

Delek Drilling – Limited Partnership
(the “Partnership”)

January 7, 2019

Israel Securities Authority
22 Kanfei Nesharim St.
Jerusalem

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

Dear Sir/Madam,

Re: **Complaint and Motion for Provisional Injunction**

The Partnership hereby respectfully announces that on January 6, 2019, the supervisors on behalf of the holders of the participation units in the Partnership, Gissin & Keidar (Legal Services) and the partnership Fahn Kanne & Co., together with CPA Micha Blumenthal (collectively: the “**Supervisor**”), filed with the Tel Aviv District Court (Economic Department) a complaint and an urgent motion for a provisional injunction (the “**Complaint**” and the “**Motion for a Provisional Injunction**”, respectively) pursuant to Section 65W(b) of the Partnerships Ordinance [New Version], 5735-1975, against the Partnership, the Partnership’s general partner, Delek Group Ltd. (“**Delek Group**”), Delek Energy Systems Ltd. (“**Delek Energy**”), and Delek Royalties (2012) Ltd. (“**Delek Royalties**”) (Delek Group, Delek Energy and Delek Royalties shall hereinafter be referred to collectively as the “**Royalty Holders**”).

In the Complaint, the Supervisor moves the court, *inter alia*: to declare that the calculation of the “Date of Investment Recovery” in the Tamar project must include the payments that the Partnership is required to make to the State by virtue of the Taxation of Profits from Natural Resources Law, 5771-2011 (the “**Sheshinski Levy**”); to declare that the Date of Investment Recovery in the Tamar project has not yet arrived; to determine from what date the Royalty Holders are entitled to receive the overriding royalty at the increased rate (a rate of 6.5% in lieu of a rate of 1.5%); and to declare that the Royalty Holders are required to return the amounts that they were overpaid to the Partnership, plus linkage differentials and interest. In addition, in the Motion for a Provisional Injunction, the Supervisor moves the court to issue an order that will prevent any action which may deprive the rights of the holders of the participation units, such that it order the Partnership and the Partnership’s general partner to refrain from transferring to the Royalty Holders the overriding royalty at the increased rate, and to transfer the same to an escrow account held by the Partnership, and order Delek Group and Delek Royalties to return the increased overriding royalty that they received until now from the Partnership and deposit it in the escrow account.

The Complaint states, *inter alia*, that the Supervisor acted in an attempt to reach an agreement with the Royalty Holders to resolve the dispute regarding the Date of Investment Recovery by way of arbitration before an agreed arbitrator. However, after the filing of the motion for approval of a derivative suit by a holder of participation units on November 29, 2018 (see the immediate report of November 29, 2018, ref. no.: 2018-01-110416) (the “**Derivative Motion**”), the Royalty Holders clarified to the Supervisor that they were not prepared to conduct the arbitration proceeding concurrently with the hearing of the Derivative Motion, and that they would agree to begin the arbitration proceeding only if the Derivative Motion was withdrawn and not heard simultaneously. The Complaint stated that it is the Supervisor’s

position that the Derivative Motion ought not to have been filed when the meeting of the holders of the participation units had authorized the Supervisor to clarify the matter of the Date of Investment Recovery, but after it had been filed and in view of the position of the Royalty Holders in relation to the Derivative Motion, as specified above, the Supervisor had decided to file with the court the Complaint and the Motion for a Provisional Injunction.

With respect to the Derivative Motion, it is noted that on December 27, 2018, the Partnership filed a motion for summary dismissal of the motion (and for a stay of the proceedings pending decision of the motion for summary dismissal), due to the absence of a preliminary request pursuant to Section 194(b) of the Companies Law, 5759-1999, and due to authorization of the Audit Committee of July 8, 2018 to handle the issue of the Date of Investment Recovery, and the resolution of the general meeting of the holders of the participation units which was summoned by the Partnership's Supervisor of September 6, 2018 (see the immediate reports of September 2, 2018 and September 12, 2018 (ref. no.: 2018-01-081628 and 2018-01-083794, respectively)), as specified below. On December 30, 2018, the court granted the motion for a stay of the proceedings, and ordered the filing of the petitioner's response to the motion for summary dismissal, and thereafter a reply on behalf of the Partnership.

As specified in the Partnership's immediate report of July 8, 2018 (ref. no.: 2018-01-065365), the general partner's Board authorized the Audit Committee (which comprises outside and independent directors only) to handle the issue of determination of the Date of Investment Recovery in the Tamar project, and to take, for such purpose, any action as the committee deems fit, at its discretion, including to retain the services of outside independent professional consultants and attorneys. It is clarified that the Partnership's actions in connection with payment of the royalties to the Royalty Holders are taken in accordance with resolutions of the Audit Committee.

The Partnership shall study, with the assistance of its legal advisors, the details of the Complaint and the Motion for a Provisional Injunction, and shall file its response accordingly.

Sincerely,

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

By Yossi Gvura, Deputy CEO
and Sari Singer Kaufman, General Counsel, VP