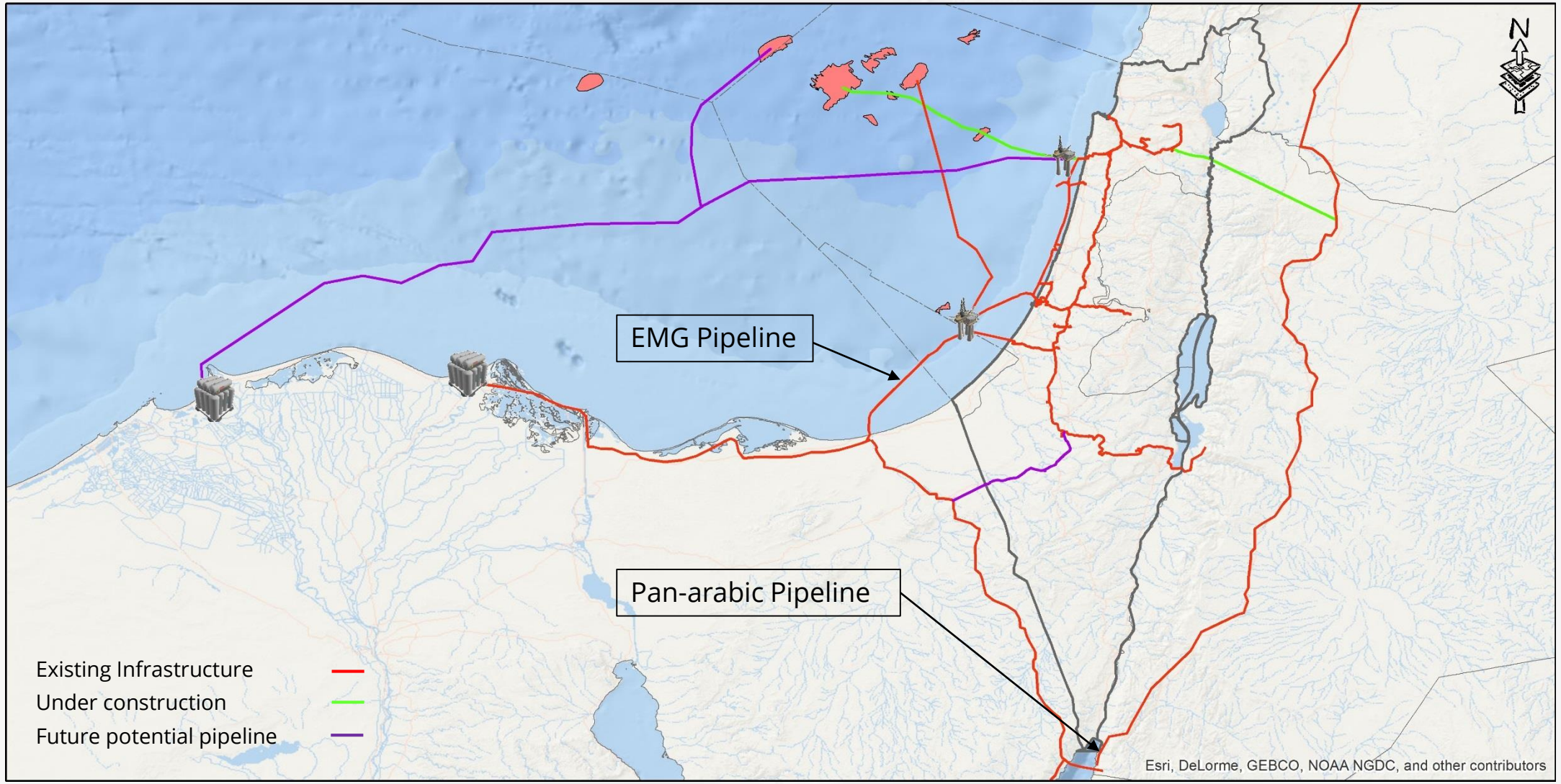
Delek Drilling

EMG Transaction

Enabling Gas Export to Egypt

September 2018

Infrastructure Solutions for Gas Flow to Egypt



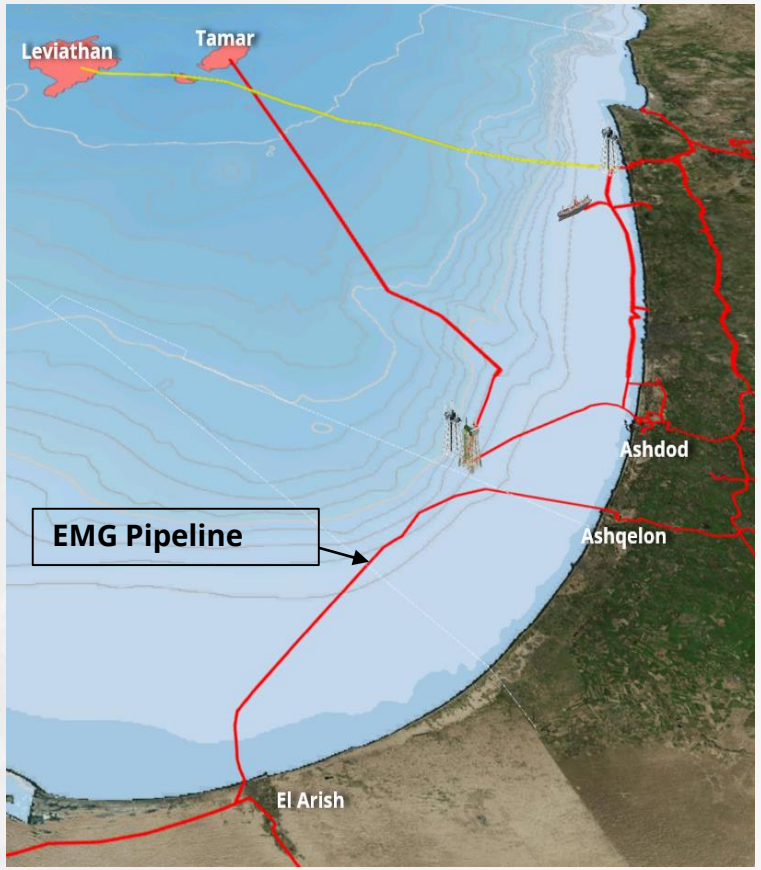
EMG Pipeline Overview

❑ Asset Overview:

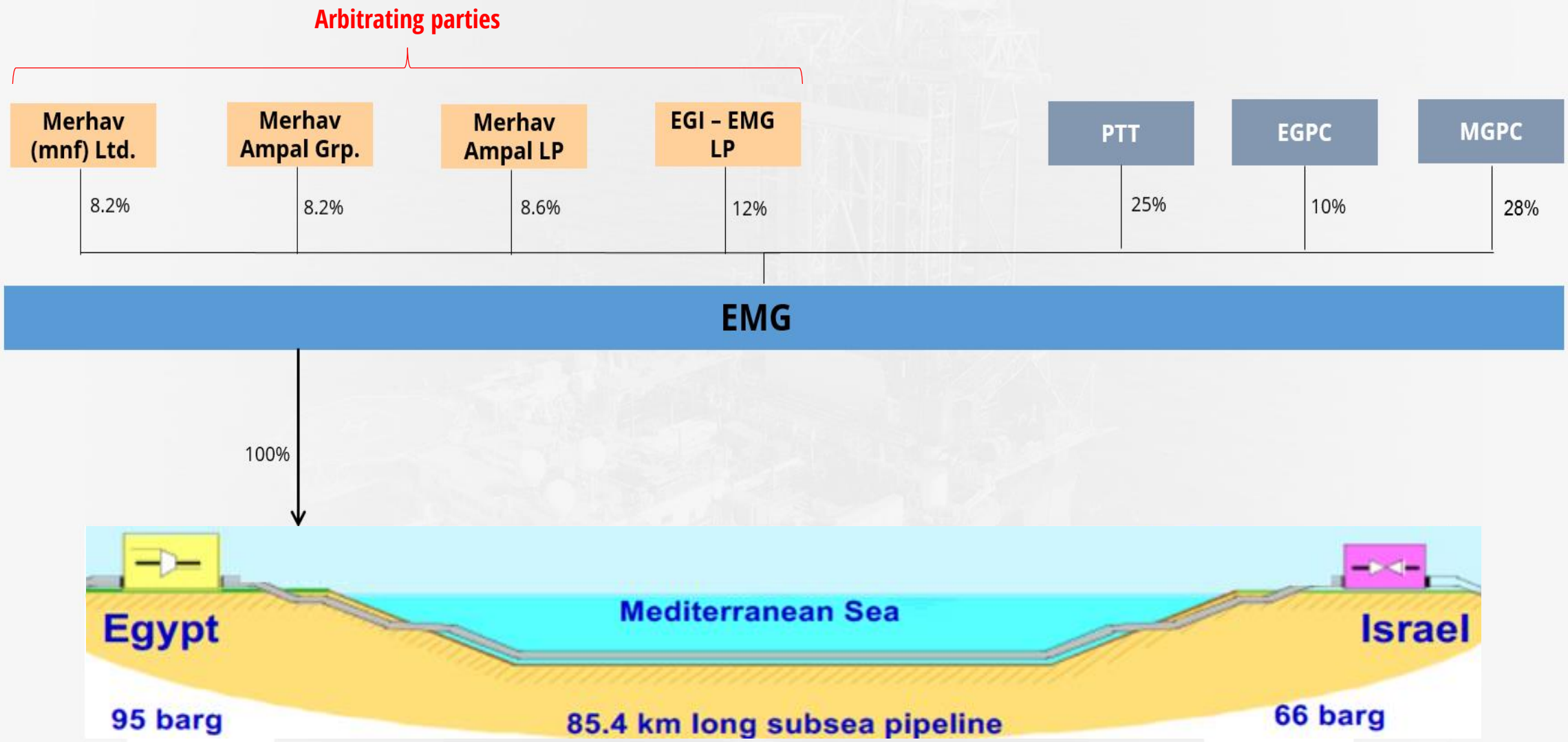
- Pipeline: 26" diameter, 89 km (85.4 km subsea), from Ashkelon to (Israel) El-Arish (Egypt)
- El-Arish Station: pipeline inlet, Siemens compressors, connection to the 36" Trans-Sinai gas pipeline
- Ashkelon Terminal: connection to the Israeli Natural Gas Transmission System

❑ Design and Construction:

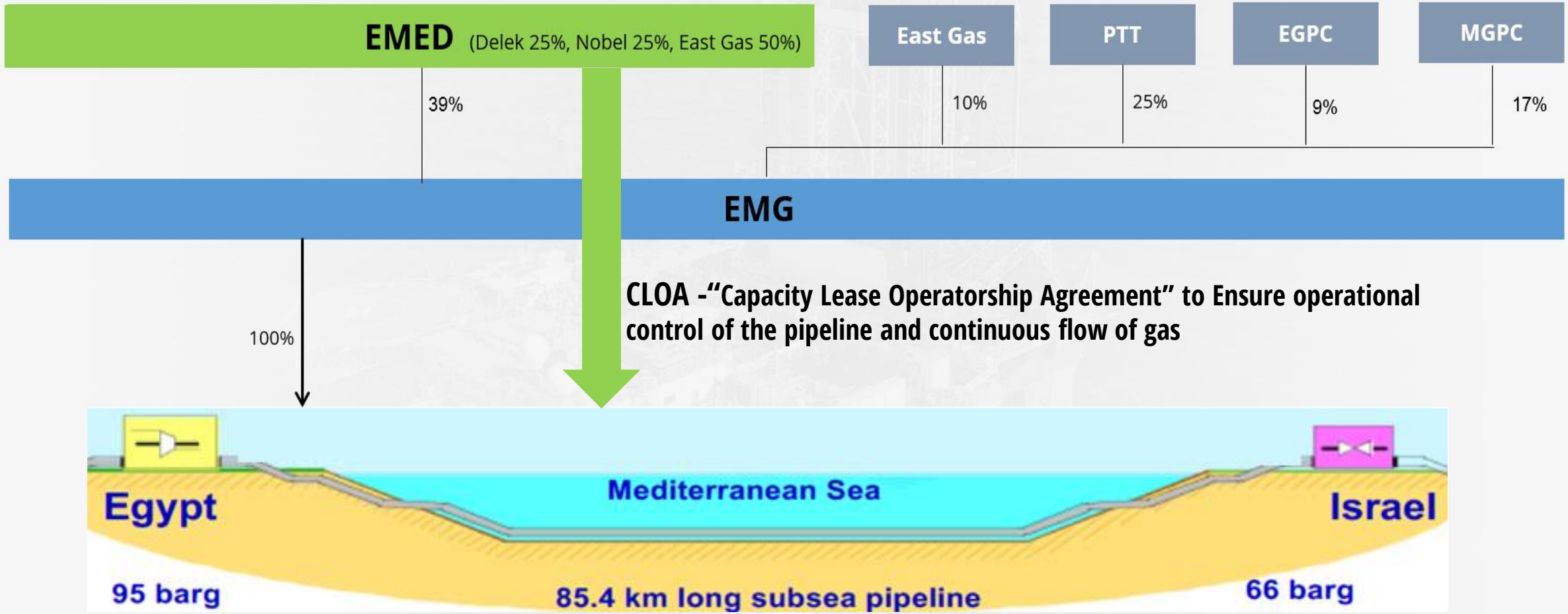
- Nameplate Pipeline Capacity: up to 700 MMcf/d (~7BCM/y)
- Potential Expansion Project: up to 900 MMcf/d (~9 BCM/y) partially complete
- Reputable design and construction: EPC's Allseas Marine & Technip



Transaction Overview – Pre Closing



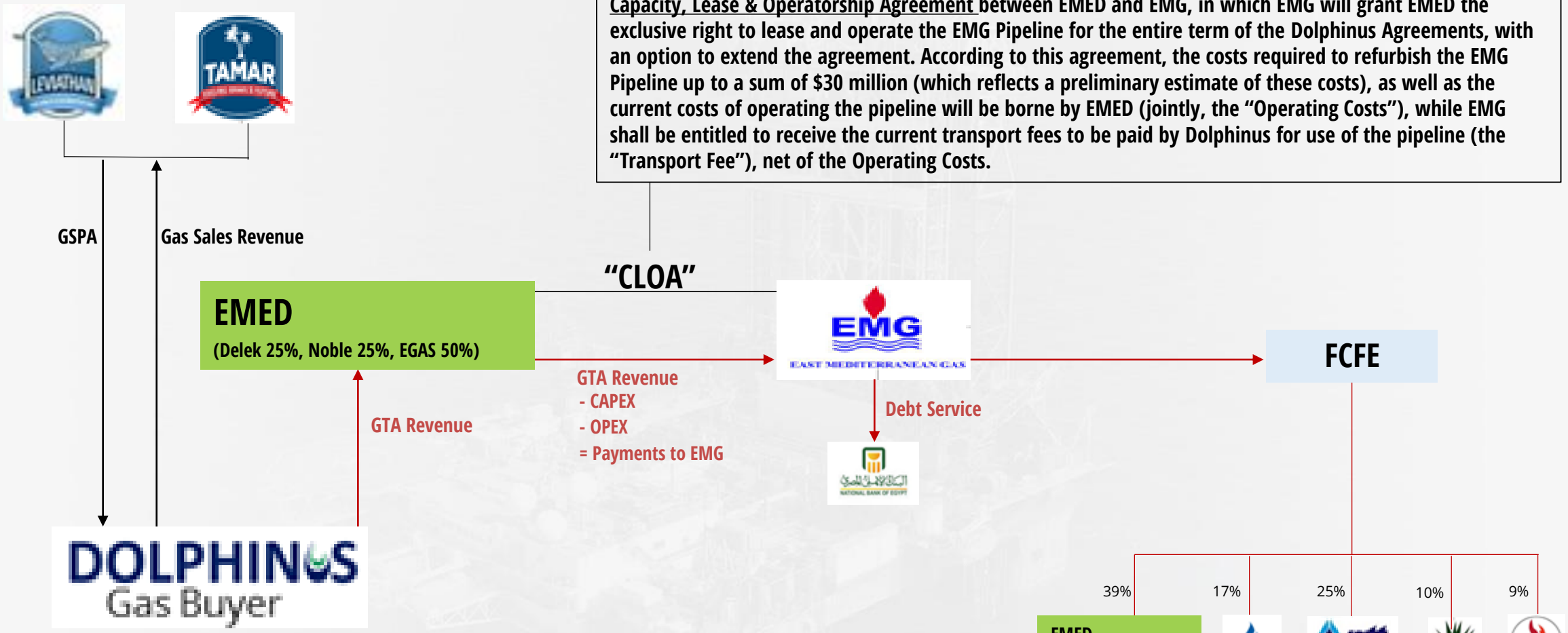
Transaction Overview – Post Closing



Gas / Funds Flow

Delek Drilling

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), 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