

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

December 31, 2017

Israel Securities Authority  
22 Kanfei Nesharim St.  
Jerusalem

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

Dear Sir/Madam,

**Re: Appeal from the decision of the court on the motion for instructions  
regarding the interpretation and manner of implementation of Section 19 of the  
Taxation of Profits from Natural Resources Law, 5771-2011**

Further to the provisions of the Partnership’s immediate report of November 1, 2017 (ref. no.: 2017-01-103584) and of Section 3 of the update to Chapter A (Description of the Partnership’s Business), which was included in the periodic report of the Partnership as of September 30, 2017, as was released on November 20, 2017 (ref. no.: 2017-01-107730), regarding receipt of the court’s judgment on the motion for instructions regarding the interpretation and manner of implementation of Section 19 of the Taxation of Profits from Natural Resources Law, 5771-2011 (“**Section 19**”), and of the Partnership’s immediate report of December 21, 2017 (ref. no.: 2017-01-118860) regarding an agreement for the collection of tax in respect of the tax year 2017 which was signed between the Partnership and the Tax Assessor for Large Enterprises, the Partnership respectfully announces that today, December 31, 2017, the Partnership’s general partner filed an appeal from the judgment of the Tel Aviv-Jaffa District Court dated November 1, 2017 in originating application 41282-10-16, in which the Supreme Court was moved to decide on the proper interpretation of Section 19, so as to determine a fixed, known and across-the-board method for the taxation of the liable income of petroleum partnerships, according to which the petroleum partnerships will all be able to operate with certainty, *inter alia* while allocating the tax payment among the holders in an equal manner which shall prevent discrimination of holders that are liable for a tax rate that is lower than the maximum tax rate that applies to an individual. The Supreme Court was further moved to determine as follows:

1. The tax payment paid by a petroleum partnership according to the provisions of Section 19 must be allocated equally among all of the units in the partnership.
2. Accordingly, the partnership is required to issue to the unit holders equal tax certificates, such that the tax paid by the Partnership on account of the tax for which the partners in the partnership are liable shall be recorded in the tax certificate in a uniform amount for individuals and for a body corporate, without distinguishing between them, and each partner will be able to make use of such certificate, insofar as he requires, whether for the purpose of supplementation of the tax payment due therefrom or for receipt of a tax refund.
3. Alternatively, to determine that the decision of the District Court, whereby the tax should be allocated to the partners in a differential manner, shall apply

henceforth only, while with respect to the past, the petroleum partnerships will be able to allocate the tax that was paid equally to the relevant holders, and accordingly they will be entitled to issue equal tax certificates.

4. Alternatively, and insofar as it shall be determined that the tax payment according to Section 19 does not constitute a “distribution”, within the meaning thereof in the Companies Law, 5759-1999, it shall be determined that also a balancing payment that shall be made to holders of participation units that are a body corporate (in order to prevent subsidization among holders of units in the partnership in the tax payment) does not constitute a “distribution” in order to prevent discrimination of holders that are liable for a tax rate that is lower than the maximum tax rate that applies to an individual (such as companies or institutional bodies).

Sincerely,

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

By Yossi Abu, CEO  
and Yossi Gvura, Deputy CEO