



January 31, 2018

Immediate Supplementary Report

Notice from Eurocom and Company objection to the arrangement

Further to the Company's reports of January 15, 2018 and January 21, 2018, regarding the filing of a motion on behalf of the Company's controlling shareholder, Eurocom Communications Ltd. ("Eurocom") (as well as other private companies of the Eurocom Group) to convene creditors' meetings for the purpose of approving an arrangement under Section 350 of the Companies Law, 5759-1999 and in accordance with the Companies Regulations (Application for Settlement or arrangement), 5762-2002, the Company hereby provides notification that in the evening of January 30, 2018, it was informed by Eurocom of the following:

1. On January 30, 2018, the creditors' meetings were held. At this stage, the meetings ended without votes and/or the adoption of any resolutions, and it was reported that Eurocom would act to coordinate subsequent meetings in accordance with developments and/or court orders.
2. During the meeting, it was noted that, in addition to the settlement proposal originally submitted for the approval of the creditors' meetings, on January 30, 2018, the following events occurred:
 - a. Settlement proposals were submitted to Eurocom and/or Eurocom's banking creditors on behalf of additional interested parties, including Discount Investment Corporation Ltd. and C.Z. Holdings Company Ltd. (hereinafter, the "Additional Proposals") for the potential/future investment/acquisition of the control of all and/or part of the Eurocom Group companies, including Eurocom;
 - b. The investor in the original arrangement that was brought up for discussion submitted a revised proposal (hereinafter, the "Revised Proposal").
3. It was noted in the meetings that the Additional Proposals and the Revised Proposal were not yet examined by Eurocom and/or Eurocom's creditors, and therefore, at this stage, it was agreed at the creditors' meetings not to decide among any of the proposals that were submitted. The creditors' meeting instructed Eurocom to report the submission of the Additional Proposals and the Revised Proposal to the court.
4. At this preliminary stage, prior to evaluating the proposals on the merits, holding a discussion and voting thereon and/or on any one of them, it is not possible to evaluate the implications and/or effect thereof.



5. Eurocom clarified to the Company that any arrangement proposal, if at all, would be subject to the approval of the appropriate creditors' meetings, the competent court, various regulatory approvals, the approvals of relevant government offices and other relevant authorities (at the relevant levels). At this stage, there can be no certainty regarding the implementation of any arrangement.

It was also clarified in the Eurocom notice that the aforementioned events pertain to the private companies in the Eurocom Group.

In addition to the above, it should be noted that at the creditors' meeting, the Company announced its opposition to the arrangement published, among other matters, in view of the ambiguity and lack of clarity regarding the terms of the arrangement and the lack of response to the clarifications requested by the Company as well as the opposition to some of the conditions of the arrangement on their merits.

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.