

This is a convenience translation of the Hebrew transcript of the Conference Call that took place on December 24, 2014 concerning developments related to the Israel Antitrust Authorities. Only the original Hebrew audio recording, which can be found on the Company's website, is true and correct.

Delek Group Ltd

December 24, 2014

Moderator: Good morning, welcome to the conference call of Delek Drilling, Avner and the Delek Group about the announcement of the Antitrust Commissioner. For your information, all participants in this call are in listen mode only. After the presentation there will be the possibility to ask questions. Instructions about being able to speak will be given in due course. For help during the conference call, please press the star and zero keys. For your information, this conference call is being recorded, today, Wednesday December 24, 2014. Before I hand over the call to Ms. Dina Vince, Investor Relations Coordinator at Delek Group, I would like to point out that apart from historic data provided during this call, it is possible that data and/or results will be mentioned that are forecasts, including both risks and uncertainty. The Company's results may differ significantly on account of various factors, as detailed in the Company's prospectus and its reporting to the regulatory authorities. This conference call does not replace the need to study the Company's latest periodic reports and quarterly forecast information, which include the full information concerning the Company, including information that is considered "forward looking information" in its meaning in the Securities Law. I will now hand over to Ms. Dina Vince. Ms. Vince, please.

Dina Vince: Thank you. Good morning everyone and thank you for participating in the conference call about the decision of the Antitrust Commissioner. With us today are Mr. Gabriel Last, the Chairman of the Board of Delek Group, Mr. Asi Bartfeld, the CEO, Mr. Gideon Tadmor, Chairman of Delek Drilling and CEO of Avner, Mr. Yossi Abu, CEO of Delek Drilling, Mr. Yossi Gvura, Deputy CEO of the Delek Group Gas Partnerships, and Ms. Irit Shadar Tobias, Legal Counsel of the Delek Group Gas Partnerships. Asi will start off, after which Gideon will give a strategic overview, and after that we will open up the call to your questions. Asi please.

Asi Bartfeld: Good morning everybody and thank you for taking part at such short notice. We obviously wanted to make this call together with the managers of the Partnerships as we usually do, and we want to open a dialogue with our shareholders, but we will make every effort of course to be transparent in all the information we share with the investors. I think this will be good for all the parties. Despite this, I do not believe at this time we can reveal a great deal because we too do not know much more than what has been published. I only wish to say one thing, when I see the media, the criticism and the headlines, when I look at the decision of the Authority as it appears on the website of the Antitrust Authority, which everyone can enter and see, one can see that the wording is much milder at least than what was described in the press yesterday that there is a decision, what is being done and how; what I read there is that the Antitrust Authority is reconsidering issuing a ruling that entry of Delek into Leviathan is a restrictive arrangement that has not received the court's approval etc etc; everyone can see for themselves. That's to say, that what is clear at the moment is that I think they don't know and we

don't know what will be decided. So I am of course not expressing any criticism, but it seems to me that the headlines and the panic were overstated. I will now hand over to Gideon who has taken the lead and is more familiar with the details, and afterwards if there are questions we will of course be pleased to answer them.

Gideon Tadmor: Thanks Asi. Thanks again for taking part in this call. I think it is important to keep the dialogue open, and we will update you with events as they happen. I would like to place these events in their time frame, both so you can understand how they developed and how the entire Israeli economy was caught unprepared by the Commissioner's decision, and to explain what is the Commissioner's decision and what are its rights as we understand them, and how the process is meant to proceed; again, as much as we understand it and things are changing from one hour to the next, so that what I am saying is only correct right now as I speak. Up until the end of last week, including a check we carried out at the end of the week, we did not feel but knew that the arrangement made with the Antitrust Commissioner, which we signed on March 27 and in which we are selling Karish and Tanin, was the arrangement that would be submitted within a very short timeframe to the Antitrust Court for approval. That is the confirmation we received and the situation we were in, and so of course in parallel we had instituted all the processes, and you know what they are, to advance the development of Leviathan, to progress the agreements, both of the exports and of the long-lead items, all as presented by us, because we knew the Antitrust system, but the whole government too was synchronized in this direction. When I say the whole government, we definitely knew that in the Locker Committee the subject of the arrangement with the Antitrust Commissioner had received

the support of all the regulators and of the government ministries; we also know that the Ministry of Energy specifically supported it, and therefore approval of a change in the borders that was in fact a condition precedent to the arrangement was approved by the Petroleum Council and we had actually fulfilled the conditions precedent. That was the situation up until Sunday midday. On Sunday at midday we received a message that we were called on to attend at the Antitrust Commissioner on Monday evening, and that they wanted to talk to us about the arrangement but were not prepared to provide details; we did not know what we were going to hear, just that we had been called to the office of the Commissioner. In parentheses or not, I must say that to the best of our knowledge, the whole government was taken by surprise by this event, and information started to flow to them only on Sunday night. So even during Monday it was still not clear what was going to happen except that we were convened to the Commissioner's office and were there at six thirty in the evening. There in fact we received the Commissioner's announcement, that notwithstanding the long process that had taken place, over three years, and despite the agreement signed by us and supported by him nine months ago, despite all that, they had decided to consider submitting the arrangement to the court for approval. That was the status of things on Monday evening, and Tuesday we issued an Immediate Report to that effect. When we posed the, I would say banal, question, what happened in the last couple of days, what happened, what's going on? But we did not manage to get an answer what exactly happened and what caused him to make such a drastic change to a process that according to one and all was at its final stages. We asked one more question, did he want to make changes or does he

have a proposal for various changes? Here too we got no answer with formulated ideas for changes. When we came and said, listen, we are here to hear if you want to make changes, we are prepared to hear what these changes are, but again we didn't really have anyone to talk to. I must say that at that meeting, Noble, which was of course present, presented a position in keeping with its position throughout this process, including a press release that Noble sent out last night in which they say unequivocally that there's been a change here in what was agreed, the certainty has been undermined, we cannot accept it and we are looking at all the proceedings available to us, including proceedings that are unique to Noble, of international arbitration. These words were spoken at the meeting with the Commissioner. Yesterday morning we were notified by telephone and afterwards they published on their website, that in fact, after the discussion they had actually decided. Before that they were considering, now they've decided not to file this agreement for approval and they are now considering returning us to 2011, which was their state of mind when they were deliberating about issuing the ruling that Delek and Noble entering Leviathan was a restrictive arrangement. That was the notice they issued in 2011, when the whole process with them started. And of course we issued an Immediate Report about it. Now there has clearly been a very significant event, but we have to understand that this event caught the government ministries unawares and the ministries are determined to see, and this is what we have identified, how this event is "inclusive". That's a new word, "inclusive", a solution is worked out among the various entities with a tight timetable, because the good news is that the government system and the regulator recognize the huge importance of the development of Leviathan on schedule. That's a task

we took upon ourselves. The significance is economic, of course: there are announcements about lowering electricity tariffs, if I'm not mistaken, by 9.8%, 10% if I understood correctly. Everyone knows it's only because of the gas, everyone understands that the survival of IEC, the economic survival, is made possible only because of the gas. Everyone knows the great importance of creating strategic redundancy of developing another reservoir and connecting another pipe in the north because of Leviathan, everyone understands the revenues, anyone who reads the Fitch and the latest rating company reports can see that gas appears there as a significant component in Israel's economic strength, and of course the privatization of the electricity economy and the ability to build more power stations because of the extra gas, and everyone also understands that Tamar, without the addition of Leviathan, within a short time will not be capable of meeting the demands and the supply in the Israeli economy because its capacity is in fact fully used and last year, at the end of 2013, we were already witness to a number of days when we were unable to meet the full demand, and that was before Dalia came on line and before other consumers entered the natural gas market. So the fact that Leviathan is critical is well known to everybody, so it could well be that this process is one in which the Commissioner is actually looking for broad support from others in the government – see Avi Licht's letter, which talks about how it is important that important processes such as Leviathan are processes with what I would call a joining together of all the regulatory and government powers. But there's another layer here, which is a layer that I think you've also heard about in the media, and that is the political aspect layer. Because we were and still are at an advanced stage of negotiations to produce gas from Leviathan both for Egypt in an

arrangement with BG and for Jordan, that is a very, very important strategic component which is not only recognized in Jerusalem, but no less important, has the recognition and very active support of the US government. Therefore we have no doubt, and that's an understatement, that the US will see what has happened as something that needs to be resolved very quickly because of the political interests of the US administration. So the US is looking at this from two angles: Noble and the status of the largest foreign investor in Israel with the legal ability that stems from the fact that it's a foreign investor investing in Israel, and the US government, because of the implications, and I think that this recognition in Jerusalem of the importance of developing Leviathan as soon as possible, the reinforcement that comes from our American partners, all these create a strength multiple and generate the dynamic that we are in the midst of right now, of trying to find a solution that will enable us to overcome this bump in the road and to move forward according to the plans for which there is a national consensus. In this context, the Prime Minister decided yesterday, and it was published, to appoint Eugene Kandel as chairman of the Economic Council in the Prime Minister's Office. He will be "the responsible adult", who will try to coordinate the solution and we definitely welcome this and we will cooperate, of course, with any process that is positive that tries to resolve this matter. That's where we are now. Of course we have made no decisions of any kind. The whole matter is new and we are following it and whoever sees us, we are being interviewed and meeting whoever is relevant and we definitely want to see how this matter can be resolved. I think as far as the Commissioner is concerned, his decision, as Asi said, is a decision in which he is considering making the ruling, subject to a

hearing; no date has been set for a hearing but a date will be set and I assume it will be mid-to-end January, at least as far as Noble are concerned because of their holidays and the need for people to get here. And during that period we will of course make every effort to resolve the problem and perhaps emerge from it in a sense, in a way that might bring greater unity in the government system that will allow us to proceed as fast as possible with the development of Leviathan. We have not taken our eye off the ultimate goal despite what has happened. One other remark that could be relevant to our regional vision – the development in Cyprus. As you know, the ENI drilling in Cyprus was declared dry, which has given rise to a sense of déjà vu, we're the only show in town, in Cyprus, because that's the situation. The Cypriots are also now looking very closely at the possibility of linking Cyprus to Egypt in a fast move. And of course, relations between Cyprus and Egypt are not burdened with the geopolitics that define relations between Israel and Egypt. So there is another element here that can definitely promote the development of Cyprus as events unfold in Israel. I think these are the updates we wanted you to know about. And if necessary we will of course initiate more conference calls and as ever, we are ready to hear and answer questions in real time. We are now opening the discussion for questions. We don't have much time so we can only answer a few.

Moderator: Now let's move on the questions and answers. To ask a question, press star one; to cancel the question press star two. If you are listening to the call on a speaker, please lift the receiver before pressing the keys. Please wait while I gather your questions. First question, Ella Fried of Bank Leumi.

Ella Fried: Good morning. Two questions. One is procedural and the other is a more

material business question. The procedural one relates to the process due to all of these publications, and maybe it appears somewhere in the financials and we missed it. It's not clear whether the catalyst for the Antitrust Commissioner in this whole process is the claim that when Leviathan entered, it did not have a permit for the restrictive trade practice prior to drilling. The question is whether this process began immediately upon discovery or if, actually, it has been going on for so many years already, or whether there was a major delay in the beginning of this process?

Gideon Tadmor: So, I won't repeat all of the claims, but there is no doubt that his main allegation of a restrictive arrangement relates to the fact that before we entered into Leviathan, he claims we should have received the approval of the Antitrust Commissioner, the legal examination we conducted at the time and that is our steadfast legal position today as well, and we have stated repeatedly that the situation did not require us to obtain approval from the Antitrust Authority in any way, shape or form. This is our claim, but this claim isn't detached from the events that occurred. In the events that took place, and I say this without expanding, the Antitrust Authority was completely aware of the fact that we were entering Leviathan, when we entered Leviathan and shortly after we entered Leviathan. Everything was open and known, not only because we are a publicly traded company, but we know specifically that they knew of it, and no, I'm not talking about the Ministry of Energy. That obviously goes without saying, as they granted us the license. I'm talking about the Antitrust Authority.

Ella Fried: Yes, yes. That's clear.

Gideon Tadmor: It was aware of it, and therefore this claim is a very weak one. They

are trying to rely on it to get the market in order, as they see it, and to generate competition.

Ella Fried: But it actually, excuse me for minimizing it for the discussion, I don't even know what to call it, regulatory, but actually it's the reason for all the active intervention.

Gideon Tadmor: I would say that it's the excuse. OK?

Ella Fried: OK. It is the formal reason, and if we assume it's proven,

Gideon Tadmor: Ella, listen. This, let me repeat myself, relates to the issue of the restrictive arrangement. But let's not forget, we are a monopoly. Let's not forget that the Antitrust Commissioner has additional tools that aren't necessarily in this context. To impose some type of restrictions due to the fact that we have the status of a monopoly. There's not much to do. That's the situation, it's the status. It's not an offense to be a monopoly. It's a status.

Ella Fried: No, it's a natural monopoly at this point as well.

Gideon Tadmor: That we find ourselves in. And that's why we don't want to fight with the guard. All we want is to reach a situation in which we can, over time, establish high-investment development and produce gas. So the reason or the "excuse," as I call it, that's what I said, right? But it's completely clear that in the Antitrust Law and other legislation as well as in the centralization Law and even the changes they now want to make to the Antitrust Law, there are all kinds of regulatory tools in Israel and therefore at the end of the day to reach agreements with the regulator. That's been our long-standing policy, and it's the right policy.

Ella Fried: OK. Thank you. The business question, to the extent you can go into detail, is whether this doesn't actually seriously hurt negotiations, because the customers in Egypt at least, the LNG terminals that have

experienced a fair amount of suffering and upheaval, and the question is whether this doesn't have a major negative impact on current business. It's clear that this, the question is more one of to what extent, not that they have many alternatives, but to what extent can, let's say, hurt your ability to reach agreements, your credibility, etc.

Gideon Tadmor: Ella, this event is what's happened, it's happened as we speak, and it is also live or better stated, fresh. Therefore I also stated the timetable so that everyone could understand the timetable we live with, and that's why it's still too early to judge its results, its impact and implications. We're keeping everything that's happening, even in terms of the financing and negotiations and in terms of the window of 2018, we're keeping everything open and relevant and alive, where of course at some point we will need to assess the situation and make decisions. At this time, no decisions have been made. No decisions and no messages have been received from other parties we're in contact with that change our work plans. Having said that, we need to monitor the process. I'm not trying to minimize what happened, and that's why I provided a full description, but I am trying to be precise in the fact that we, that it's still too early to know the implications, and our task as a responsible management, as we have done for many events that you all, most of you, have been through with us in recent years, is to manage the event this way, so that at the end of the day it does not divert us from our strategic goals.

Ella Fried: Good. Thank you very much and good luck.

Gideon Tadmor: Thank you.

Moderator: Next question. Dror Miller, GSE.

Dror Miller: Hi everybody. I'd like to understand one thing here. Gideon, you spoke about the fact that all in all we are dealing with some kind of decision,

where the Antitrust Commissioner is going back on some compromise he had reached with you, and you claim that this story of a restrictive arrangement in 2011 is a trivial matter and has no effect. So, I don't understand the discrepancy between an event which is ostensibly technical and something that is perceived as very, very significant if, all in all, we're dealing with something you claim is trivial anyway. And a second question, during this period, did you request an exemption from deadlines, restrictive arrangement or some mechanism, and if not, why didn't you do so during this period.

Gideon Tadmor: I evidently didn't explain myself well, because I really didn't say what you said. The event is a significant event, and I think I've said that innumerable times over the past six months. The event is significant, and I'm not trying to minimize it. What I said or responded to Ella's question, what was, what is the legal reason? And I said that the legal reason or more aptly, the legal infrastructure that got the process rolling in 2011 in our humble opinion, according to the advice we received from our attorneys, this legal infrastructure is weak in light of the facts that were known to all. The fact that the Commissioner used this infrastructure to initiate a process with such significant relevance - those are two different things. And that's why I was very precise, and that's the answer. Now, regarding the process, going forward, this process, what is expected of it, as I said previously, we'll see how this all develops. By the way, we, all of our negotiations were conducted with the approval and knowledge of the Antitrust Commissioner. The Antitrust Commissioner also receives full information from us, regardless of our contracts, and also about the negotiations when we opened Leviathan for export, it was done with his approval, so from a legal perspective, we worked with full knowledge

and according to all of the required approvals.

Dror Miller: What is the meaning of the declaration of a restrictive arrangement as far as the sanctions that can be imposed on you, if any?

Gideon Tadmor: We won't get into it, because here, too, there can be a wide range of things, separation of one kind or another, it's not a situation where they take away the asset.

Asi Bartfeld: I have a request. Lots of people are participating, so I ask that all of you restrict yourselves to a single question. Otherwise we'll spend the entire day here.

Dror Miller: No problem.

Asi Bartfeld: Thank you. Let's move on.

Moderator: Next question. Itay Dayan, Psagot.

Itay Dayan: Good morning everyone. I wanted to ask whether this situation is delaying the possibility of Tamar signing a contract with Egypt that we could understand might be signed as soon as the first quarter of the New Year, and in the same context with Cyprus, with Block 12, could be another source for the same contracts with BG or UFG, thank you.

Gideon Tadmor: Itay, I think that the question is, of course, a good question, but I think it's still too early to relate to those issues. What I previously stated is that we are keeping all of our plans alive and, therefore, we're not making any changes to any of our plans, including regarding Tamar, and regarding the agreements with Egypt, I also said that the option opened for Cyprus, on which we also reported and discussed as another option, and this option, of course, exists, and can also be taken in a variety of directions. But beyond this and beyond the fact that we are still keeping all of the options we worked on, I don't have anything to add at this time.

Itay Dayan: Gideon, please, just be more specific about Block 12. Even previously,

before the current issue, there was potential for exports to Egypt, not at the expense of contracts that are currently under letters of intent. Is this the situation? Is this what you meant that it's an option in what you said this morning?

Gideon Tadmor: I said that the Egypt option was relevant all the time, as you noted, regarding Block 12, of course if there are changes here, we know the partners in Block 12 fairly well, and we'll talk to them and see how we can actually create the right synergy between what is happening in Israel and what is happening in Cyprus.

Itay Dayan: Thank you very much and good luck.

Gideon Tadmor: Thank you.

Moderator: Next question, Merav Sharony of Leumi Partners.

Merav Sharony: Good morning. A small question about the procedures. You mentioned that the decision made yesterday is subject to a hearing, so only to understand what that means. Is this hearing to the point or is it actually a rubber stamp for the process, and also the comments from the Prime Minister's Office, which to my understanding, has no authority over the Antitrust Commissioner, so who is responsible for initiating and examining the processes for this decision. Does it necessarily mean that you will need to sell one of the reserves or is it,

Gideon Tadmor: Somewhat complex questions, but let's take them one at a time. First, regarding whether the hearing is to the point, it's unthinkable that it wouldn't be and that the hearing wouldn't relate to the matters raised.

Merav Sharony: Before whom is it? Before whom is the hearing?

Gideon Tadmor: The hearing is before the Commissioner, and after the hearing the Commissioner needs to decide whether he rules that it's a restrictive arrangement, and then, of course, we can then turn to the court. So we

are looking at another proceeding here. So that's that aspect. Regarding your second question, regarding the Prime Minister in the status of Eugene. You're right. He doesn't have a formal status, but I think that's his strength. That he doesn't have a formal status. After all, they're not changing the Antitrust Law. The Antitrust Law is fixed as are the Commissioner's authorities, but and by the way this is in line with the letter from Avi Licht, as the Leviathan event is so important for the Israeli economy, they're looking here for a responsible adult who is capable, with his moral authority, let's call it, or with the authority derived from his position, and Eugene has both personal-professional authority and not only the fact that he is the senior economic authority in the Prime Minister's Office, I think those are the things that give him the power and ability to bring all of the people around the table and to create here potential with a solution that will be acceptable for everybody and that won't only resolve this problem, but will also resolve other problems that could have otherwise popped up along the way. Thank you. I'm sorry, but we have room for only one more question. So fight it out between yourselves.

Moderator: OK. Last question, Gilad Alper of Excellence, please. Gilad?

Gilad Alper: Hello? Hello?

Gideon Tadmor: We hear you, we hear you.

Gilad Alper: Ah, great. Good morning. My question relates to the story, the possibility that the compromise we'll see in the end won't be much of a compromise that will force you to sell Tamar. The question is A, how long, assuming theoretically that this happens, are we looking at a very long process, and I assume that it is. And B, in parallel to the process of selling Tamar, is it possible to also start developing Leviathan and sign contracts? Can these

things happen together or is there some reason they can't happen together?

Gideon Tadmor: The answer will be short. This option is currently not on the table.

Gilad Alper: Not on the table. Good. Thank you.

Moderator: There are no more questions. I'm handing over the floor to Mr. Bartfeld.
Mr. Bartfeld, a summary please.

Mr. Bartfeld: OK. Thanks to all of you. I assume that we couldn't answer all of the questions, so as we always say, the lines are open and you know the phone numbers. Feel free to call, and we'll answer whatever we can, and if we have something to say, we will. And if we need to hold another conference call, we will. So, we'll try hard to keep the lines open with all of the investors, because I assume that like all publicly traded companies, we have thousands of investors, and all of them want to know and we'll be happy to share everything we know with you. Thank you all and have a good day.

Moderator: Thank you. The conference call with Delek Drilling, Avner and the Delek Group is now over. Thanks for taking part and have a nice day.

This is a convenience translation of the Hebrew transcript of the Conference Call that took place on December 24, 2014 concerning developments related to the Israel Antitrust Authorities. Only the original Hebrew audio recording, which can be found on the Company's website, is true and correct.