



November 12, 2018

Immediate Report

Hearing - Extension of Wholesale Market Payments

Further to the Company's report in section 1.7.3 of the Description of the Company's Operations in the Company's periodic report for 2017 in respect of the wholesale market, updates to that section in the Company's quarterly report for the quarter ended on June 30, 2018, and the Company's immediate report dated November 17, 2014 regarding the Minister of Communications' decision on the wholesale market, an immediate report is hereby submitted that on November 11, 2018 the Company received a Ministry of Communications hearing document regarding extension of the validity of the payments for wholesale services of infrastructure owners (the Company and Hot) set out in the Communications (Telecommunications and Broadcasting) (Use of a Public Telecommunications Network of a Fixed-Line Operator) Regulations, 2014 ("Use Regulations"), the original validity of which was until the end of 2018.

The hearing document indicates that the Ministry of Communications believes that the need for supervision of the payments continues to exist also after the end of 2018 and the key trends in the market, including market demand and declining equipment prices, indicate that the cost of providing the wholesale services is decreasing over time. The Ministry initiated a regulatory process of determining the maximum payments for the wholesale services in 2019-2022, and it soon intends to publish a hearing regulating the updated maximum payments on the Company's network. Until completion of the process, it is proposed in the hearing to extend application of the maximum payments to the wholesale services for 2018 currently set in the Regulations so as to continue to apply from 2018 onwards.

The deadline for sending comments to the hearing is November 19, 2018. The Company is studying the hearing documents and reviewing how to address it.

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.