



Immediate Report

Decision at Hearing on Maximum Payments for Wholesale Services of Infrastructure Owners

Tel Aviv, Israel – February 22, 2020 – Bezeq The Israel Telecommunication Corp., Ltd. (TASE: BEZQ) (the "Company") announced today that further to the Company's Immediate Report dated March 19, 2019 concerning a hearing of the Ministry of Communications to regulate maximum payments for wholesale services of infrastructure owners, and further to the description of this matter in section 2.16.1.8 of the Chapter on the Description of the Company's Business in the Company's 2018 Periodic Report and the update of that section in the Company's quarterly report for the period ended September 30, 2019, an Immediate Report is hereby provided.

On February 20, 2020 the decision of the Minister of Communications was received regarding the hearing to modify the Communications Regulations (Bezeq and Broadcasts) (Use of Public Network of a Local Operator), 2014 ("the Modification" and "the Regulations", respectively), as detailed below:

1. The Modification includes formulas to update the maximum payments to which the Company is entitled for use of its network (wholesale BSA service) on January 1 of each year between 2019 - 2022, and it was also stipulated therein that the Minister of Communications will publish each year on November 15 the index of forecast demand, which is a component of the update formula. The demand indices for 2019 and 2020 were set in a notice of the Minister attached to the decision of the Minister.

The Modification will start retroactively from January 1, 2019.

2. It was also determined when the Regulations come into force there will be a reduction in certain payment components that will lead to a set-off between the Company and another license holder that used the services in the period between February 2017 (date decision taken to update the Regulations), until the end of setting-off for that period.

The update of maximum payments for 2019 and 2020 is expected to lead to a reduction in the Company's revenues as compared with revenues that would have been received based on current tariffs by which the market has operated since July 2018. It should be noted that the exact update tariffs for 2019 - 2020 (the result of the formula) have not yet

Bezeq The Israel Telecommunication Corporation Ltd.



been published and are expected to be published in an announcement of the Director General of the Ministry of Communications together with publication of the Regulations.

The Company does not expect a materially adverse impact on its results from the decision of the Minister. It should be noted that in respect of repayments of payments arising from application of the Modification retroactively from the start of 2019, the Company has made suitable provisions in its books.

The above information constitutes a translation of the Immediate Report published by the Company. The Hebrew version was submitted by the Company to the relevant authorities pursuant to Israeli law, and represents the binding version and the only one having legal effect. This translation was prepared for convenience purposes only.