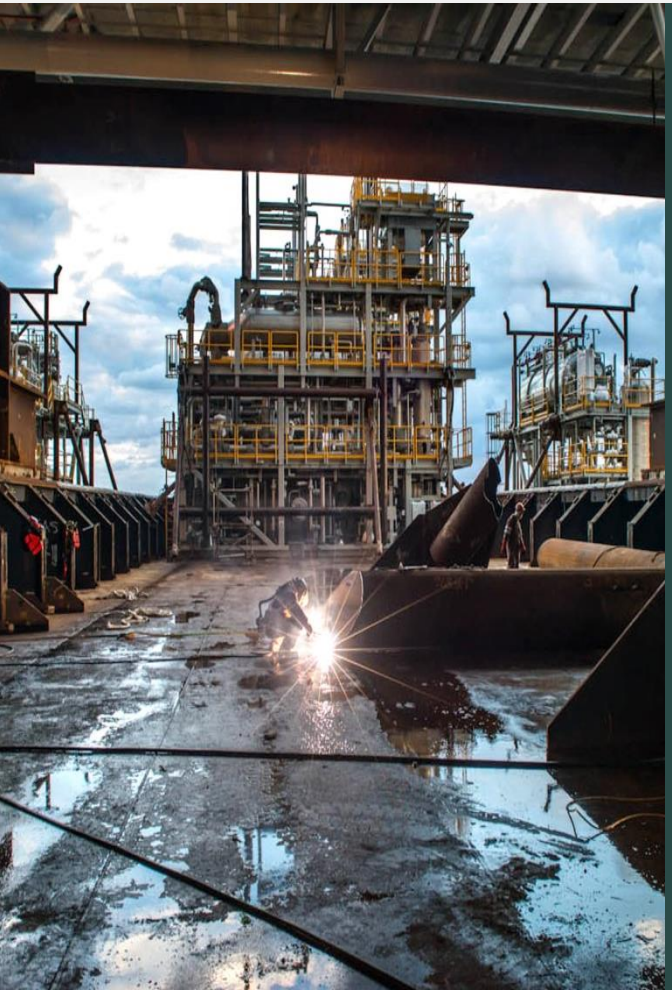


Delek Group aims to transform itself into a global E&P concern. The final stage of this evolution involves acquiring new exploration and production assets.

- Along with funds from disposals, Delek Group would seek to **raise new capital** to drive expansion of global E&P activities.
- Expanding in the **North Sea**, whether within Ithaca Energy's current footprint or other regions.
- Currently engaged in drilling activity in the **Gulf of Mexico**, but searching for ways to materially increase presence in this area.
- **Focus on purchasing assets** rather than shares or companies; favouring regions with clear regulatory framework and production infrastructure in place.

To Sum Up …

Delek Group



Delek Group is evolving into a focused, global, E&P operator. Some major objectives to attain this goal include:

Delivering East Med assets

- Completion of the Leviathan project by YE2019
- Successful commencement of gas exports to Egypt via the EMG pipeline in 1Q19

Divestments and capital allocation

- Selling the stake in Phoenix Insurance & Tamar
- Seeking fresh capital for new investments

Expanding operations globally

- Connecting to new reserves and 3rd party production at Ithaca's Greater Stella FPF
- Gulf of Mexico drilling program
- Considering assets in the North Sea & GoM

Appendix

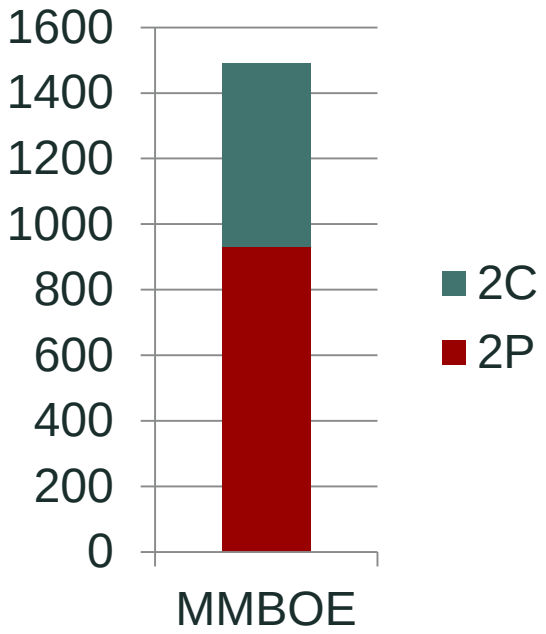
Delek Group

East Med Royalty Schemes

	Field	Working Interest	Received Royalty as a % of Revenues
	Tamar	Delek Drilling & Tamar Petroleum 31.25% (1)	Delek Group 6.5% (3) Cohen Development 1.4375%
	Leviathan	Delek Drilling 45.34%	Delek Group pre payout 3% (3) (4) Delek Group post payout 6.5% (3) (4) Cohen Development 1.4375%
	Karish & Tanin (2)	Delek Drilling 52.94%	Delek Group pre payout 3% (3) (4) Delek Group post payout 6.5% (3) (4) Cohen Development 1.4375%

(1) Delek Drilling spun out 9.25% working interest in the Tamar field into an SPV named Tamar Petroleum. This entity pays royalties in the same manner as Delek Drilling, and the two are combined the purpose of this slide.
(2) Sold to Energean Oil & Gas plc in 2017, but will pay royalties based the indicated pro-forma working interest.
(3) Royalty is spilt between Delek Group and Delek Energy, a 100% owned non-public subsidiary.
(4) "Pre payout" refers to whether Delek Drilling has recovered its investment in developing the field. Up until this point, Delek Drilling is entitled to a reduction on the royalties it pays.

Delek Group 2P+2C Reserves

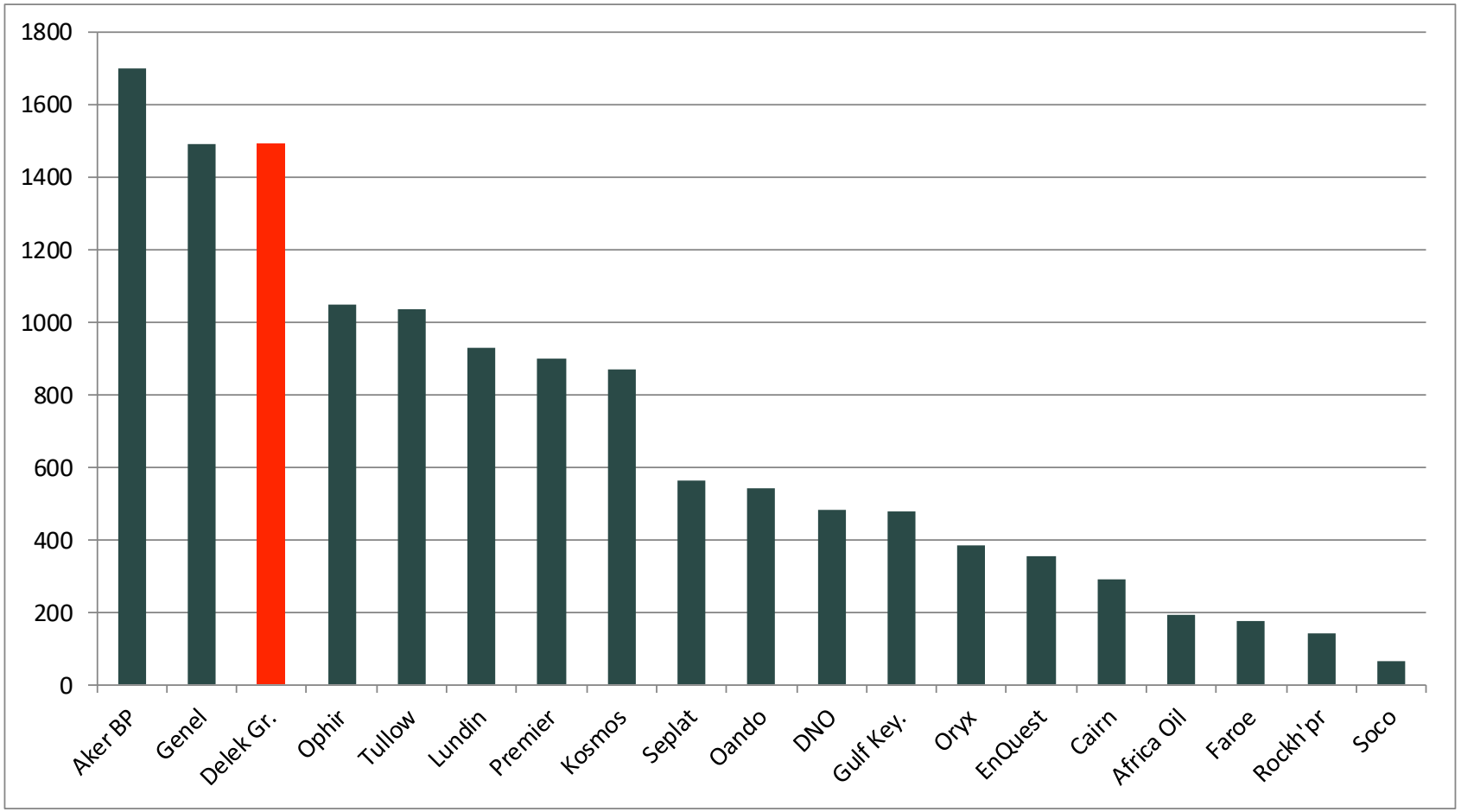


Delek Group Gross Economic Interest 2P+2C (Based on FY 2017 including Ithaca Energy post partner acquisition)
MMBOE
~ 1500

Delek Group Daily 1H18 Production, boe/d

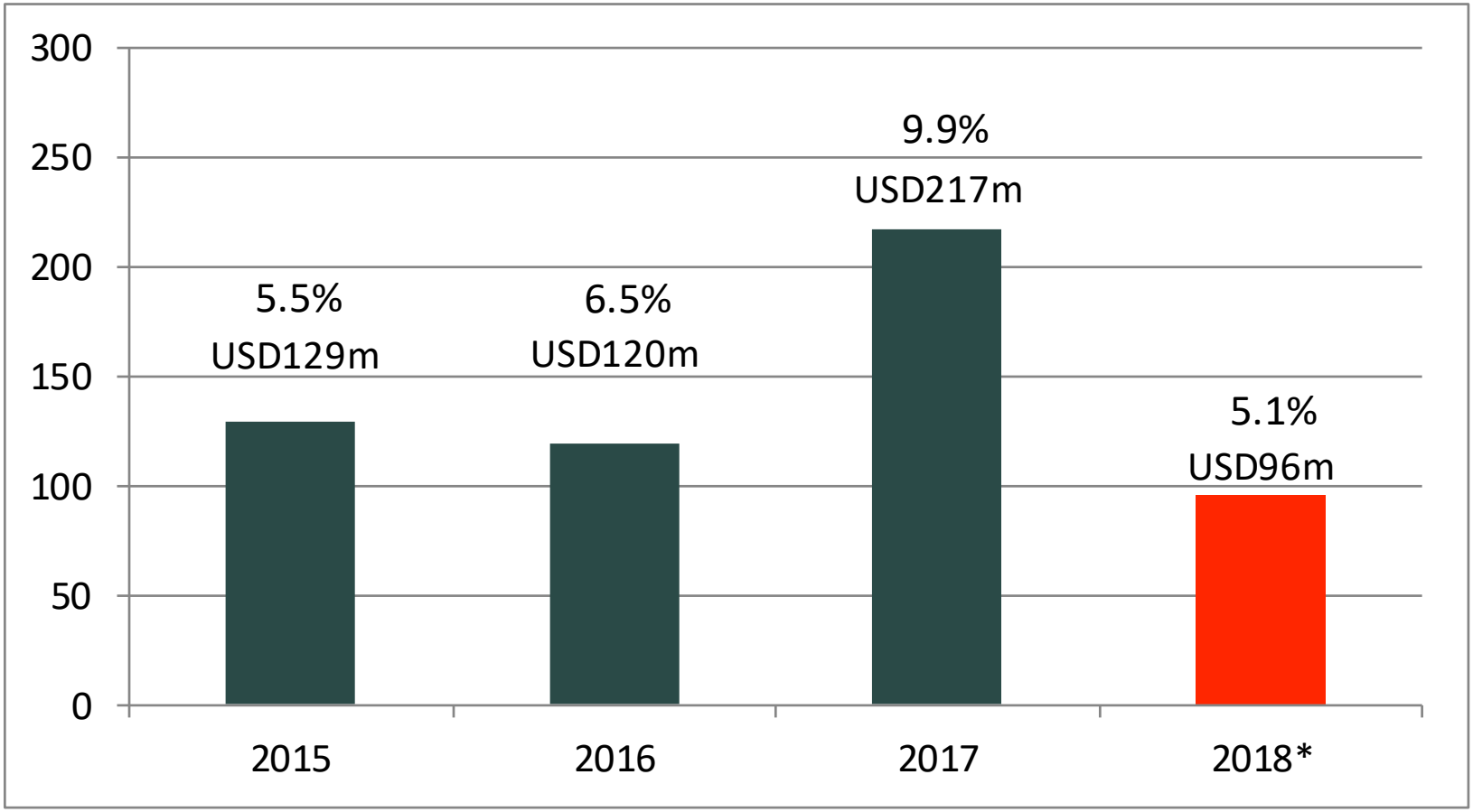
Economic interest in Tamar	26,000
Ithaca Energy (current)	15,000
+ Ithaca Energy (partners acquisition)	7,000
Delek Group Total	**48,000**

Delek Group Peer Reserves Benchmarking



Source: Bank of America Merrill Lynch

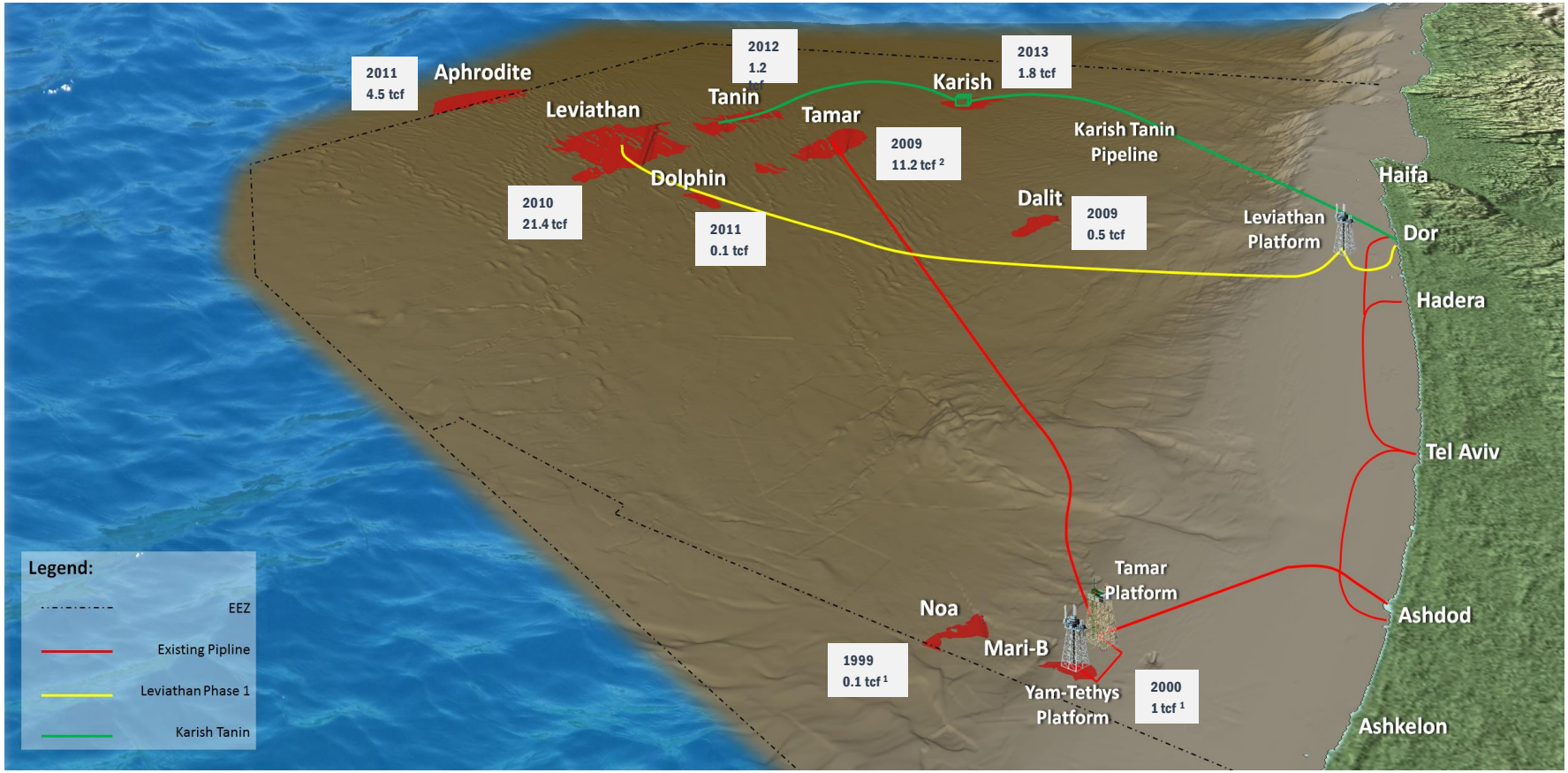
Dividend Payout and Yield 2015-18



*Calculated using average USD/ILS and Delek Group share price for each year. 2018 for 1-10/2018.

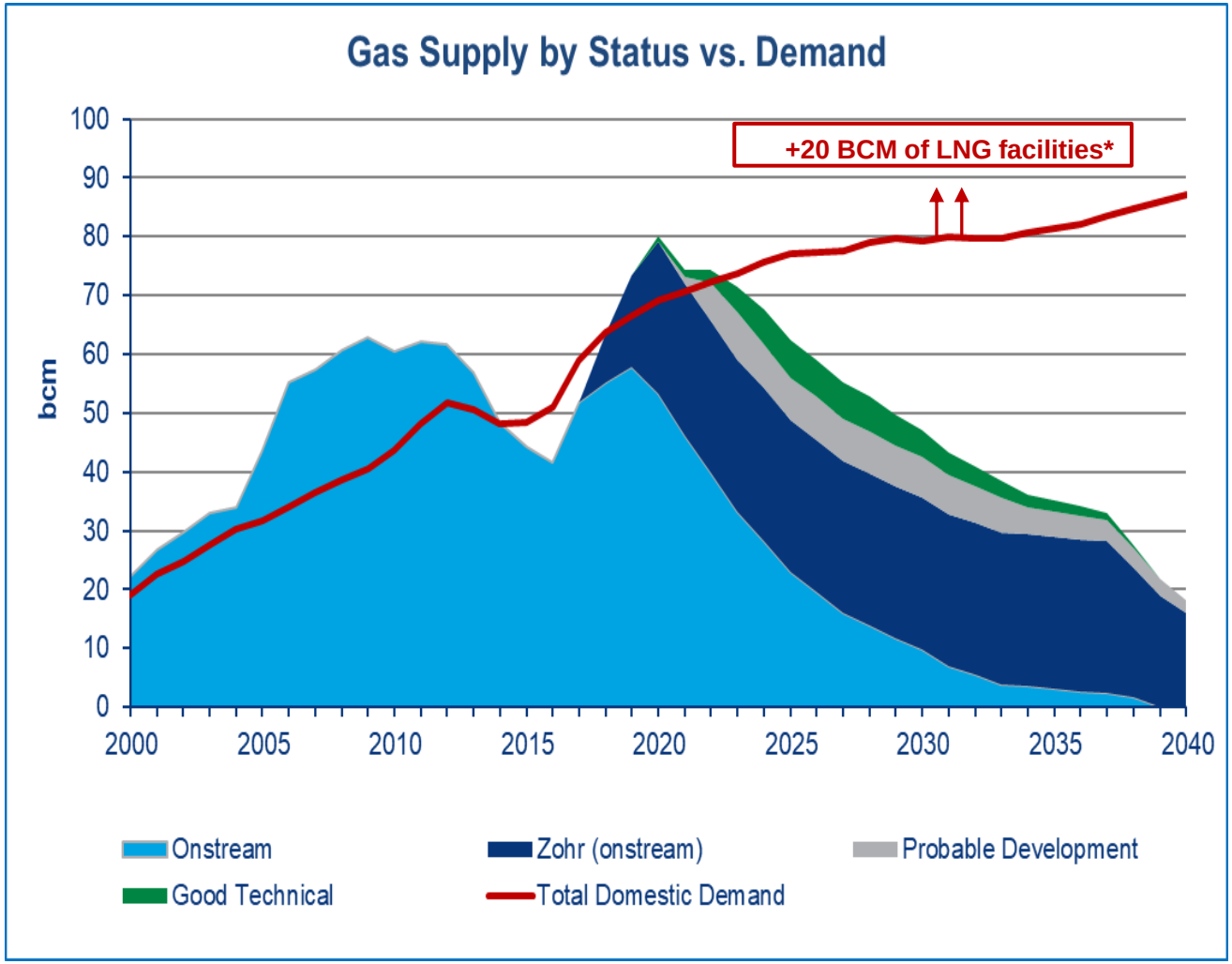
Over 42 TCF discovered offshore Israel and Cyprus

Delek Group



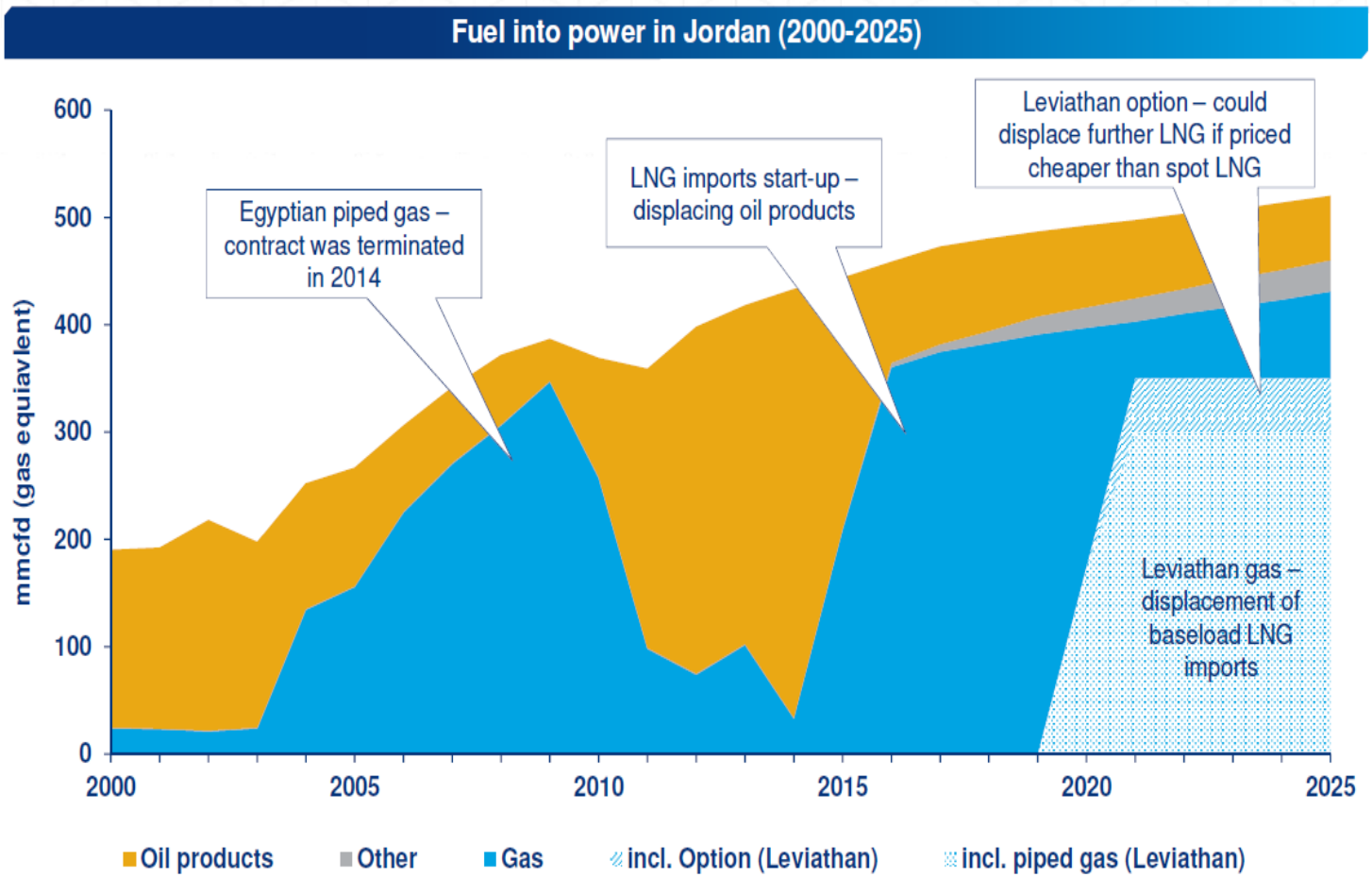
Resources: 2P + 2C + Prospective (2U), based on NSAI reports.
[1] Estimated ultimate recoverable; Now almost depleted and classified as negligible petroleum asset, [2] Estimated ultimate recoverable (as of 02/07/2017)

Domestic Egyptian Gas Demand



Source: Wood Mackenzie . *The demand shown does not include requirements of LNG facilities at Damietta and Idku

Leviathan Gas as a Part of Jordan's Energy Mix



Source: Wood Mackenzie . Assumes Leviathan sales volumes at 300 mmcfd, with option for an additional volume of 50 mmcfd

EMG Pipeline Transaction

Arbitrating parties

Merhav MNF Ltd	Merhav Ampal Grp	Merhav Ampal LP	EGI - EMG LP
8.2%	8.2%	8.6%	12.0%

PTT	EGPC	MGPC
25%	10%	28%

East Gas (50%), Nobel Energy (25%), Delek Drilling (25%)

EMED
39%

East Gas	PTT	EGPC	MGPC
10%	25%	9%	17%

Pipeline of 26” diameter, 89 km (85.4 km subsea), from Ashkelon to (Israel) El-Arish (Egypt). Nameplate capacity of up to 700 MMcf/d (~7BCM/y), potential expansion up to 900 MMcf/d (~9 BCM/y). Design and construction by Allseas Marine & Technip.

Thank you

Delek Group

Yonah Weisz
Head of Investor Relations
yonahw@delek-group.com
+972 9 863-8443