

Delek Drilling – Limited Partnership
(the “Partnership”)

December 24, 2018

Israel Securities Authority
22 Kanfei Nesharim St.
Jerusalem

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

Dear Sir/Madam,

Re: of Estimate the General Partner regarding the Annual Liable Income of the Partnership for Tax Purposes for 2018

The Partnership hereby respectfully announces that further to the provisions of Sections 4.4 and 4.5 of the Partnership’s periodic report as of December 31, 2017, as was released on March 21, 2018 (ref. no.: 2018-01-022209) (the “**Annual Report**”), and of the Partnership’s immediate reports of November 8, 2018 (ref. no.: 2018-01-101494) regarding a temporary tax certificate for an entitled holder due to the holding of a participation unit of the Partnership for the tax year 2017, and of November 22, 2018 (ref. no.: 2018-01-106681) regarding receipt of a tax assessment to the best of judgment in connection with the Partnership’s liable income for tax purposes for 2016, and the provisions of Section 3(b) of the update to Chapter A (Description of the Partnership’s Business), which was included in the Partnership’s periodic report as of September 30, 2018, as released on November 21, 2018 (ref. no.: 2018-01-105874) regarding the signing of an assessments agreement with the Tax Authority for the tax year 2015, and in accordance with the provisions of the partnership agreement and the trust agreement of July 1, 1993 (as amended from time to time), and after consulting with the Partnership’s accountants, in the general partner’s estimation, in accordance with an estimate he made (subject to the following restrictions and qualifications), according to estimated unaudited figures and based on various estimates and assumptions, including with respect to an estimate of the projected income and expenses until December 31, 2018, the annual liable income from a business for tax purposes of the Partnership for 2018 is expected to amount to the sum total of approx. ILS 471 million, i.e. approx. ILS 0.40109 per participation unit. The income from dividends and interest from securities, net of the (net) capital loss from the sale of securities, for 2018, is expected to total approx. ILS 58 million, i.e. approx. ILS 0.04911 per participation unit.

It is clarified that the said estimate is a preliminary estimate and constitutes an estimate only, and that the amount of the liable income for tax purposes for an entitled holder due to the holding of a participation unit for the tax year 2018 has not yet been determined, due to the fact that 2018 has not yet ended, financial statements for 2018 have not yet been prepared, and no audit of the Partnership’s books by the Partnership’s auditors and by the Tax Authority for 2018 has yet been carried out. In addition, the final determination of the liable income for tax purposes of the Partnership for the tax years 2016 and 2017 may have a material effect on the amount of the Partnership’s liable income for 2018. After completion of the audit by the auditors and the Tax Authority as aforesaid, and upon determination of the amount of the liable income for tax purposes

for an entitled holder in respect of 2018, a certificate shall be issued for the purpose of calculation of the income for tax purposes for an entitled holder, and an immediate report shall be released accordingly.

It is noted that the Income Tax Regulations (Rules for Calculating the Tax due to the Holding and Selling of Participation Units of an Oil Exploration Partnership), 5749-1988 were valid until June 30, 2015, and that as of the date of this report, the validity thereof has not yet been extended.

Pursuant to the provisions of Section 19 of the Taxation of Profits from Natural Resources Law, 5771-2011 (the "**Law**"), the Partnership paid Income Tax, on account of the tax for which the partners shall be liable in the tax year 2018, advance payments in the aggregate sum of approx. ILS 110 million, i.e. approx. ILS 0.0937 per participation unit. It is clarified that such advance payments do not include the withholding tax from the expected profit distribution, the record date in respect of which is December 31, 2018. It is noted that if, after the submission of the tax report for 2018 and after completion of the audit of the Tax Authority, it transpires that the Partnership paid advance payments in amounts exceeding the amounts required pursuant to the Law, the balance shall be repaid to the Partnership; if it transpires that the final tax assessment is higher than the amounts paid by the Partnership, the Partnership will be required to act in accordance with the provisions of Section 19 of the Law and to pay the tax balance that derives therefrom according to the rate of the share in the Partnership of the entitled holders that are a body corporate and the rate of the share in the Partnership of the entitled holders who are individuals, while for this purpose the liable income of the individuals shall be deemed as being subject to the maximum tax rate, unless it is proven to the assessing officer that the tax rate that applies to such individual is lower than the said rate. In addition, the Partnership shall act in accordance with the judgment of the District Court in Originating Application 41282-10-16, and insofar as the Supreme Court does not rule differently in its decision in the appeal that was filed from the judgment of the District Court (see Section 4.3.5 of the Annual Report).

Each holder should examine, through professional advisors, his tax status and the need for preparations according to the recommendations of his professional advisors as aforesaid.

Warning regarding forward-looking information – The Partnership's estimate regarding the amount of the Partnership's liable income for 2018 is forward-looking information within the meaning thereof in the Securities Law, 5728-1968, since the amount of the liable income for tax purposes for an entitled holder due to the holding of a participation unit for the tax year 2018 has not yet been determined due to the fact that financial statements for 2018 have not yet been prepared and no audit of the Partnership's books by the Partnership's auditors and by the Tax Authority has yet been carried out. It is clarified that this is an estimate of the general partner only, and a preliminary estimate, and that the final determination of the Partnership's liable income for 2018 may be materially different to the said estimate and may be affected, *inter alia*, by the Partnership's total income and expenses for tax purposes for 2018 which, as of the date of this report, have not yet been audited, by accounting and tax consequences which are unknown as of this date, by the final determination of the Partnership's income for tax purposes for 2016 and 2017, and by changes in the exchange rate of the dollar versus the shekel.

Sincerely,

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

By Yossi Abu, CEO
and Yossi Gvura, Deputy CEO