Delek Drilling – Limited Partnership
(the "Partnership")

September 27, 2018

To:	To:
Israel Securities Authority	Tel Aviv Stock Exchange Ltd.
22 Kanfei Nesharim St.	2 Ahuzat Bayit St.
Jerusalem	Tel Aviv

Dear Sir/Madam,

Re: **Engagement in agreements for the purchase of EMG shares and the purchase of rights in the EMG pipeline**

Further to the provisions of Section 7.12.2(b)2(b) of the Partnership's periodic report as of December 31, 2017, released on March 21, 2018 (Ref. no. 2018-01-022209), the Partnership's immediate report of February 19, 2018 (Ref. no. 2018-01-013578) regarding the signing of two agreements between the Partnership and Noble Energy Mediterranean Ltd. ("**Noble**") and Dolphinus Holdings Limited (the "**Dolphinus Agreements**" and "**Dolphinus**", respectively) for the export of natural gas to Egypt from the Tamar and Leviathan reservoirs, the Partnership's immediate report of March 7, 2018 (Ref. no. 2018-01-018330) on negotiations of the Partnership and Noble[1] with Eastern Mediterranean Gas Company S.A.E. ("**EMG**") for the transport of natural gas from Israel to Egypt via the EMG Pipeline (as defined below), the approval by the meeting of holders of participation units in the Partnership for non-distribution of profits in order to invest the same in the purchase of rights in EMG (Ref. nos. 2018-01-062350, 2018-01-063043) (the "**Unit Holders Meeting**"), and Section 9 of the Partnership's shelf offering report dated September 16, 2018 (Ref. no. 2018-01-084490), the Partnership hereby respectfully announces that, in order to consummate the Dolphinus Agreement, EMED Pipeline B.V. ("**EMED**")[2], signed agreements on 26.9.2018 for the acquisition of 39% of the share capital of EMG (the "**EMG Transaction**" or the "**Transaction**"). The closing of the Transaction is contingent, *inter alia*, on the signing of a Capacity, Lease & Operatorship Agreement (CLOA) between EMED and EMG, in which EMG will grant EMED the exclusive right to lease and operate the EMG Pipeline for the transport of natural gas from Israel to Egypt (the "**CLOA**"), all as specified below:

A. General background

EMG is a private company registered in Egypt which owns a 26 inch, c. 90 km submarine pipeline connecting the Israeli transmission system in the Ashkelon area with the Egyptian transmission system in the El-Arish area, as well as

[1] Through Noble Energy International Ltd. ("**Noble Cyprus**").

[2] EMED is a special-purpose company established for the Transaction and registered in the Netherlands, whose shares are held as follows: A wholly-owned subsidiary of the Partnership registered in Cyprus – 25%, Noble Cyprus – 25%, and Sphinx EG BV, a wholly-owned subsidiary of East Gas Company which holds, *inter alia*, a gas pipeline and infrastructure in Egypt (the "**Egyptian Partner**") – 50%.

related facilities (jointly, the "**EMG Pipeline**"). The EMG Pipeline was designed for a capacity of approx. 7 BCM per year, with an option to increase the capacity to approx. 9 BCM per year by installing additional systems. The flow of gas through the EMG Pipeline from Egypt to Israel was stopped several years ago, and to the best of the Partnership's knowledge, as of the date of this report EMG has no commercial activity, and remains exposed to claims and debts vis-à-vis authorities, creditors, suppliers and customers in significant amounts[3]. It is noted that in the Transaction, the Partnership is not required to provide any collateral or guarantees for EMG's existing debts.

As of the report date, EMG's registered shareholders are as follows:

(1) EGI-EMG LP – 12%;

(2) Merhav M.N.P. Ltd. – 8.2%;

(3) Merhav Ampal Energy Holdings Limited Partnership – 8.6%;

(4) Merhav-Ampal Group Ltd. ("**Merhav-Ampal Group**") – 8.2%;

(5) PTT Energy Resources Company Limited ("**PTT**")[4] – 25%;

(6) Mediterranean Gas Pipeline Ltd. ("**MGPC**")[5] – 28%;

(7) Egyptian General Petroleum Corporation ("**EGPC**")[6] – 10%.

(Shareholders (1)-(4) shall be referred to hereinafter jointly as the "**Sellers**")

It is noted that the some of the Sellers, the Sellers' shareholders, and affiliates of the Sellers, are conducting several arbitration proceedings in international arbitration institutions against the Government of Egypt and companies held thereby, in connection with the termination of the transport of gas from Egypt to Israel (jointly, the "**Arbitration Proceedings**"). EMG is also a party to arbitrations vis-à-vis Egyptian state-owned companies.

B. Agreements for the purchase of 39% of the share capital of EMG

On September 26, 2018, EMED signed four separate, essentially similar agreements with the Sellers for the purchase of EMG shares held by the Sellers, at a total rate of 37% of the share capital of EMG (jointly, the "**Share Purchase**

[3] According to the financial statements of EMG as of December 31, 2017 and December 31, 2016, EMG's assets amount to approx. $117 million and $129 million, respectively; liabilities total approx. $505 million and approx. $487 million, respectively; and the equity deficit is in the sum of approx. $388 million and approx. $358 million, respectively. In addition, in the years 2017 and 2016 EMG did not recognize revenues from activity and incurred losses in the sum of approx. $30 million and $26 million, respectively. The financial statements are presented in U.S. dollars, and are prepared according to Egyptian GAAP. It is noted that the financial figures as of December 31, 2017 and December 31, 2016 and for the years then ended are based on financial statements, on which EMG's auditor refrained from giving his opinion due to the materiality of the issues and reservations as stated in his opinion. It is further noted that the said financial statements do not include a provision for potential claims by customers.

[4] A public energy company partially owned by the Government of Thailand.

[5] A private company controlled, to the best of the Partnership's knowledge, by the Evsen Group, a company headed by Dr. Ali Evsen.

[6] An Egyptian State-owned company.

Agreements"), as well as another agreement for the purchase of shares at the rate of 2% from MGPC (the "**MGPC Agreement**").

1. Highlights of the Share Purchase Agreements

a. Subject to fulfillment of the conditions precedent, the main ones of which are described in paragraph (d) below, and the Transaction closing conditions, the Sellers will sell and transfer to EMED the shares of EMG held by them, totaling 37% of the share capital of EMG (the "**Purchased Shares**"), including any and all rights associated with the Purchased Shares.

b. The Sellers, the shareholders of the Sellers and the Sellers' affiliates will waive any claim, action, award, decision, order or remedy they have against the Government of Egypt and companies owned thereby, in the context of the Arbitration Proceedings.

c. In consideration for the Purchased Shares, waiver of their rights in the Arbitration Proceedings and additional rights in accordance with the Share Purchase Agreements, as stated above, EMED shall pay the Sellers, on the Transaction closing date, the sum total of 518 million US dollars (the "**Consideration**"), of which each of the Partnership and Noble shall pay an amount of approx. 185 million US dollars, with the balance being paid by the Egyptian Partner.

d. Performance of the transaction contemplated in the Share Purchase Agreements is contingent on the fulfillment of standard conditions precedent, including: receipt of any and all approvals and consents required for the transfer of the Purchased Shares from the Sellers and registration thereof in the name of EMED; receipt of the approvals and consents required by any law in Egypt and in Israel for performance of the transactions contemplated in the Share Purchase Agreements and for the transport of the gas in the EMG Pipeline from Israel to Egypt; signing of the CLOA and the removal of any material impediment to the performance thereof; completion of a technical due diligence for the EMG Pipeline, including performance of testing on the continuous flow of gas from Israel to Egypt through the EMG Pipeline, in the quantities and for the period determined; restructuring of an existing debt of EMG to an Egyptian bank and rescheduling thereof, to the satisfaction of EMED; receipt of any and all formal approvals required by the Sellers, including with respect to the controlling shareholder in Merhav-Ampal Group which is undergoing liquidation proceedings, court approvals, and the closing of all the Share Purchase Agreements.

e. The last date for fulfillment of the conditions precedent and the closing of the Transaction is June 30, 2019, although the parties intend to act to close the Transaction as early as possible, and the Partnership estimates that it is likely that the conditions precedent in the Transaction will be fulfilled earlier than the date stated above, such that the flow of natural gas from Israel to Egypt through the EMG Pipeline will commence at the beginning of 2019.

f. The Share Purchase Agreements is governed by English law. Any dispute between the parties will be resolved in arbitration in London (according to the rules of the London Court of International Arbitration).

The Partnership intends to finance its investment in the EMG Transaction by using the Partnership's available cash flow and/or through credit facilities from banks and/or expansion of the Series A bond series issued by the Partnership on December 26, 2016.

2. Highlights of the MGPC Agreement

Concurrently with the signing of the Share Purchase Agreements, an agreement was signed between EMED and MGPC, whereby MGPC shall transfer to EMED, for no consideration, subject to and concurrently with the closing of the Share Purchase Agreements, 2% of the shares of EMG held thereby, against the ending of disputes between some of the Sellers and MGPC.

Subject to and after the closing of the EMG Transaction, the shareholders of EMG will be as follows:

(1) EMED – 39%;

(2) PTT – 25%;

(3) MGPC – 17% (controlled by Dr. Ali Evsen);

(4) The Egyptian Partner – 9%[7];

(5) EGPC – 10%.

C. The Capacity, Lease & Operatorship Agreement

As stated above, the closing of the EMG Transaction is conditioned, *inter alia*, on the signing of the Capacity, Lease & Operatorship Agreement between EMED and EMG, in which EMG will grant EMED the exclusive right to lease and operate the EMG Pipeline for the entire term of the Dolphinus Agreements, with an option to extend the agreement. According to this agreement, the costs required to refurbish the EMG Pipeline, up to a sum of $30 million (which reflects a preliminary estimate of these costs), and the current costs of operating the pipeline, will be borne by EMED (jointly, the "**Operating Costs**"), while EMG shall be entitled to receive the current transport fees to be paid by

[7] To the best of the Partnership's knowledge, MGPC intends to transfer the said shares to the Egyptian Partner.

Dolphinus for use of the pipeline (the "**Transport Fee**"), net of the Operating Costs.

D. EMED shareholders agreement

As aforesaid, EMED is a special-purpose company established for the Transaction and registered in the Netherlands, whose shares are held as follows: A wholly-owned subsidiary of the Partnership registered in Cyprus – 25%; Noble Cyprus – 25%; and Sphinx EG BV, a wholly-owned subsidiary of East Gas Company – 50%. In proximity to the date of signing of the Share Purchase Agreements, the shareholders of EMED signed a shareholders agreement governing the relationship between them as shareholders of EMED, including provisions regarding material decisions, that will be made unanimously. In addition, right of first refusal arrangements were determined for a transfer of shares in EMED.

E. Term sheet for the use of additional infrastructures

Concurrently with the signing of the Share Purchase Agreements as described above, an MOU was signed between the Partnership and Noble and between the Egyptian Partner (which owns the pipeline section between Aqaba and El-Arish, hereinafter the "**Arab Gas Pipeline**") and an affiliate of Dolphinus, in which the parties agreed that the Partnership and Noble would receive access to additional capacity in the Egyptian transmission system, through the "**Arab Gas Pipeline**", at the entry point to the Egyptian transmission system in the Aqaba area, that will allow for the transport of additional quantities of gas over and above the quantities of gas that will flow through the EMG Pipeline (the "**Additional Infrastructure**"), for implementation of the Dolphinus agreement and additional agreements for the sale of natural gas to Egypt. The parties further agreed to consider additional projects for the transmission of natural gas from Israel to potential customers and facilities in Egypt.

F. LOIs with the Tamar partners and the Leviathan partners

In proximity to the date of signing of the EMG Transaction, Noble and the Partnership signed a non-binding LOI with the Tamar partners and a non-binding LOI with the Leviathan partners in connection with allocation of the capacity, and further arrangements, in connection with the transport of natural gas in the EMG Pipeline and the Additional Infrastructure (as defined above).

The LOI with the Leviathan partners provides that subject to, *inter alia*, the signing of a definitive agreement, by June 30, 2019 and for the closing of the EMG Transaction, the partners in the Leviathan project shall on the EMG Transaction closing date pay the sum of $250 million in consideration for EMED's undertaking to allow the transport of natural gas from the Leviathan reservoir for implementation of the Leviathan-Dolphinus agreement and the guarantee of a capacity of 350,000 MMbtu per day in the EMG Pipeline and the Additional Infrastructure, such that further to the provisions of Subsection B.1.C. above, on the Transaction closing date, out of the total consideration to be paid by the Partnership and Noble, the sum of approx. $250 million will be paid by the Leviathan partners, such that the total consideration to be paid by the Partnership on the Transaction closing date shall be approx. $170 million, in accordance with all of the conditions of the Unit Holders Meeting approval, as specified in the (amended) notice of meeting report of June 28, 2018 (Ref. no. 2018-01-062350).

Concurrently, Noble and the Partnership signed a non-binding LOI with partners in the Tamar project whereby, subject to, *inter alia*, the signing of a definitive agreement by June 30, 2019 and the closing of the EMG Transaction, the Tamar partners shall pay the Leviathan partners, by June 30, 2020, the sum of $125 million (constituting reimbursement of 50% of the amount payable by the Leviathan partners on the EMG Transaction closing date), in consideration for an undertaking by EMED to allow the transport of gas from the Tamar reservoir for the implementation of the Tamar-Dolphinus Agreement, including sale on an interruptible basis already in early 2019, or a proportionately reduced amount, if the total capacity of the EMG Pipeline and the Additional Infrastructure, as confirmed by a competent technical entity, is lower than 700,000 MMbtu per day. The LOIs also include mechanisms enabling the Leviathan partners to use any available capacity above 350,000 MMbtu per day, insofar as the Tamar partners do not use the capacity in full. It is emphasized that the binding agreements with the Tamar partners and the Leviathan partners, if signed, are expected to include specific arrangements regarding regulation of the usage of the EMG Pipeline and the Additional Infrastructure, including arrangements with respect to the allocation of the capacity in various cases, investments in the Additional Infrastructure and further arrangements. The definitive agreements, if and to the extent signed, will be subject to receipt of the relevant regulatory approvals, including the approval of the Antitrust Authority and the approval of the Ministry of Energy, if required.

In addition to the aforesaid, in proximity to the date of signing of the Share Purchase Agreements, Delek and Noble endorsed the Tamar-Dolphinus agreement to all the partners in the Tamar project and the Leviathan-Dolphinus agreement to all the partners in the Leviathan project, in accordance with the partners' proportionate rights in each one of the said petroleum assets.

The partners in the Leviathan project and their holding rates are as follows:

Noble Energy Mediterranean Ltd.	39.66%
Delek Drilling - Limited Partnership	45.34%
Ratio Oil Exploration (1992), Limited Partnership	15.00%

The partners in the Tamar Project and their holding rates are as follows:

Noble Energy Mediterranean Ltd.	25%
Isramco Negev 2, Limited Partnership	28.75%
Delek Drilling – Limited Partnership	22.00%
Tamar Petroleum Ltd.	16.75%
Dor Gas Exploration – Limited Partnership	4.00%

Everest Infrastructures – Limited Partnership	3.50%

<u>Caution regarding forward-looking information</u>: The details of information presented above, including with respect to the possibility of the flow of gas in the EMG Pipeline in the context of the tech DD, the terms and conditions of the CLOA, if signed, the possibilities for financing of the Transaction, the costs of refurbishing the EMG Pipeline, the possibility of fulfillment of the Transaction closing conditions, and the possible date of fulfillment thereof, and the possibility of signing of definitive agreements with the Leviathan and/or Tamar partners, constitute forward-looking information within the meaning thereof in Section 32A of the Securities Law, 5728-1969, which is based on preliminary estimates only. Such information may not materialize, in whole or in part, or may materialize in a materially different manner, due to various factors beyond the Partnership's control.

Sincerely,

Delek Drilling Management (1993) Ltd.
General Partner of Delek Drilling - Limited Partnership

By Yossi Abu, CEO
Yaniv Friedman, Deputy CEO

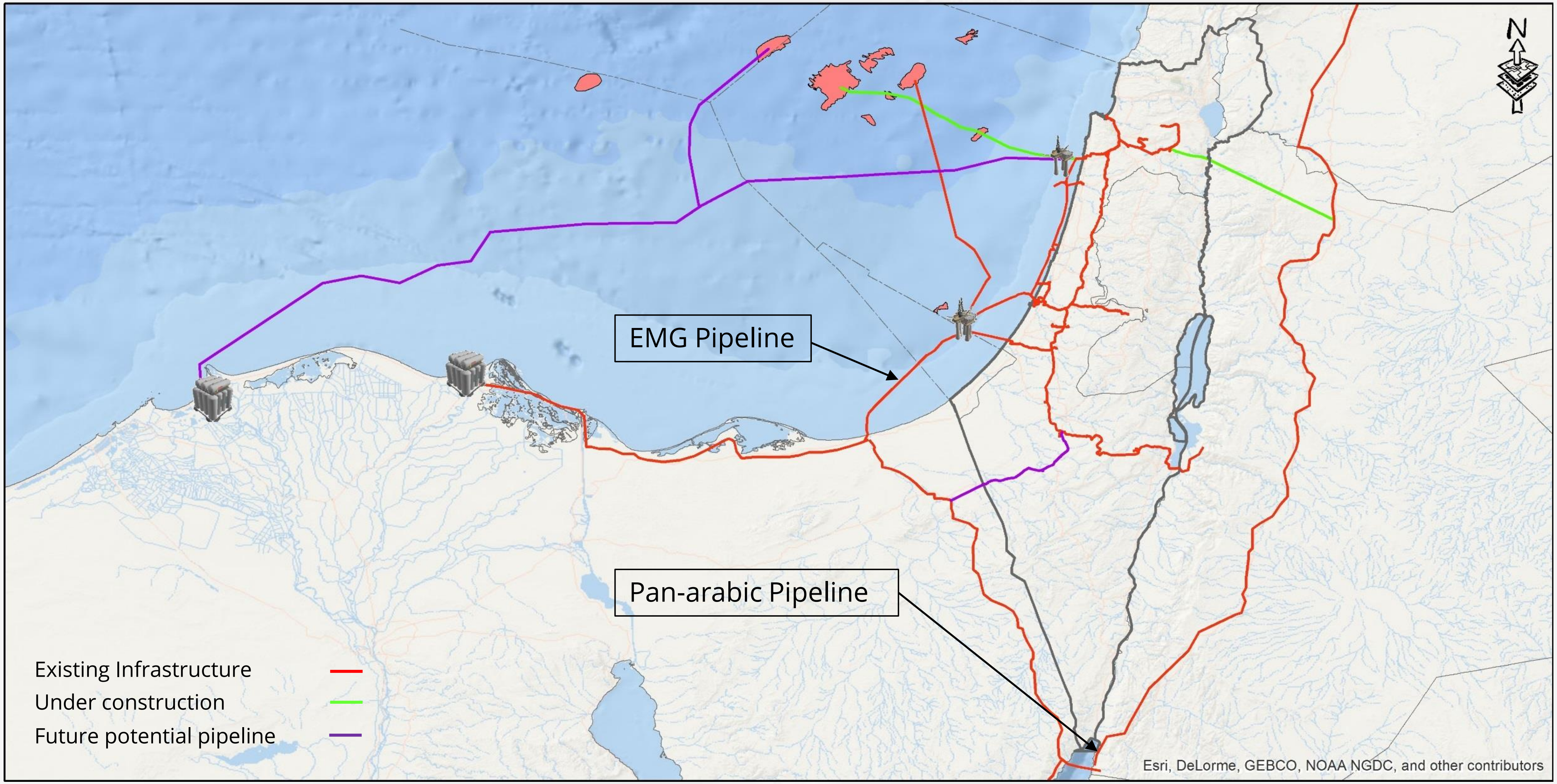
Delek Drilling

EMG Transaction

Enabling Gas Export to Egypt

September 2018

Infrastructure Solutions for Gas Flow to Egypt



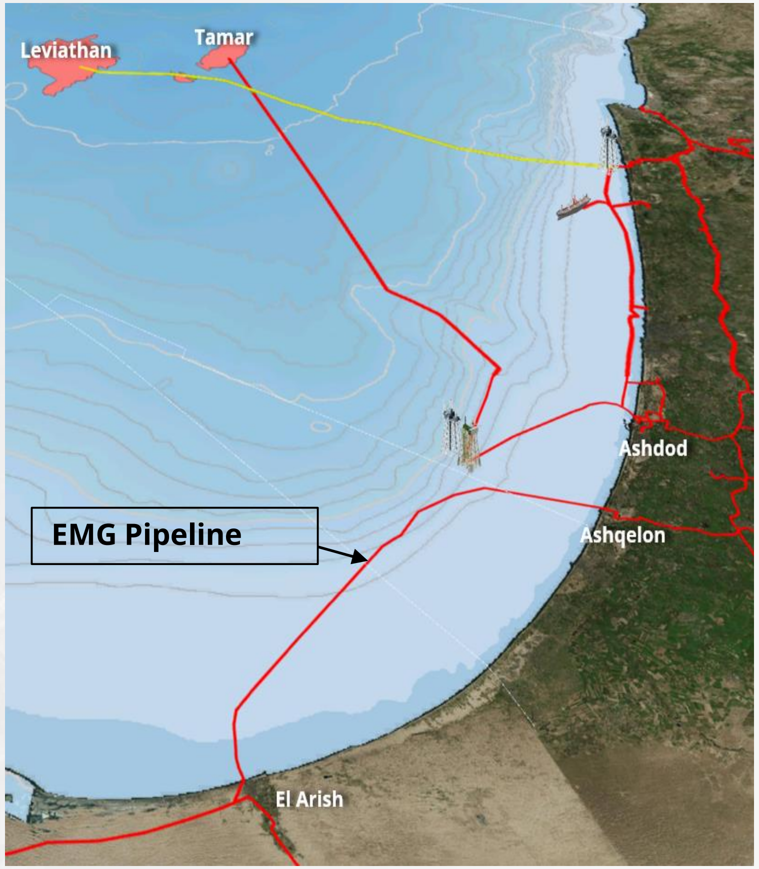
EMG Pipeline Overview

❑ Asset Overview:

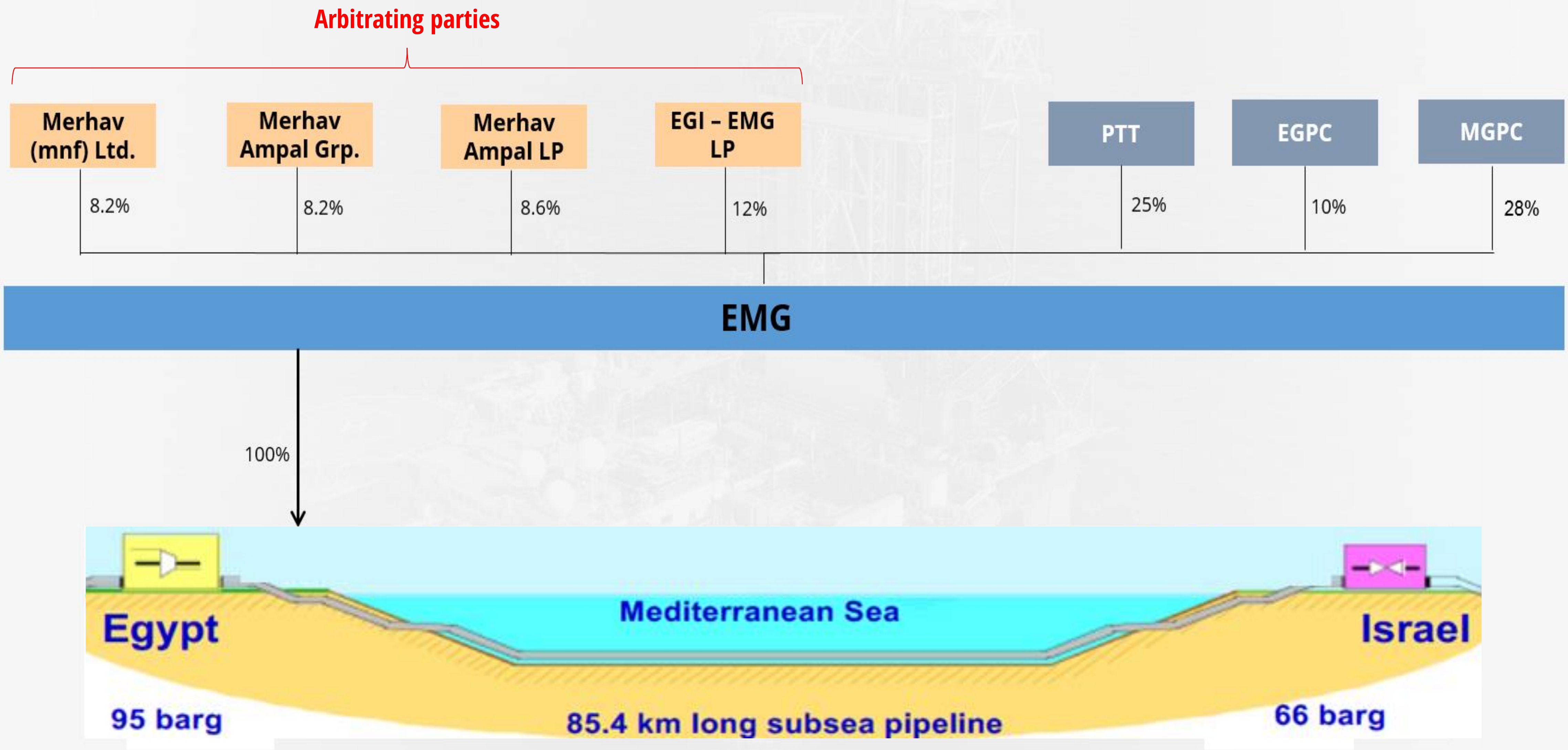
- Pipeline: 26" diameter, 89 km (85.4 km subsea), from Ashkelon to (Israel) El-Arish (Egypt)
- El-Arish Station: pipeline inlet, Siemens compressors, connection to the 36" Trans-Sinai gas pipeline
- Ashkelon Terminal: connection to the Israeli Natural Gas Transmission System

❑ Design and Construction:

- Nameplate Pipeline Capacity: up to 700 MMcf/d (~7BCM/y)
- Potential Expansion Project: up to 900 MMcf/d (~9 BCM/y) partially complete
- Reputable design and construction: EPC's Allseas Marine & Technip



Transaction Overview – Pre Closing



Transaction Overview – Post Closing

EMED (Delek 25%, Nobel 25%, East Gas 50%)

East Gas

PTT

EGPC

MGPC

39%

10%

25%

9%

17%

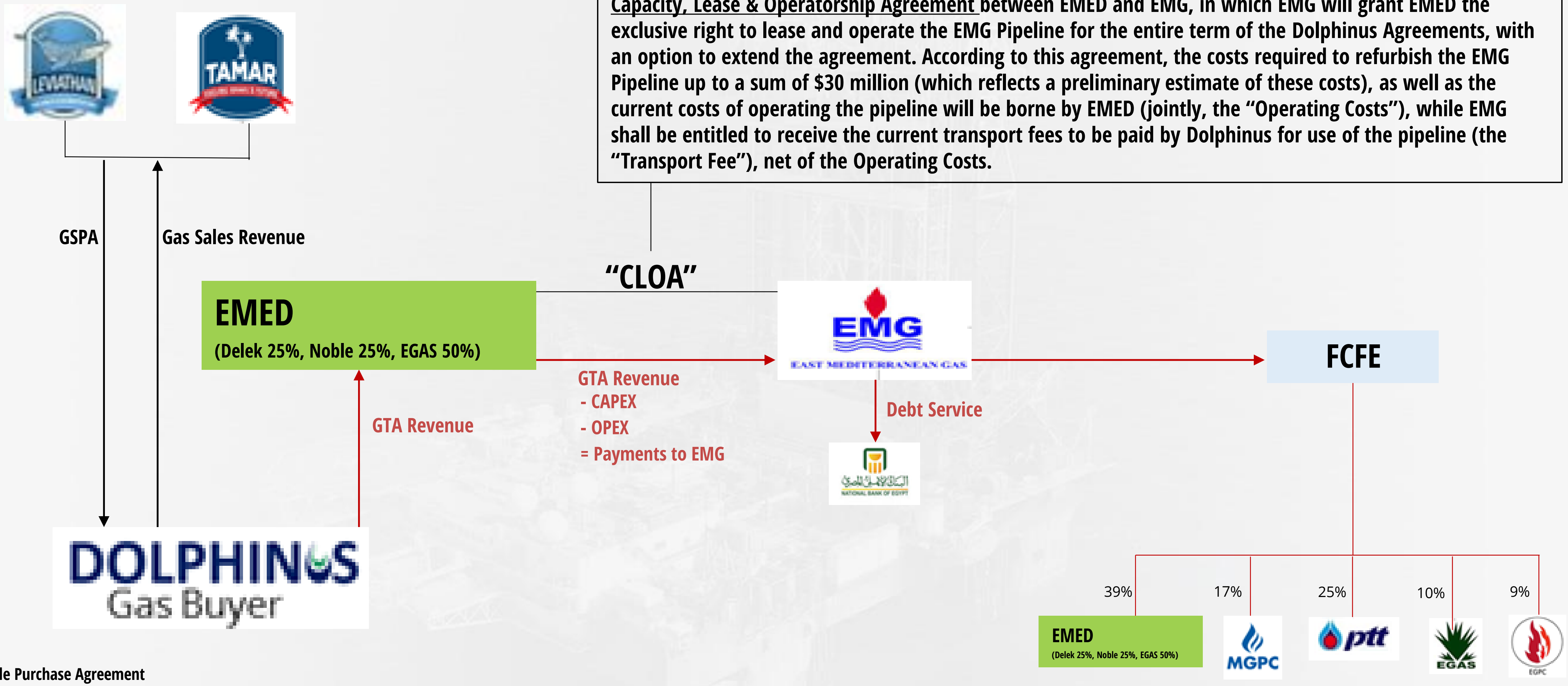
EMG

100%

CLOA -"Capacity Lease Operatorship Agreement" to Ensure operational control of the pipeline and continuous flow of gas

Gas / Funds Flow

<u>Capacity, Lease & Operatorship Agreement</u> between EMED and EMG, in which EMG will grant EMED the exclusive right to lease and operate the EMG Pipeline for the entire term of the Dolphinus Agreements, with an option to extend the agreement. According to this agreement, the costs required to refurbish the EMG Pipeline up to a sum of $30 million (which reflects a preliminary estimate of these costs), as well as the current costs of operating the pipeline will be borne by EMED (jointly, the "Operating Costs"), while EMG shall be entitled to receive the current transport fees to be paid by Dolphinus for use of the pipeline (the "Transport Fee"), net of the Operating Costs.



GSPA – Gas Sale Purchase Agreement
GTA – Gas Transportation Agreement
CAPEX / OPEX – Capital Expenditure / Operating Expenditure
FCFE – Free Cash Flow to Equity

Thank you

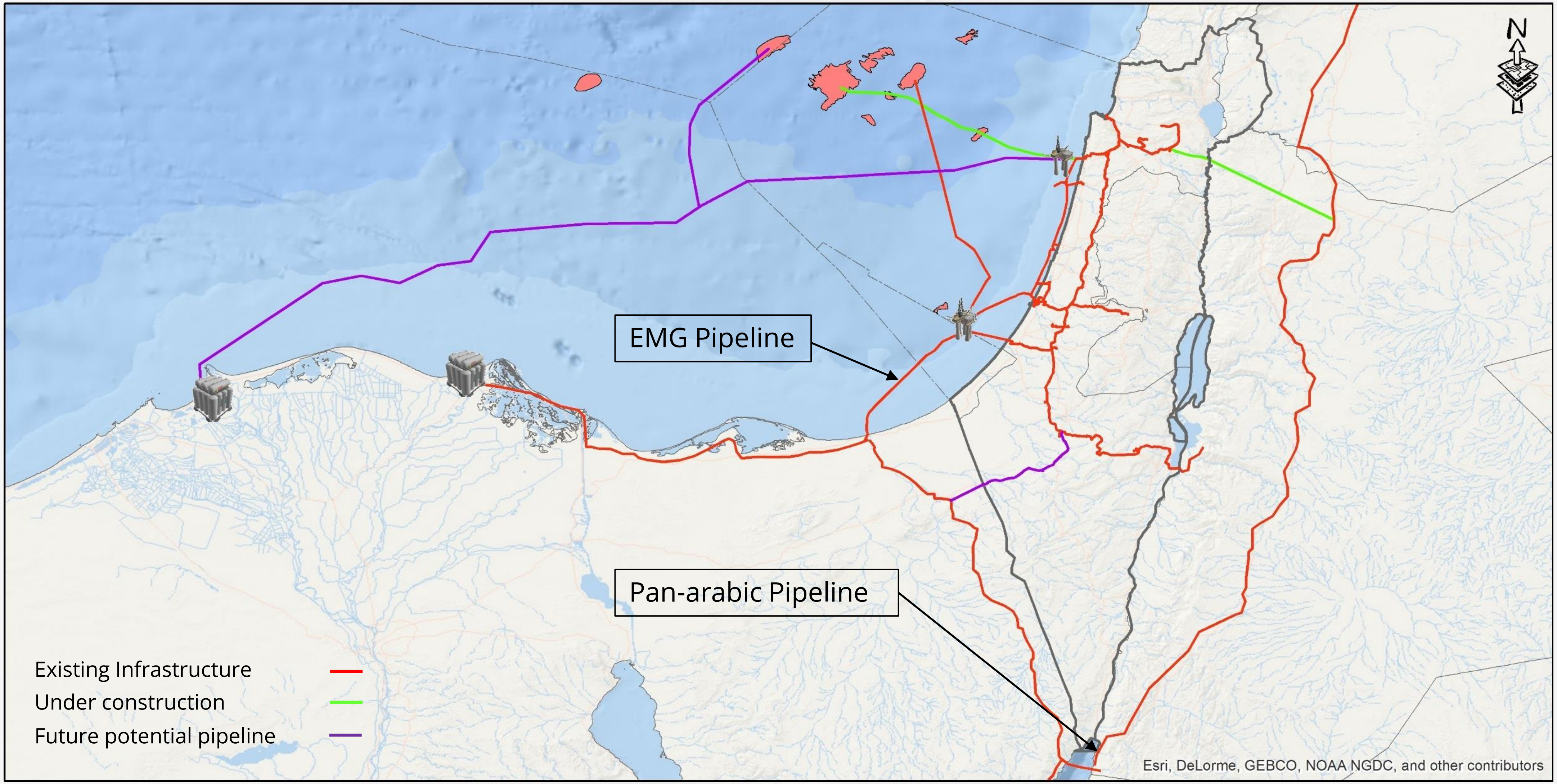
Delek Drilling

EMG Transaction

Enabling Gas Export to Egypt

September 2018

Infrastructure Solutions for Gas Flow to Egypt



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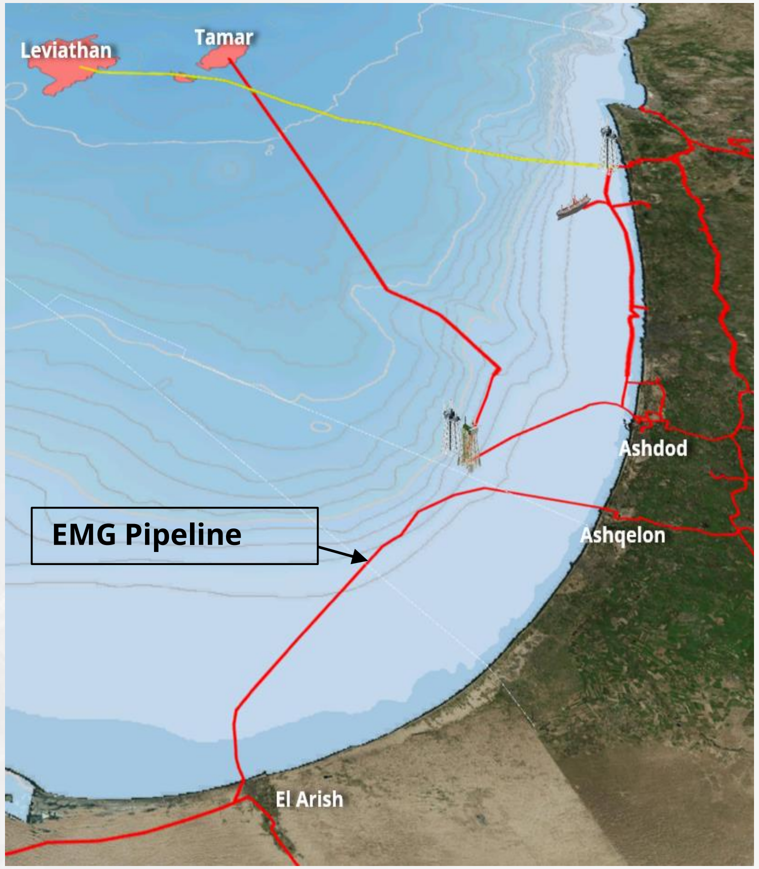

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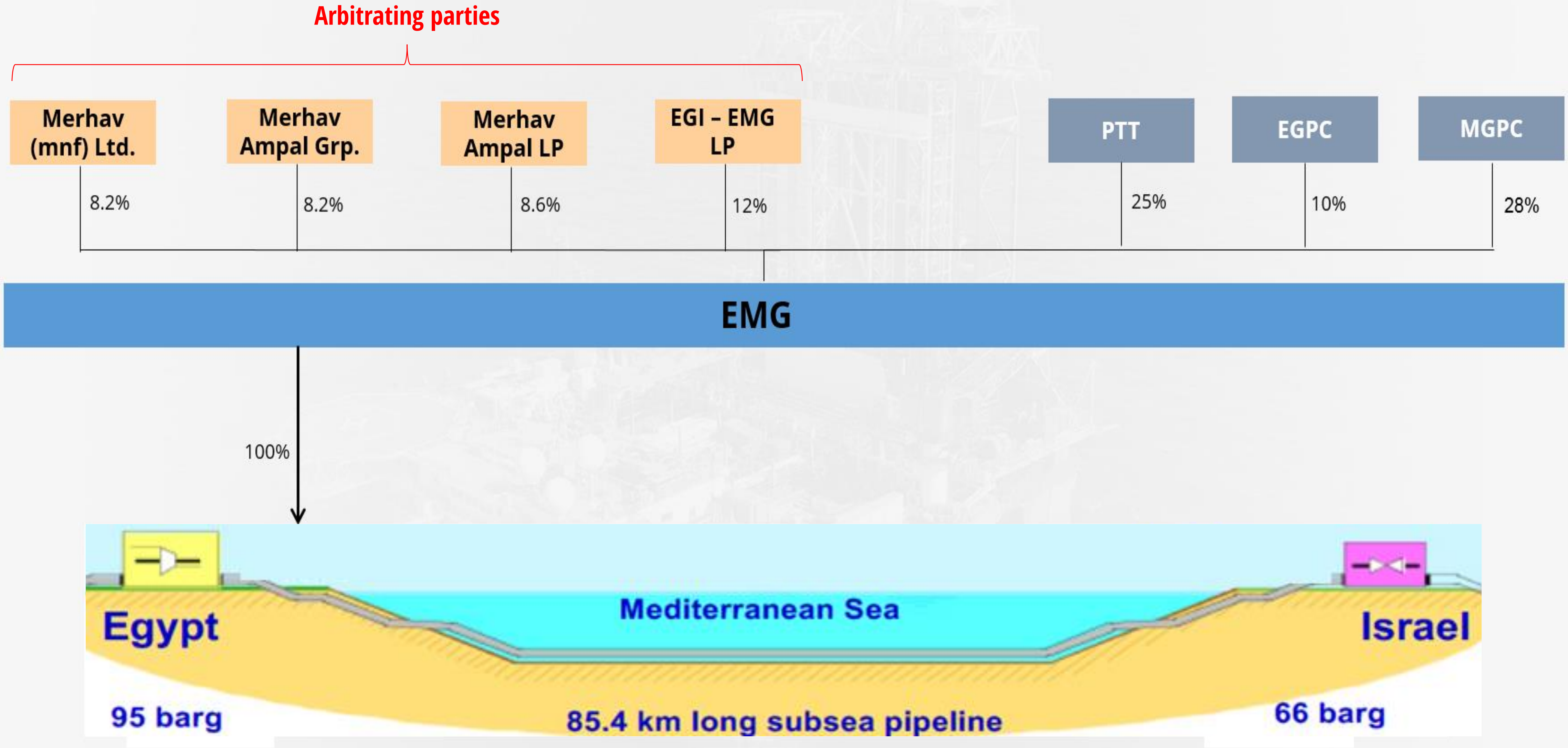
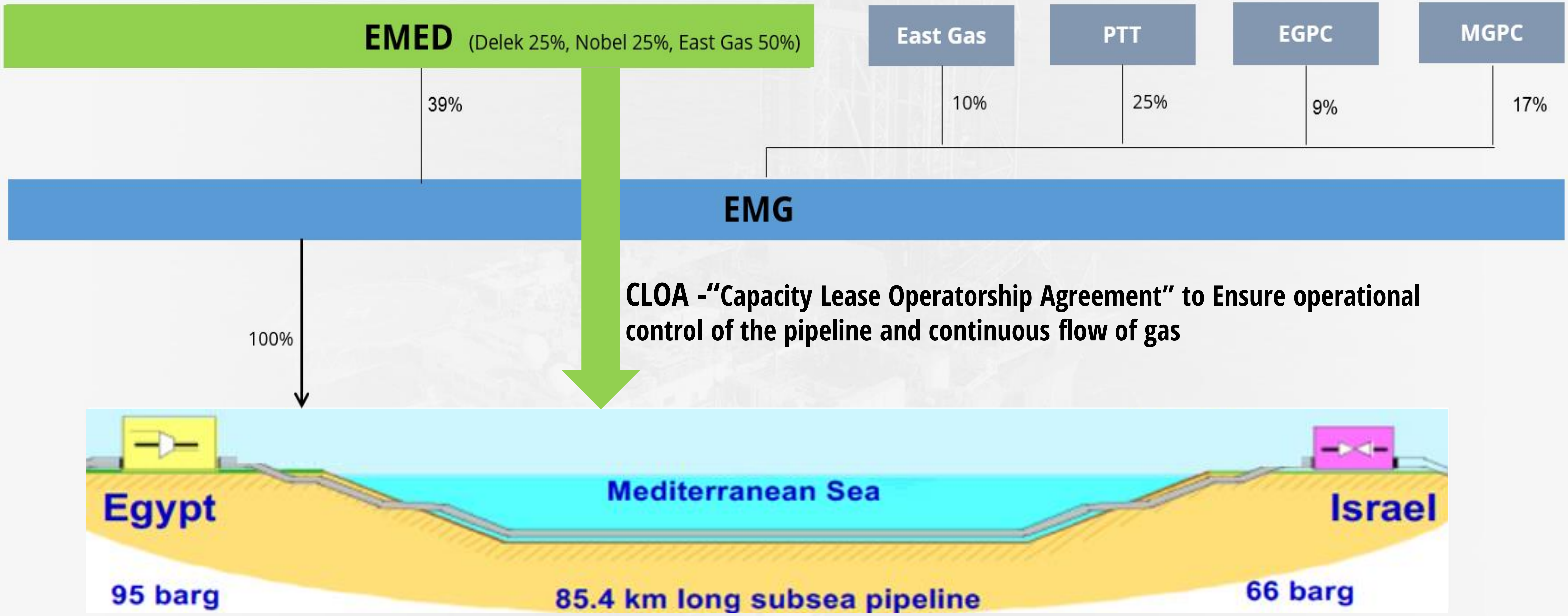


Transaction Overview – Post Closing



Gas / Funds Flow

Delek Drilling

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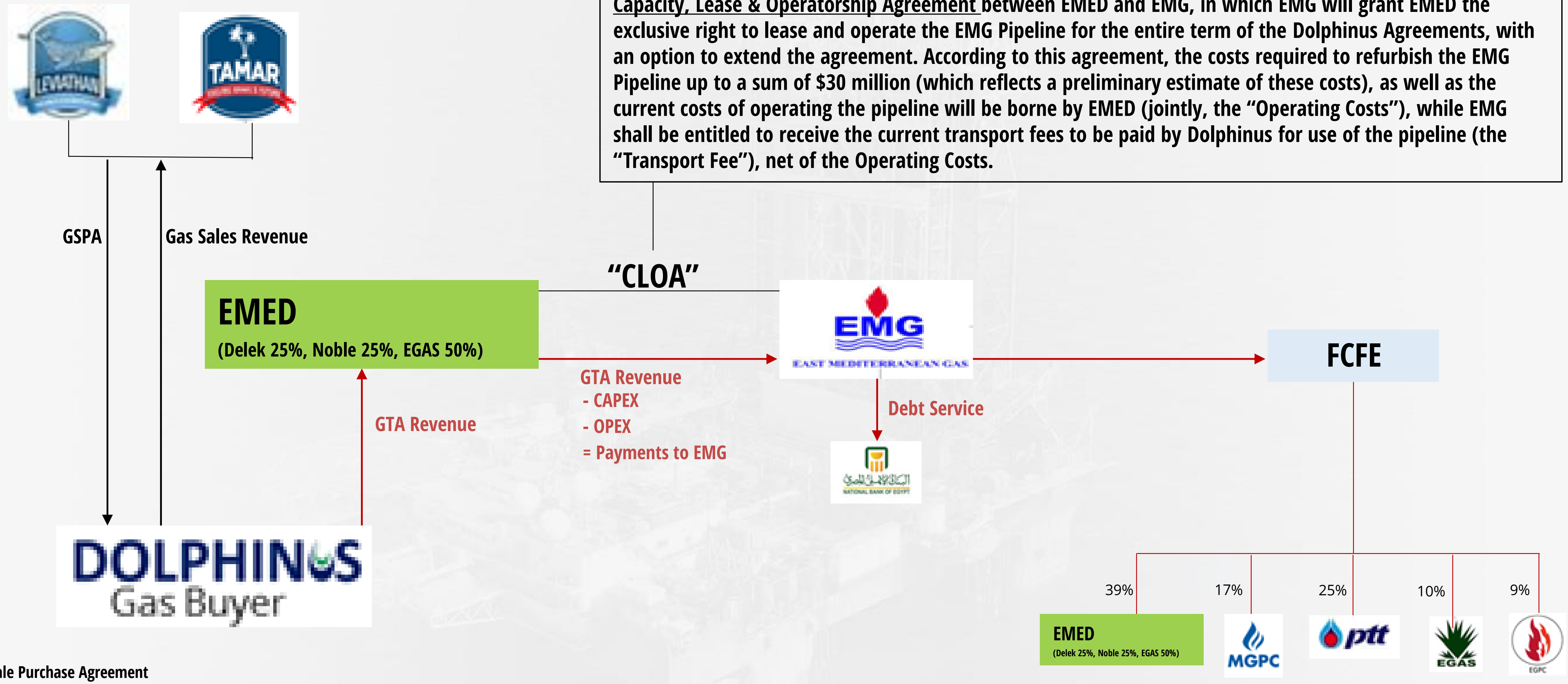

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Thank you