

Delek Group Ltd.
(the “**Offeror**” or “**Delek Group**”)

Delek Drilling – Limited Partnership
(the “**Partnership**”)

March 13, 2018

Shelf Offering Report

Under the Partnership’s shelf prospectus of May 25, 2016 (the “**Shelf Prospectus**” or the “**Prospectus**”) and in accordance with the provisions of the Securities Regulations (Shelf Offering of Securities), 5766-2005 (the “**Shelf Offering Regulations**”), the Offeror hereby publishes a shelf offering report for the offering of the undermentioned securities (the “**Shelf Offering Report**”). Terms used in the Shelf Offering Report shall have the meaning assigned thereto in the Shelf Prospectus, unless otherwise noted in the Shelf Offering Report.

The offering of securities by the Offeror under this Shelf Offering Report is made in the context of a full exchange tender offer, pursuant to a tender offer memorandum released by the Offeror simultaneously herewith, all as specified in the Shelf Offering Report (the “**Exchange Tender Offer**” and the “**Memorandum**”, respectively).

1. **Offered Securities**

The securities offered under this Shelf Offering Report are 27,244,260 registered participation units of ILS 1 par value each, conferring a right to participate in the rights of the Limited Partner of the Partnership, Delek Drilling Trusts Ltd. (the “**Limited Partner**” or the “**Trustee**”, the “**Participation Units**” and the “**Offered Units**”, respectively). The Offered Units represent approx. 2.32% of all of the Partnership’s Participation Units. As of the date of release of the Shelf Offering Report, the Offeror (directly) holds 91,917,302 Participation Units of the Partnership, which represent approx. 7.83% of all of the Partnership’s Participation Units.

2. **Manner of Offering of the Offered Units within the Exchange Tender Offer**

As aforesaid, the Offered Units are offered by the Offeror under this Report in the context of an exchange tender offer, by way of sale offer, which is a non-uniform offering, pursuant to Section 11(a)(3) of the Securities Regulations (Manner of Offering Securities to the Public), 5767-2007, which is addressed to the holders of ordinary shares of Delek Energy Systems Ltd. (“**Delek Energy**”) registered in Delek Energy’s shareholders register and/or holding Delek Energy shares through a Tel Aviv Stock Exchange (TASE) member, with the exception of the Offeror (the “**Offerees**”).

As of the date of the Memorandum, Delek Group holds 4,538,101 shares of Delek Energy, which represent, to the best of the Offeror’s knowledge, approx. 88.23% of the voting rights and of the issued and paid-up capital of Delek Energy (as well as on a fully diluted basis), to which the Exchange Tender Offer does not apply.

According to the Memorandum, the Offeror is offering to purchase from the Offerees all Delek Energy shares held by them (the “**Offerees’ Shares**”), such

that following the purchase, the Offeror will hold all of the voting rights and the entire issued and paid-up share capital of Delek Energy.

The consideration offered by the Offeror for all of the Offerees' Shares, according to the Memorandum, consists of all of the following: (a) The Offered Units; (b) A cash sum of ILS 385,294,379.2; and (c) 514,613.8 ordinary shares of ILS 1 par value each of Delek Group ("**Delek Group Shares**"), which are held on the date of the Memorandum by Delek Financial Investments 2012 – Limited Partnership (the "**Subsidiary Partnership**"), which is a private partnership wholly-owned (100%) by the Offeror. In accordance with the provisions of Section 309(b) of the Companies Law, 5759-1999 (the "**Companies Law**"), Delek Group Shares do not confer voting rights for as long as they are owned by the Subsidiary Partnership, but such shares will confer voting rights upon their sale.

The validity of the Exchange Tender Offer is contingent upon the purchase of all of the Offerees' Shares offered to be purchased, such that following the purchase the Offeror will hold the entire issued and paid-up share capital of Delek Energy, and Delek Energy will become a private company, as stipulated in Sections 337(a) and 337(a1) of the Companies Law.

For further details with respect to the structure of the Exchange Tender Offer and the consideration offered for the Offerees' Shares, see the Memorandum.

It is clarified that the Partnership, the General Partner of the Partnership, the Limited Partner, the Supervisor of the Partnership, and all directors and officers of the aforementioned, are not a party to the Exchange Tender Offer, have taken no part in the formulation of the outline of the Exchange Tender Offer or the terms and conditions thereof or the consideration offered therein, and bear no liability with respect to such matters.

3. **Terms and Conditions of the Offered Securities**

The Offered Units are equal in all respects to the Partnership's existing Participation Units. For a description of the rights attached to the Participation Units, see Chapter 3 of the Shelf Prospectus.

4. **Taxation**

As usual when making investment decisions, consideration should be given to tax implications related to the acceptance of the Exchange Tender Offer. The aforesaid does not constitute an authoritative interpretation of the provisions of the law with respect to taxation. Therefore, it is recommended that the Offerees examine the taxation aspects related to the tender offer, the acceptance thereof or the or potential subsequent actions, *inter alia*, by receiving specific professional advice on such issues, according to their respective information and specific circumstances.

For details with respect to applications for the receipt of a pre-ruling from the Tax Authority for the purpose of arrangement of the tax liability and

determination of the manner in which tax will be withheld from the capital gain of Offerees who accept the tender offer, see Section 14 of the Memorandum.

5. **Refrainment from Arrangements not stated in the Shelf Prospectus**

5.1. By signing the Shelf Offering Report, the Offeror, the directors of the Offeror, the General Partner of the Partnership, the directors of the General Partner of the Partnership, the Trustee and the director of the Trustee, undertake to refrain from making arrangements that are not stated in the Shelf Prospectus and/or the Shelf Offering Report, in relation to the offering of securities under the Shelf Prospectus and under the Shelf Offering Report, their distribution and dispersion among the public, and undertake to refrain from granting the purchasers of the securities under the Shelf Offering Report a right to sell the securities they purchased other than as specified in the Shelf Prospectus and the Shelf Offering Report.

5.2. By signing the Shelf Offering Report, the Offeror, the directors of the Offeror, the General Partner of the Partnership, the directors of the General Partner of the Partnership, the Trustee and the director of the Trustee, undertake to notify the Israel Securities Authority (ISA) of any arrangement of which they are aware with a third party that contradicts the undertaking specified in Section 5.1 above.

5.3. By signing the Shelf Offering Report, the Offeror, the directors of the Offeror, the General Partner of the Partnership, the directors of the General Partner of the Partnership, the Trustee and the director of the Trustee, undertake to refrain from engaging with any third party who, to the best of their knowledge, has made arrangements contrary to the provisions of Section 5.1 above.

6. **Permits and Approvals**

The ISA has given its approval for the release of the Shelf Offering Report. The ISA's permission to release the Shelf Offering Report is neither a verification of the details presented therein nor a confirmation of their credibility or integrity, nor is it an expression of opinion on the quality of the Offerees' Shares.

7. **Fee Payment**

The Offeror shall pay the ISA the additional fee for the securities offered under the Shelf Offering Report, in accordance with the provisions of Section 4A of the Securities Regulations (Fee for Application for Permission to Release a Prospectus), 5755-1995.

8. **Consideration for the Offering and Expenses related to the Release of the Shelf Offering Report**

As specified above, the Offered Units constitute part of the consideration in the Exchange Tender Offer, which is offered by the Offeror in consideration for the

purchase of the Offerees' Shares. The Partnership shall receive no consideration for the securities offered under the Shelf Offering Report. The Offeror shall bear any and all expenses involved in the release of the Shelf Offering Report.

9. **Updates to the Shelf Prospectus**

In accordance with the provisions of Section 4 of the Shelf Offering Regulations, reports submitted by the Partnership after the release of the Shelf Prospectus shall be deemed as reports included in the Shelf Offering Report by way of reference. The full versions of the Partnership's reports are available for inspection on the ISA's website at: www.magna.isa.gov.il and on TASE's website at: www.maya.tase.co.il.

10. **Update on the Evaluations of Resources in the Partnership's Petroleum Assets**

In accordance with the Securities Regulations (Periodic and Immediate Reports), 5730-1970, the Partnership will release the periodic report for 2017 by March 31, 2018 (the "2017 Report").

In accordance with Section 25A(b) of the Securities Law, 5728-1968, following the release of the 2017 Report, the Partnership will release an amendment to this Shelf Offering Report, which will include the 2017 Report by way of reference, including reference to the updated details to be included in the 2017 Report regarding the updated evaluations of the resources in the Partnership's petroleum assets, as required under Section 22 of the Third Schedule to the Securities Regulations (Details of the Prospectus and the Draft Prospectus – Structure and Form), 5729-1969.

11. **Letter of Consent by the Partnership's Auditors**

The Offeror has been given a letter of consent by the Partnership's auditors, stating their consent to include in the Shelf Offering Report, including by way of reference, the auditor's reports and the review reports, as applicable, which are included in the Shelf Offering Report by way of reference. Such letter of consent is attached to the Shelf Offering Report as **Annex 1**.

12. **Legal Opinion**

Following is a legal opinion received from the law firm of Agmon & Co. Rosenberg HaCohen & Co. in relation to the offering of securities under this Report:

March 13, 2018

Delek Group Ltd.
19 Abba Eban Avenue
Herzliya Pituach 4612001

Delek Drilling Management (1993) Ltd.
19 Abba Eban Avenue
Herzliya Pituach 4612001

Delek Drilling Trusts Ltd.
19 Abba Eban Avenue
Herzliya Pituach 4612001

Dear Sir/Madam,

Re: **Shelf Offering Report under the Shelf Prospectus of
Delek Drilling – Limited Partnership**

In reference to the shelf prospectus of Delek Drilling – Limited Partnership dated May 25, 2016 (the “**Shelf Prospectus**”) and the shelf offering report about to be released thereunder (the “**Shelf Prospectus Regulations**”), concerning a sale offer of registered participation units of ILS 1 par value each, which confer the right to participate in the rights of the Limited Partner of the Partnership (the “**Offered Units**”), which constitute part of the consideration offered by Delek Group Ltd. (the “**Offeror**”) in the context of the Offeror’s full exchange tender offer addressed to the shareholders of Delek Energy Systems Ltd. (with the exception of the Offeror itself), were hereby opine as follows:

1. In our opinion, the rights attached to the Offerees' Shares were correctly described in the Shelf Prospectus and in the Shelf Offering Report.
2. In our opinion, the Offeror is authorized to offer the Offered Units in the manner described in the Shelf Prospectus and in the Shelf Offering Report.
3. In our opinion, the directors of the Offeror and of the General Partner of the Partnership were lawfully appointed and their names are included in the Shelf Offering Report.

We agree to the inclusion of this opinion in the Shelf Offering Report to be released in March 2018.

Sincerely,

Ran Shalom, Adv.

Leeraz Kahana, Adv.

Signatures

Delek Group Ltd. (the Offeror):

Delek Group Ltd.

Directors of Delek Group Ltd. (the Offeror):

Gabriel Last, Chairman

Yitzhak Sharon (Tshuva)

Avi Harel

Arieh Zief

Carmit Elroy

Ron Roni Milo

Yehudit Teitelman Zeidenberg

The General Partner of the Partnership:

Delek Drilling Management (1993) Ltd.

Directors of the General Partner of the Partnership:

Assi Bartfeld

Gabriel Last

Malcolm Hoenlein

Carmit Elroy

Leora Pratt Levin

Amos Yaron

Jacob Zack

Eytan Rozenman

Ronnie Bar-On

Barak Mashraki

The Limited Partner (the Trustee):

Delek Drilling Trusts Ltd.

Director of the Trustee:

P.K. Oil Trusts (1995) Ltd.

Annex 1 – Letter of Accountants’ Consent

March 13, 2018

To
The board of directors of Delek Drilling – Limited Partnership

Dear Sir/Madam,

Re: Shelf Offering Report of the Partnership Delek Drilling – Limited Partnership
(the “Partnership”) intended for release in March 2018

We hereby notify that we agree to the inclusion, including by way of reference, of our following reports in the above-referenced report:

1. A review report of August 15, 2017 on the Partnership’s condensed financial information as of June 30, 2017 and for the six-month and three-month periods then ended.
2. A special review report of August 15, 2017 on the Partnership’s proforma financial information as of June 30, 2017 and for the six-month and three-month periods then ended, according to Section 38B of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.
3. A review report of November 19, 2017 on the Partnership’s condensed financial information as of September 30, 2017 and for the nine-month and three-month periods then ended.
4. A special review report of November 19, 2017 on the Partnership’s proforma financial information for the nine-month and three-month periods ended on September 30, 2017, according to Section 38B of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

Ziv Haft
Accountants

Kost, Forrer, Gabbay & Kasierer
Accountants

March 13, 2018

To
Delek Drilling – Limited Partnership
19 Abba Eban Avenue, Herzliya

Dear Sir/Madam,

Re: Shelf Offering Report of Delek Drilling – Limited Partnership (the “Partnership”) intended for release in March 2018

We hereby notify you that we agree to the inclusion, including by way of reference, of our following reports:

1. The auditor’s report of March 22, 2017 on the financial statements of Avner Oil Exploration – Limited Partnership (the “**Avner Partnership**”) as of December 31, 2016 and 2015 and for each of the three years in the period ended on December 31, 2016.
2. The auditor’s report of March 22, 2017 on an audit of components of internal control over financial reporting of the Avner Partnership as of December 31, 2016.
3. A review report of May 16, 2017 on the Avner Partnership’s condensed financial information as of March 31, 2017 and for the three-month period then ended.

Kost, Forrer, Gabbay & Kasierer
Accountants

March 13, 2018

To
The board of directors of Delek Drilling – Limited Partnership

Dear Sir/Madam,

Re: Shelf Offering Report of the Partnership Delek Drilling – Limited Partnership (the “Partnership”) intended for release in March 2018

We hereby notify that we agree to the inclusion, including by way of reference, of our following reports in the above-referenced report:

1. The auditor’s report of March 22, 2017 on the Partnership’s financial statements as of December 31, 2016 and 2015 and for each of the three years in the period ended on December 31, 2016.
2. The auditor’s report of March 22, 2017 on an audit of components of internal control over financial reporting of the Partnership as of December 31, 2016.
3. A special auditor’s report of March 22, 2017 on the Partnership’s proforma financial information as of December 31, 2016 and 2015 and for each of the three years in the period ended on December 31, 2016, according to Section 9C of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.
4. A review report of May 16, 2017 on the Partnership’s condensed financial information as of March 31, 2017 and for the three-month period then ended.
5. A special review report of May 16, 2017 on the Partnership’s proforma financial information as of March 31, 2017 and for the three-month period then ended, according to Section 38B of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

Ziv Haft
Accountants