



## Closing Proceedings for the EMG Share Purchase Transaction

October 2, 2019

**Tel Aviv, October 2, 2019.** Delek Group (TASE: DLEKG, US ADR: DGRLY) (“the Company”) refers to the regulatory filing of its subsidiary Delek Drilling (60% owned) regarding the closing proceedings for the EMG share purchase transaction.

Further to the provisions of Section 7.27.7 of the Partnership’s Periodic Report as of December 31, 2018, released on March 24, 2019 (Ref. 2019-01-023982) regarding agreements for the purchase of the shares of East Mediterranean Gas Company S.A.E. (the “**Share Purchase Agreements**” and the “**Purchased EMG Shares**”, respectively) and for the purchase of rights in a pipeline owned by EMG (the “**EMG Pipeline**”) for the transport of natural gas from Israel to Egypt thereby, the Partnership’s immediate report of July 1, 2019 (Ref. 2019-01-056067) regarding the successful completion of the engineering due diligence inspection process of the EMG Pipeline and the related facilities, Section 18 of Chapter A (Update of the Description of the Partnership’s Business) which was included in the quarterly report of the Partnership as of June 30, 2019, as released on August 14, 2019 (Ref. 2019-01-069819) (the “**Quarterly Report**”) regarding the receipt of the EMG pipeline certificate from DNV GL engineering company and regarding the decision of the Competition Commissioner permitting the purchase of the rights in the EMG Pipeline <sup>1</sup>, the Partnership’s immediate report of August 28, 2019 (Ref. 2019-01-074862) regarding the continued activity of the parties of the EMG transaction for the fulfillment of the remaining conditions precedent for the closing of the transaction up to September 30, 2019 and the Partnership’s immediate report of this morning (Ref. 2019-01-100249) regarding the engagement in two agreements for the amendment of the natural gas export agreements from the Leviathan project and from the Tamar project to Dolphinus Holding Limited (“**Leviathan Agreement Amendment**”, “**Tamar Agreement Amendment**” and jointly: the “**Updated Export Agreements**” and “**Dolphinus**”, respectively), the Partnership respectfully announces the following:

### 1. **Closing proceedings for the EMG share purchase transaction**

On September 26, 2019, the parties of the EMG transaction started the transaction closing proceedings, in which context the sellers’ waivers in the EMG transaction pertaining to the arbitration proceedings were deposited with a trustee and EMED Pipeline B.V. (“**EMED**”) transferred to the trustee a total of approx. \$370 million which were transferred thereto by the holding companies owned by the Partnership and Noble Energy Mediterranean Ltd., and in the coming days, EMED is expected to transfer to the trustee the balance of the consideration amount, up to a total of approx. \$520 million. Furthermore, the parties are working towards the completion of the formal approvals required in Egypt for the transfer of the Purchased EMG Shares from the sellers to EMED and for the fulfillment of the condition precedent of tests of continuous gas flow to the Egyptian transmission system. Upon the transfer of the Purchased EMG Shares to EMED, which is expected to be carried out during October 2019, the Closing proceedings will be completed. Upon the closing of the EMG transaction, the Partnership shall release an immediate report in that respect.

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<sup>1</sup>Note that on September 8, 2019, Lobby 99 Ltd. and Success Association filed an appeal against the Competition Commissioner (as a respondent) and against EMED and EMG (as formal respondents) to the Competition Court from the approval of the Competition Commissioner as aforesaid, within which the Court was moved to cancel or change the Commissioner’s decision.

**Caution regarding forward-looking information:** The above information regarding the transfer of the balance of the consideration amount in the EMG transaction and the expected date for the transfer thereof, the completion of the formal approvals required in Egypt for the transfer of the Purchased EMG Shares from the sellers to EMED, the performance of the tests of continuous gas flow to the Egyptian transmission system, the transfer of the Purchased EMG Shares to EMED and the date for the transfer thereof and the possibility of the EMG transaction closing, constitute forward-looking information within the meaning thereof in Section 32A of the Securities Law, 5728-1968, the materialization of which, in whole or in part, is uncertain, and which may materialize in a materially different manner, due to various factors beyond the Partnership’s control.

### 2. **Capacity Allocation Agreement (the “Capacity Allocation Agreement”)**

Concurrently upon the execution of the Updated Export Agreements, the Partnership and Noble executed an agreement with the Tamar Partners and the Leviathan Partners pertaining to the capacity allocation in the transmission system from Israel to Egypt. The capacity division in the transmission system from Israel to Egypt (the EMG Pipeline and the transmission pipeline in Israel) will be on a daily basis according to the following prioritization:

- (a) First layer – up to 350,000MMbtu per day will be allocated to the Leviathan Partners.
- (b) Second layer – the capacity beyond the first layer, up to 150,000MMbtu per day until June 30, 2022 (the “**Capacity Increase Date**”), and 200,000MMbtu per day after the Capacity Increase Date will be allocated to the Tamar Partners.
- (c) Third layer – any additional capacity beyond the second layer will be allocated to the Leviathan Partners.

On the EMG transaction closing date, Leviathan Partners shall pay the sum of \$200 million (“**Leviathan Participation**”) and the Tamar Partners shall pay the sum of \$50 million (the “**Tamar Participation**”) <sup>2</sup>, against an undertaking to allow the transport of natural gas from the Leviathan and Tamar

reservoirs and the guarantee of capacity at the EMG pipeline all for the purpose of consummation of the Updated Export Agreements, as specified in the Immediate Report of October 2, 2019 regarding the execution of the Updated Export Agreements. Note that the final Leviathan Participation and the Tamar Participation will be set until June 30, 2022, according to the ratio of the gas quantities that were actually supplied by the Leviathan Partners and the Tamar Partners through the EMG pipeline until such date (including gas quantities which had not been supplied yet and were paid for by virtue of a Take or Pay undertaking).

Furthermore, the Capacity Allocation Agreement prescribes arrangements for participation in the EMG transaction costs, other costs related to the gas transport as well as investments which will be required for the maximum utilization of the EMG Pipeline capacity, the payment of which shall be split between the Leviathan Partners and Tamar Partners.

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<sup>2</sup>Such that the participation amount in the EMG transaction attributed to the Partnership (plus the costs of the transaction) is approx. \$200 million which was paid by the use of the amount of the loan extended to the Partnership (as specified in the Immediate Report of August 4, 2019 (Ref. 2019-01-066750) and the Partnership's available cash flow.

The Capacity Allocation Agreement further stipulates principles for a "backstop" arrangement between the Tamar Partners and the Leviathan Partners according to which commencing from the date of the commercial gas transport from Leviathan reservoir and until the Capacity Increase Date, insofar as the Tamar Partners will not be able to supply the quantities which they had undertaken to supply to Dolphinus, the Leviathan Partners shall supply the Tamar Partners the necessary quantities.

The term of the Capacity Allocation Agreement is until the termination of the Updated Export Agreements, unless it had been terminated earlier in one of the following cases: breach of a payment undertaking which was not remedied by the breaching party; the EMG Share Purchase Agreement had been canceled before the closing thereof; in the case that the Competition Authority did not approve the extension of the Capacity Lease and Operatorship Agreement, according to the decision of the Competition Commissioner as specified in Section 18 of the Quarterly Report. Furthermore, each party shall have a right to terminate its part in the Capacity Allocation Agreement insofar as its export agreement had been terminated.

Sincerely,

**Delek Drilling Management (1993) Ltd.**  
**General Partner of Delek Drilling - Limited Partnership**  
By Yossi Abu, CEO  
Yaniv Friedman, Deputy CEO

**This is a convenience translation of the original HEBREW immediate report issued to the Tel Aviv Stock Exchange by the Company on October 2, 2019.**

#### **About The Delek Group**

Delek Group is an independent E&P and the pioneering visionary behind the development of the East Med. With major finds in the Levant Basin, including the Leviathan (21.4 TCF) and Tamar (11.2 TCF) reservoirs and others, Delek is leading the region's development into a major natural gas export hub. In addition, Delek has embarked on an international expansion with a focus on high-potential opportunities in the North Sea and North America. Delek Group is one of Israel's largest and most prominent companies with a consistent track record of growth. Its shares are traded on the Tel Aviv Stock Exchange (TASE:DLEKG) and are part of the TA 35 Index.

For more information on Delek Group please visit [www.delek-group.com](http://www.delek-group.com)

#### **Contact**

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#### **Investors**

**Yonah Weisz**  
Head of Investor Relations  
Delek Group Ltd.  
Tel: +972 9 863 8443  
[investor@delek-group.com](mailto:investor@delek-group.com)