



Bezeq - The Israel Telecommunications Corp. Ltd.

(the "Company")

December 21, 2022

Attn.
Israel Securities Authority
The Tel Aviv Stock Exchange Ltd.

Dear Madam/Sir,

Re: Immediate Report – Hearing to set the format for assessing margin squeeze in an advanced fixed-line network

On December 20, 2022, the Ministry of Communications published the contents of a hearing regarding the format for assessing margin squeeze by owners of fixed-line communication infrastructure.¹

In accordance with the contents of the hearing, a revised format is proposed for assessing the margin squeeze, setting out the components and applicability of the test. Among other things, it is proposed that the margin squeeze test will be applied to a retail product based on an advanced network of authorized suppliers with significant market power (including the Company). The proposal describes the method for calculating the prices underlying the test and proposes that the retail margin component is calculated as a 25% increment on the wholesale costs, or alternatively, as a 20% reduction from the retail price to the end customer. It is proposed that the test is used as an independent assessment, instead of establishing a rigid framework including reports and advance approvals for each marketing proposal. Failure to comply with the margin squeeze test will lead, among other things, to the exercise of the powers of the Minister of Communications under Section 17(C) of the Communications Law and to a reduction of the wholesale payment for a BSA in a way that will bring it within the limits of the proposed test for one year.

The Company is reviewing the contents of the hearing. It should be noted that today as well, the Company performs an independent assessment of the failure to reduce margins in BSA, so that if the hearing applies to the Company in the format that was published, it is not expected to have a material effect on its business.

Some of the information in this report is forward-looking information as defined in the Israel Securities Law, 1968, based on the Company's estimates for the final decisions following the

¹ According to the contents of the hearing, it replaces two earlier hearings (in 2014 and 2017) in which no final decision was made due to difficulties of implementation. Margin squeeze exists when an infrastructure owner holding market power and providing wholesale services to its competitors narrows the margin between its retail rate for the consumer and the wholesale rate for its competitors, impairing the economic viability of the competitors' purchase of wholesale inputs from it and marketing retail services to the consumer on their basis.

For a link to the hearing documents as published on the Ministry of Communications website, see https://www.gov.il/he/departments/publications/Call_for_bids/21122022 [in Hebrew]



hearing and their effects. Actual estimates may be different depending on the variables set out above.

Yours sincerely,

“Bezeq” The Israel Telecommunication Corp Limited

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.

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