



Bezeq - The Israel Telecommunications Corp. Ltd.

(“The Company”)

January 2, 2022

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

Dear Sir/Madam,

Immediate Report – Decision of hearing on the determination of maximum rates for the Company's retail telephony services

Further to the Company's Immediate Report dated December 15, 2020, in respect to a hearing published by the Ministry of Communications regarding the determination of maximum rates for the Company's retail telephony services (hereinafter - the "**Hearing**") and the descriptions in the Company Operations Chapter in the Company's Periodic Report for 2020 and the update to that chapter in the Company's Q3 Report for 2021, an immediate report is hereby issued, that on December 30, 2021, the Company received the decision of the Minister of Communications from the Hearing to reduce the Company's telephony rates as detailed below (hereinafter - the "**Decision**").

1. Below are the main points of the Decision of the Minister of Communications:
 - 1.1. To amend the relevant regulations so that the maximum payments for a subscriber line¹ and for calls from a subscriber line shall be reduced incrementally on two dates:
 - 1.1.1. First date – April 1, 2022 (date of entry into force of the regulations)
 - 1.1.2. Second date – July 1, 2023

¹ “Subscriber line” - up to three lines connecting end-equipment to the Company network, provided that the end-equipment is not connected to a private exchange, unless the end-equipment is connected to a private exchange that is not connected to the Company network via a private connection service.



1.2. Following are details of the rates in accordance with the abovementioned dates (in NIS):

Two stages	Service	The maximum rate	
		VAT excluded	VAT included
First date until Second date	Monthly user fee for a telephone line	29.91	35
	Rate for call minutes to fixed-line networks ²	Low 0.035 Peak 0.0857	Low 0.041 Peak 0.100
	Rate for call minutes to mobile networks ³	0.1093	0.128
Commencing from the second date	Monthly user fee for a telephone line	20.82	24.36
	Rate for call minutes to fixed-line networks ⁴	0.0142	0.017
	Rate for call minutes to mobile networks ⁵	0.074	0.086

1.3. Following the transition to the maximum payments' mechanism, the existing alternative payments baskets, which the Company markets pursuant to the provisions of Section 15a of the Telecommunications Law, 1982 (hereinafter - the "**Telecommunications Law**"), shall be canceled. Notwithstanding, the Company will be able to market telephony services packages, including a telephone line and call minutes, at rates it shall prescribe pursuant to Section 17 of the Telecommunications Law, provided that the payments for these bundles are less than the payments derived from the maximum rates to be determined.

Commencing from the first date and until the second date, the maximum payment of subscribers, who on the eve of the entry into force of the amendment paid for a service bundle in accordance with an alternative payments basket, shall be pursuant to the terms stipulated in that alternative payments basket or pursuant to the payments regulations according to their wording after the amendment,

² Including interconnect fees to fixed-line destinations.

³ Including interconnect fees to mobile networks.

⁴ Including interconnect fees to fixed-line destinations.

⁵ Including interconnect fees to mobile networks.



whichever is the lower. In the Ministry of Communication's estimate, the said change in rates is likely to reduce the expenses of the Company's individual lines sector and thus lead to a reduction in the costs of fixed-line telephony consumers by NIS 370 million a year from the second date and thereafter (including VAT).

- 1.4. The Minister of Communications' decision also states that in view of the anticipated technological changes, in particular the transition to advanced networks, the decline in the number of fixed telephony services subscribers and changes in the state of competition, insofar as such exist, the Minister of Communications intends to recommend that in 2025 the professional bodies in the Ministry of Communications shall examine the need for continued supervision of the Company's fixed telephony services.
2. In the Company's estimate, the reduction of rates pursuant to the decision is expected to have a material adverse effect on its financial results. Nevertheless, in the Company's estimate, the decline in its revenue is forecast to be of a lower amount than that mentioned in the estimates of the Ministry of Communications.
3. In accordance with the Company's estimates, should the number of telephony lines and call minutes in the Company's network remain at their current level as of the time of this report, the reduction of the rates would then be forecast to lead to a decline in the Company's revenues in 2022 by an amount of NIS 70 million; a decline in the Company's revenues in 2023 by an amount of NIS 150 million; and from 2024 onwards to a decline in the Company's revenues by an amount of NIS 200 million per annum. However, in light of the continuing trend of reduction both in the number of the Company's telephony lines and the number of call minutes, which has resulted in undercutting the Company's revenues from telephony services⁶ the impact of the Decision alone on the Company's revenues is expected to be more limited in comparison with what is stated in this section above.
4. The Company continues to study the overall effects of the Decision and its continued activity on this matter.

⁶ Apart from 2020 which was affected by the COVID-19 pandemic.



Some of the information included in this Immediate Report constitutes forward-looking information as defined in the Securities Law, 1968, and involves assessments, assumptions and expectations, including the demand for the Company's services and the behavior of other telecommunications providers. Accordingly, the information might not materialize or materialize in a manner different from which is described above and subject to occurrence of the abovementioned estimates.

The public documents in Hebrew were sent to the Company by the Ministry of Communications and were published by the Company in its Hebrew report. The Ministry of Communications is expected to publish these documents during the day and may be viewed on the Ministry's website.

Yours sincerely,

Bezeq – the Israeli Telecommunication Corp. Ltd.

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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