

Delek Drilling - Limited Partnership
(the “Partnership”)

March 25, 2021

Israel Securities Authority
22 Kanfei Nesharim St.
Jerusalem

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

Dear Sir/Madam,

Re: Receipt of Tax Assessment Other than by Agreement – Temporary Tax Certificate for an Entitled Holder due to the Holding of a Participation Unit for the Tax Year 2018

Further to Section 7.21.8 of the Partnership’s periodic report as of December 31, 2020, as released on March 17, 2021 (Ref. No.: 2021-01-036588) (the “**Periodic Report**”), in connection with the Partnership’s taxable income, which shall be attributed to an entitled holder in respect of the holding of participation units of the Partnership in 2018, the Partnership hereby respectfully reports that against the backdrop of the disputes that have arisen between the Partnership and the Tax Authority and disagreements regarding the amount of the Partnership’s taxable income for 2018, on March 24, 2021, an assessment other than by agreement was received from the Tax Authority, pursuant to Section 145(a)(2)(b) of the Income Tax Ordinance, 5721-1961 (the “**Tax Assessment**”), whereby the Partnership’s taxable business income for 2018 is approx. \$198 million (instead of approx. \$152 million, as was included in the Partnership’s tax report that was filed with the Tax Authority) and the Partnership’s capital gain for 2018 is approx. \$18 million, as declared in the report that was filed thereby as aforesaid¹.

The disputes mainly pertain to the interpretation of the manner of recognition of financial expenses and additional expenses which were borne by the Partnership, similarly to disputes in respect of which assessments to the best of judgment were issued for 2016 and 2017, as specified in Sections 7.21.6(c) and 7.21.7(c) of the Periodic Report, respectively.

According to the Tax Assessment, and insofar as all of the Tax Authority’s claims are accepted, the Partnership will be liable for an additional tax payment (including interest and linkage differentials) on account of the holders of the Partnership’s participation units, in the sum of approx. \$13 million.

It is noted that, in view of the aforesaid, there may be a delay in the issuance of a final tax certificate to an entitled holder due to the holding of a participation unit of the Partnership for the tax year 2018 until completion of the proceedings that shall be required for determination of the final assessment.

In the Partnership’s estimation, based on an opinion of its professional advisors, the prospects of the Partnership’s main claims being accepted are higher than 50%, and therefore it intends

¹ The said amounts were translated from shekels to dollars according to the dollar rate known on the date of the issuance of the Tax Assessment.

to file an administrative objection to the Tax Assessment and to exhaust the administrative and legal proceedings available thereto.

Sincerely,

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

By Yossi Abu, CEO
and Yossi Gvura, Deputy CEO