

Delek Drilling - Limited Partnership

June 17, 2018

Israel Securities Authority
22 Kanfei Nesharim St.
Jerusalem

Tel Aviv Stock Exchange Ltd.
2 Ahuzat Bayit St.
Tel Aviv

Dear Sir/Madam,

Re: **Immediate Report regarding the Summoning of a Special Meeting of the Participation Unit Holders**

In accordance with the Securities Regulations (Transaction between a Company and a Controlling Shareholder thereof), 5760-2001 (the “**Controlling Shareholders Regulations**”), the Securities Regulations (Periodic and Immediate Reports), 5730-1970 (the “**Reports Regulations**”) and the provisions of the Partnerships Ordinance [New Version], 5735-1975, which applies certain provisions of the Companies Law, 5759-1999 (the “**Companies Law**”) and the regulations promulgated thereunder, the Partnership respectfully announces the summoning of a special meeting of the holders of the participation units issued by Delek Drilling Trusts Ltd. (the “**Trustee**”) and which confer a working interest in the Trustee's rights as a limited partner (“**Units**” or “**Participation Units**”) in Delek Drilling – Limited Partnership (the “**Partnership**”), as follows:

1. **Time and location of the meeting**

The meeting will be held on Tuesday, July 24, 2018 at 16:00, at Herods Hotel at 11 HaOgen St., Herzliya.

2. **On the meeting's agenda**

2.1. **Approval of the Engagement with Delek Group in an Agreement which Regulates Division of the Costs of Employment of Workers**

Language of the proposed resolution: “To approve the Partnership's engagement with Delek Group in an agreement which regulates division of the costs of employment of workers, in accordance with and subject to the terms and conditions of the arrangement specified in Section 2.1 of the Notice of Meeting Report, for a period of three (3) years commencing on the date of approval of the general meeting.”

Set forth below are further details regarding the proposed resolution:

2.1.1. **Details of the engagement**

On March 7, 2018 and May 10, 2018, the Audit Committee approved, and on March 12, 2018, May 14, 2018 and June 14, 2018 the Board of Directors of the Partnership's general partner

approved, subject to the approval of the general meeting summoned according to this report, the Partnership's engagement with Delek Group Ltd., the control holder of the Partnership ("**Delek Group**") (collectively: the "**Parties**"), in an agreement whose purpose is to regulate the manner of division of the costs of employment of professional workers of the Partnership who will work, in accordance with and subject to the terms and conditions of the arrangement, for Delek Group and subsidiaries thereof (collectively: the "**Delek Group Companies**" and the "**Arrangement**", respectively).

Below is a description of the main principles of the Arrangement:

- (a) The engagement is for a period of three (3) years from the date of the general meeting's approval. Either one of the Parties may terminate the engagement by giving written notice to be delivered to the other party 30 days in advance.
- (b) The Arrangement will apply to workers and officers in the field of management and business development, economics, regulation and geology, who are employed under an employment agreement that was signed and/or will be signed with the Partnership only (above and below: the "**Employees**"), such that the full salary of the Employees will be paid by the Partnership, and Delek Group will pay the Partnership its share in the costs of their employment, as specified in Subsection (f) below, in accordance with their actual work percentage. The scope of the Employees' work for the Delek Group Companies shall not exceed a 5% position on an annual average. It is clarified that the Employees will continue to be deemed as the Partnership's employees only, and there neither is nor will be any employment relationship between the Employees and the Delek Group Companies.
- (c) The Employees will update their direct supervisor or the CEO of the Partnership's general partner on any matter giving rise to a concern of a conflict of interest between their employment and their work for Delek Group and/or subsidiaries thereof, and shall act in accordance with their instructions on such matter.
- (d) The aforesaid notwithstanding, it is clarified that each one of the Parties will be entitled, at any time, at its sole discretion, to reduce the position percentage specified above, for a fixed period of time or permanently, in accordance with the current needs thereof, as being from time to time. It is further clarified that also in the case of reduction of the position percentage worked by the Employees in matters of the Delek Group Companies, the Employees will be employed on a

full-time basis of 100%, and in any event their full salary (100% position) will be paid by the Partnership.

- (e) The Employees will regularly document the scope of their work for the Delek Group Companies, in a format that shall be approved by the Partnership's Audit Committee. Once every six months, in proximity to the date of approval of the Partnership's financial statements, the Audit Committee will examine the match between the scope of the Employees' work for the Delek Group Companies in the previous two quarters and the maximum position percentage determined with respect to them.
- (f) Throughout the period of the engagement, Delek Group will bear and pay the Partnership a proportionate share of the total cost of employment that shall be borne by the Partnership in respect of each one of the Employees who shall work for the Delek Group Companies, according to the actual time worked, plus VAT as required by law. For this purpose, "**total cost of employment**" – including social benefits, options insofar as granted, salary-related components and a proportionate share in costs of offices and other office overhead expenses.

The accounting between the Parties will be carried out every quarter in relation to all of the Employees who worked for the Delek Group Companies in the previous quarter. With respect to variable salary components and bonuses (with the exception of a success bonus, as defined below), upon the granting of the bonus by the Partnership, a retroactive accounting will be carried out, that too proportionately to the relative position percentage worked by the relevant employee for the Delek Group Companies in the relevant period. For this purpose, "**success bonus**" – a bonus granted for compliance with a specific target that was defined in advance for the employee.

2.1.2. **Name of the control holder that has a personal interest in approval of the proposed resolution and the nature of the personal interest**

- (a) Delek Group, the control holder of the Partnership, is a party to the engagement described above. Delek Group is a public company whose securities are listed on TASE, which holds (directly and through companies controlled thereby), as of the date of this report, approx. 738,363,043 Participation Units of the Partnership, which constitute approx. 62.9% of the issued units. Delek Group's personal interest derives from its being a party to this engagement.

- (b) As of the date of this report, approx. 91,917,303 Participation Units of the Partnership, which constitute approx. 7.83% of the issued capital and the voting rights of the Partnership, are held directly by Delek Group; 635,094,819 Participation Units of the Partnership, which constitute approx. 54.11% of the issued capital and the voting rights of the Partnership are held by Delek Energy Systems Ltd. (“**Delek Energy**”), a public subsidiary (directly and indirectly, through Delek Drilling Management (1993) Ltd. (the Partnership’s general partner), a private subsidiary wholly owned thereby), which is held by Delek Group at a rate of approx. 88.23%; approx. 11,319,081 Participation Units of the Partnership, which constitute approx. 0.96% of the issued capital and the voting rights of the Partnership are held by Avner Oil & Gas Ltd., a private subsidiary owned by Delek Energy and Cohen Development and Industrial Buildings Ltd. (“**Cohen Development**”), a public subsidiary held by Delek Group at a rate of 51.76%; and approx. 31,840 Participation Units of the Partnership are held by Cohen Family Assets Ltd., a private subsidiary wholly owned by Cohen Development. As of the date of the report, Delek Group is controlled by Mr. Yitzhak Sharon (Tshuva), who, as of the date of the report, holds approx. 60.51% of the shares of Delek Group and approx. 64.42% of the voting rights therein through companies fully controlled by him (100%).
- (c) In view of the aforesaid, to the best of the Partnership’s knowledge, Mr. Yitzhak Sharon (Tshuva) is the (indirect) controlling shareholder of the Partnership. The personal interest of Mr. Yitzhak Sharon (Tshuva) derives from his being the controlling shareholder of Delek Group and from his office as a director of Delek Group and of Delek Energy.

2.1.3. **The manner in which the consideration was determined**

The consideration for provision of the services that Delek Group shall pay the Partnership is based, as aforesaid, on the total cost of employment of the Employees. Following a discussion on the issue and based on the reasons specified in Section 2.1.5 below, the Audit Committee and the Board of Directors decided that the said consideration is reasonable and fair under the circumstances.

2.1.4. **The approvals required for approval of the proposed resolution**

- (a) The engagement with Delek Group in the Arrangement described above requires the approval of the Audit Committee, the Board of Directors of the general partner and the general meeting of the holders of the Participation Units

which is being summoned according to this report by a special majority, as specified in Section 3.3.1 below.

- (b) The Audit Committee, at its meetings of March 7, 2018 and May 10, 2018, decided to approve the engagement in the said Arrangement, under the terms and conditions specified above, and recommended that the Board of Directors of the general partner approve the Arrangement, based on the reasons specified in Section 2.1.5 below.

The directors who participated in the said meetings of the Audit Committee are Messrs. Ronnie Bar-On, Amos Yaron (outside director), Jacob Zack (outside director) and Eytan Rozenman (outside director).

- (c) The Board of Directors of the general partner, at its meetings of March 12, 2018, May 14, 2018 and June 14, 2018, decided to approve the Partnership's engagement in the Arrangement, under the terms and conditions specified above, based on the reasons specified in Section 2.1.5 below.

The directors who participated in the said board meetings are Messrs. Ronnie Bar-On, Amos Yaron (outside director), Jacob Zack (outside director) and Eytan Rozenman (outside director). In accordance with Section 278 of the Companies Law, the directors who have a personal interest in the approval of the agreement, who are specified in Section 2.1.6 below, did not participate in the discussion on the issue at the board meeting nor in the vote on approval of the agreement.

2.1.5. **Specification of transactions of the transaction's type or similar transactions of the Partnership in which the control holder has a personal interest**

During the two years preceding the date of approval by the Board of Directors, the Partnership did not engage in a transaction of the type of the present Arrangement or transactions similar thereto, and the Partnership is not a party to any such transaction which was in effect on the date of approval by the Board of Directors as aforesaid.

2.1.6. **Reasons of the Audit Committee and the Board of Directors for approval of the proposed resolution**

The Audit Committee, at its meetings of March 7, 2018 and May 10, 2018, and the Board of Directors of the general partner, at its meetings of March 12, 2018, May 14, 2018 and June 14, 2018, approved the engagement in the Arrangement described above, based on the reasons specified below:

- (1) The Arrangement will allow the Partnership to make optimal use of the manpower resources available thereto, without compromising its ongoing needs and the managerial inputs required of the employees and officers, since the terms and conditions of the Arrangement ensure that the Partnership retains full flexibility to limit the position percentages of the Employees who will work for the Delek Group Companies.
- (2) The work of professional officers and employees of the Partnership for the Delek Group Companies is expected to boost the international goodwill of Delek Group in the energy sector, which may, in the estimation of the Audit Committee and the Board of Directors, indirectly also boost the international goodwill of the Partnership and assist it in the future in potential engagements with foreign financing bodies and banks, partners, customers, suppliers and other foreign third parties.
- (3) The payments that the Partnership shall receive from Delek Group for the work of the Employees for the Delek Group Companies are reasonable and fair, being based on the total cost of employment of the Employees and their actual employment percentage.
- (4) The Audit Committee determined that, under the circumstances, there is no need to hold a competitive or other proceeding, considering the characteristics and purposes of the Arrangement, as specified above.
- (5) In the framework of the engagement, the Partnership will receive adequate consideration and therefore the Arrangement does not constitute a “distribution” within the meaning thereof in the Companies Law.

2.1.7. **Names of the directors who have a personal interest in approval of the proposed resolution and the nature of their personal interest**

- (1) Asaf Bartfeld, Chairman of the Board, who serves as the CEO of Delek Group and as a director of subsidiaries of Delek Group;
- (2) Gabriel Last, who serves as Chairman of the Board of Delek Group and Delek Energy and as a director of subsidiaries of Delek Group;
- (3) Leora Pratt Levin, who serves as senior VP, Chief General Counsel and Company Secretary at Delek Group and as a director of Delek Energy and other subsidiaries of Delek Group;
- (4) Barak Mashraki, who serves as senior VP and CFO of Delek Group and as CEO and a director of subsidiaries of Delek Group;
- and (5) Carmit Elroy, the daughter of Mr. Yitzhak Sharon (Tshuva), who serves as a director of Delek Group.

3. **Details with respect to the convening of the meeting**

3.1. **Quorum and adjourned meeting**

No discussion will be opened at the general meeting, unless a quorum is present when the meeting turns to do so, and no resolution will be adopted, unless a quorum is present when the resolution is voted upon. A quorum will be formed when two Unit holders, who together hold Units that represent no less than 50% of the Units issued by the Trustee until the business day preceding the meeting, are present in person or by proxy.

If a quorum is not present 30 minutes after the time scheduled for the meeting, the meeting will be adjourned to the same day the following week at the same time and place, i.e., July 31, 2018 at 16:00, without there being an obligation to inform the Unit holders thereof, or to any other day or a different time or another place as the Trustee, with the Supervisor's consent, shall determine in a notice to the Unit holders.

If a quorum is not present at such adjourned meeting 30 minutes after the scheduled time, two Unit holders present in person or by proxy shall then constitute a quorum, and the meeting will be at liberty to address the issues for which it was called. If no such quorum is present at an adjourned meeting – the meeting will be cancelled.

For quorum purposes, two proxies of one registered Unit holder which is a nominee company (i.e., a company the sole business of which is holding securities on behalf of others), who participate in the meeting by virtue of powers of attorney granted to them, in respect of different Units, by the same registered Unit holder, shall also be deemed “two Unit Holders”.

3.2. **The majority required for adoption of the resolution on the agenda**

The majority required for the adoption of the proposed resolution is a simple majority, provided that one of the following is fulfilled:

3.2.1 The count of the majority votes at the general meeting shall include a majority of the total of votes of participation unit holders participating in the vote other than the General Partner or the controlling shareholder thereof or holders of a personal interest in the approval of the resolution; the count of all of the votes of such participation unit holders shall exclude the abstaining votes;

3.2.2 The total of dissenting votes in the vote from among the participation unit holders mentioned in Subparagraph (a) shall not exceed a rate of two percent of all of the participation unit holders' voting rights.

3.3. **Record date and proof of ownership**

- 3.3.1. The record date for establishing the right to vote in accordance with Section 182 of the Companies Law and Section 3 of the Companies Regulations (Voting in Writing and Position Statements), 5766-2005 is on Monday, June 25, 2018, at the close of the trading day on TASE (hereinafter in this Section 3.4.1 only: the “**Record Date**”).
- 3.3.2. In accordance with the Companies Regulations (Proof of Shareholding for the purpose of Voting at a General Meeting), 5760-2000, a Unit holder, to whose credit a Participation Unit is registered with a TASE member, and such Unit is included in the Units listed in the name of the nominee company in the participation units register (an “**Unregistered Unit Holder**”), shall furnish the Partnership with confirmation by the TASE member with which the Unit is registered to his credit of his ownership of the Unit on the Record Date, in accordance with the provisions of the aforesaid Regulations and the form in the Schedule of the aforesaid Regulations.
- 3.3.3. In addition, an Unregistered Unit Holder may instruct that his ownership confirmation be transferred to the Partnership by means of the electronic voting system operating under Title B of Chapter G2 of the Securities Law (the “**E-Voting System**”).

3.4. **Voting**

- 3.4.1. With respect to the resolution on the agenda of the meeting, a Unit holder may vote in person, by a proxy for the vote holding a document of appointment as a proxy for the vote, via voting card and also via an electronic voting card transferred to the Partnership by means of the E-Voting System.

3.4.2. **Voting through the appointment of a proxy**

It is required that a document of appointment of a proxy for the vote, or a copy thereof, certified by a notary, be deposited with the Trustee’s offices on 19 Aba Eban Street, Herzliya Pituach, at least 48 hours before the time of the meeting, i.e., no later than Sunday, July 22, 2018, failing which such appointment document shall have no force and effect at the meeting and at an adjourned meeting.

- 3.4.3. If the meeting is adjourned as stated in Section 3.2 above, and a Unit holder shall have deposited a document of appointment of a proxy for the vote, in the manner and on the conditions stipulated above, at least 48 hours prior to the time of the adjourned meeting, the Unit holder that deposited the power of attorney vote by proxy at the adjourned meeting, regardless of whether he was present in the original meeting, in person or by

proxy, or was not present in the original meeting, in person or by proxy. For the avoidance of doubt, a Unit holder who was present in the original meeting by proxy will not be required to re-deposit a power of attorney for the purpose of voting at an adjourned meeting only if such adjourned meeting is convened within ten (10) days as of the date of the original meeting.

3.4.4. Voting via voting card and position statements

In addition, a Unit holder may vote at the meeting also by means of the voting card attached hereto as an annex. For this purpose, the vote of a Unit holder voting via the voting card will be deemed as his presence and participation in the meeting.

Voting via the voting card by a Unit holder interested in voting via voting card *in lieu* of his participation in the meeting in person and/or by proxy and/or electronic voting card, will be carried out on the second part of the voting card.

The deadline for the provision of voting cards is up to six (6) hours before the time of convening of the meeting, i.e., July 24, 2018, by 10:00 for Unit holders listed in the unit holders register, and up to four (4) hours before the time of convening of the meeting, i.e., July 24, 2018, by 12:00 for unregistered Unit holders.

The deadline for the provision of position statements by Unit holders is up to ten (10) days before the time of convening of the meeting, i.e., July 14, 2018. The Partnership will publish such position statements no later than one business day after receipt thereof. A position statement that includes the response of the Company's board of directors may be submitted no later than 5 days before the time of convening of the meeting, i.e., July 19, 2018.

A Unit holder may directly contact the Partnership to receive therefrom the language of the voting card and position statements (insofar as given).

A TASE member shall send by email, free of charge, a link to the language of the voting card on the distribution site, to any Unit holder not registered in the unit holders register who holds Units thereby, unless the Unit holder shall have notified the TASE member that he does not wish to receive such link or shall have notified that he wishes to receive a voting card by post for a charge of postage only.

A Unit holder whose Units are registered with a TASE member is entitled to receive the ownership confirmation from the TASE member by which he holds his Units, at a branch of the TASE member or by post to his address for a charge of postage only, if

so requested by him, and a request on this matter shall be given in advance for a specific securities account.

The Partnership shall send the Unit holders registered in the unit holders register, free of charge, a voting card on the date of release of this notice.

3.4.5. Voting via the electronic system

After the record date, upon the receipt of an identifying number and an access code from the TASE member and after an identification process, an unregistered unit holder will be able to vote via the electronic system. The last date for voting on the electronic system is up to 6 hours before the time of convening of the meeting, i.e., July 24, 2018 by 10:00.

If a unit holder votes by more than one means, his later vote shall be counted, with the vote of a unit holder in person at the meeting or by proxy being deemed later to a vote via voting card.

4. **Changes in the agenda**

A request by one or more Participation Unit holders, holding at least 0.5% of all of the Participation Units of the Partnership, to include an issue in the agenda of the general meeting, shall be delivered to the Partnership up to seven (7) days after the calling of the meeting. The issue will possibly be added to the agenda and the details thereof will appear on the distribution website. In such a case, the Trustee shall publish an amended notice report no later than seven (7) days after the deadline for the delivery of a request by a Participation Unit holder for the inclusion of an issue in the agenda, as aforesaid.

5. **Notice of the existence of a personal interest and additional required information**

5.1. A Participation Unit holder who participates in the vote shall notify the Partnership before voting at the meeting, or, if the vote is via voting card – on the voting card, or if the vote is by power of attorney and/or by electronic voting card – in the space designated therefor in the second part of the electronic voting card, whether he has or does not have a personal interest in the approval of the engagement.

5.2. A Participation Unit holder who fails to notify the Partnership of the existence or of the absence of a personal interest in the approval of the resolution shall not vote and his vote shall not be counted.

6. **Issuance of an order by the ISA**

Under Section 10 of the Controlling Shareholders Regulations, the ISA or an employee authorized thereby for this purpose may, within twenty one (21) days of the date of submission of the transaction report, order the Partnership to provide, within a time set thereby, explanations, details, information and documents related to the engagement contemplated herein, and order the Partnership to amend the report in such manner and at such time as determined thereby.

If an order to amend the report is issued as aforesaid, the ISA may order the postponement of the date of the general meeting to a date occurring no earlier than the lapse of three (3) business days and no later than thirty five (35) days as of the date of release of the amendment to the transaction report.

If an order regarding the postponement of the convening of the general meeting is issued, the Partnership shall give notice of such order by an immediate report.

7. **The Partnership's representatives for the purpose of the transaction report**

The Partnership's representatives for the purposes of this report are Advs. Eliran Uziel and Lee Oz of Agmon & Co., Rosenberg HaCohen & Co., of Electra Tower, 98 Yigal Allon St., Tel Aviv 6789141; Telephone: 03-6078607; Facsimile: 03-6078666.

8. **Inspection of documents**

The language of the immediate report, position statements and voting card are available for inspection on the TASE website at: www.maya.tase.co.il and on the ISA website at: www.magna.isa.gov.il. Furthermore, the notice to the Unit holders and a copy of any document pertaining to the aforesaid resolution are available for inspection at the offices of the Trustee on 19 Aba Eban Street, Herzliya Pituach, after prior coordination with Adv. Sari Singer Kaufman (09-9712424), until the convening of the unit holders meeting.

Sincerely,

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

By:

Yossi Abu, CEO
and Yossi Gvura, Deputy CEO